

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**August 2012**

**OFFICE OF MANAGEMENT AND BUDGET  
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## MESSAGE FROM THE DIRECTOR

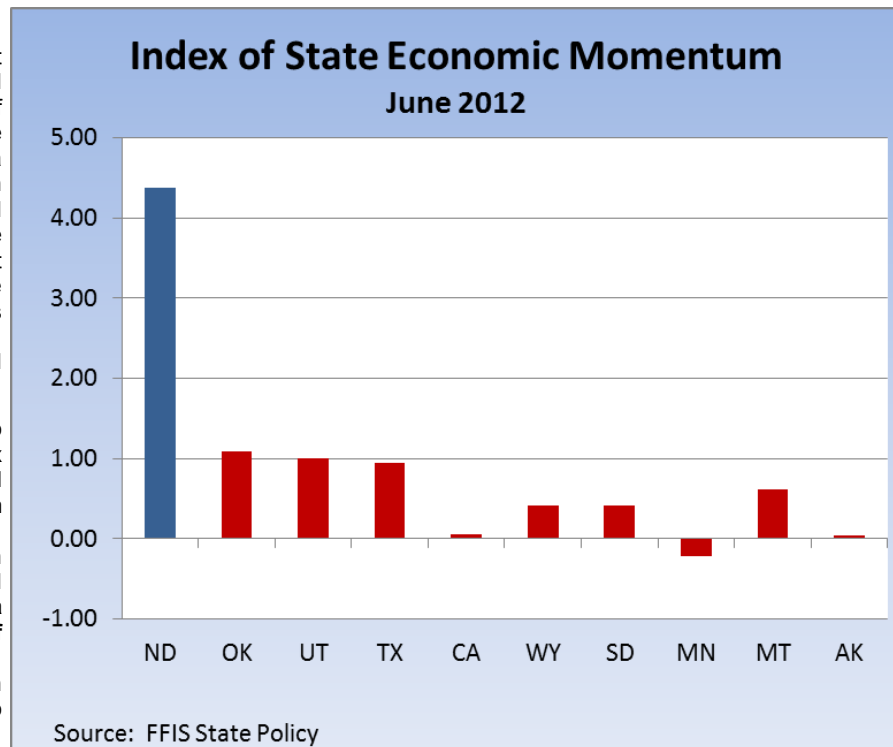
Federal Funds Information for States (FFIS), in its July 2012 issue of *State Policy Reports*, issued an updated ranking of the economic vitality of states. This ranking, updated quarterly by FFIS, is known as the Index of State Economic Momentum. The index "ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth and population growth....Measures of the three components are averaged, and the national average is set at zero. Each state's score is then expressed as a percentage above or below the national average."

North Dakota maintained its first place ranking and the margin widened between North Dakota and the rest of the nation. North Dakota's index score was 4.38; second place Oklahoma scored only 1.09; third place Utah scored 1.00. All other states scored less than 1.00 or had a negative score. Mississippi had the lowest score at -1.00. This indicates that the economic condition in most states is similar...most are within one percent, either above or below, the national average.

North Dakota ranked first in two of the three individual index components. **North Dakota ranked first in personal income growth** from first quarter 2011 to first quarter 2012. Personal income grew 9.8 percent in North Dakota compared to a national average of 2.9 percent. **North Dakota also ranked first in terms of employment growth.** From May 2011 to May 2012, employment in North Dakota grew 6.8 percent, compared to

a national average of only 1.2 percent. **North Dakota ranked third in terms of percentage population growth** from July 2010 to July 2011. At 1.4 percent, North Dakota's growth rate doubled the national average of 0.7 percent.

These individual measures are aggregated into an overall index, which clearly shows North Dakota outperforming both its neighboring Midwestern states and its oil-producing counterparts, such as Texas, California, and Alaska. The following chart shows selected states and their index score.



## OIL ACTIVITY



The 2011-13 biennium legislative revenue forecast is based on oil production increasing from 390,000 barrels per day at the start of the 2011-13 biennium to 425,000 barrels per day by the end of the biennium. North Dakota crude oil prices are forecasted to range from \$72 per barrel to \$75 per barrel during that time. The current rig count is 199 rigs, 6 more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	June 2012	May 2012	Apr 2012
Actual average price per barrel	\$73.21	\$81.76	\$83.92
Production (barrels/day)	660,300	639,300	609,500
Drilling permits	204	180	167
Producing wells	7,325	7,205	7,036
Rig count	213	211	209

Comments or Questions?

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**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2011-13 Biennium**  
**July 2012**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 Leg. Forecast	Actual	Variance	Percent	April 2011 Leg. Forecast	Actual	Variance	Percent
Sales Tax	65,903,000	120,275,054	54,372,054	82.5%	732,638,000	1,151,717,070	419,079,070	57.2%
Motor Vehicle Excise Tax	7,297,000	10,855,364	3,558,364	48.8%	96,673,000	133,028,869	36,355,869	37.6%
Individual Income Tax	31,065,000	63,349,646	32,284,646	103.9%	296,862,000	493,345,659	196,483,659	66.2%
Corporate Income Tax		978,805	978,805	100.0%	61,734,000	199,725,576	137,991,576	223.5%
Insurance Premium Tax	150,000	17,808	(132,192)	-88.1%	34,500,000	39,046,292	4,546,292	13.2%
Financial Institutions Tax		(201)	(201)	-100.0%	2,270,000	3,782,959	1,512,959	66.7%
Oil & Gas Production Tax*					89,237,000	146,501,416	57,264,416	64.2%
Oil Extraction Tax*					110,763,000	112,550,313	1,787,313	1.6%
Gaming Tax	59,151	289,720	230,569	389.8%	4,741,319	6,112,141	1,370,822	28.9%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,944,000	2,331,364	387,364	19.9%	24,071,000	28,939,377	4,868,377	20.2%
Wholesale Liquor Tax	679,000	856,152	177,152	26.1%	8,131,000	9,319,629	1,188,629	14.6%
Coal Conversion Tax					17,826,000	19,498,126	1,672,126	9.4%
Mineral Leasing Fees	1,416,667	1,639,103	222,436	15.7%	9,916,671	27,920,814	18,004,143	181.6%
Departmental Collections	1,874,487	982,397	(892,090)	-47.6%	33,201,710	36,593,414	3,391,704	10.2%
Interest Income	985,000	113,367	(871,633)	-88.5%	20,777,500	7,196,725	(13,580,775)	-65.4%
State Mill & Elevator-Transfer					3,325,000	3,822,989	497,989	15.0%
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	185,625	185,625	0	0.0%	928,125	1,048,638	120,513	13.0%
<b>Total Revenues and Transfers</b>	<b>111,558,930</b>	<b>201,874,204</b>	<b>90,315,274</b>	<b>81.0%</b>	<b>1,848,095,325</b>	<b>2,722,150,008</b>	<b>874,054,683</b>	<b>47.3%</b>

\* Oil and gas production and extraction tax collections totaled \$0 million in July, since July collections are allocated to June prior to the close of the fiscal year. The first collections for fiscal year 2013 will accrue during August. An additional \$40.9 million will be deposited into the general fund in August, bringing the general fund to its statutory cap of \$300.0 million. Additional collections will be deposited into the strategic investment and improvements fund.

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2011-13 Biennium July 2012

Revenues and Transfers	Fiscal Month				Biennium To Date			
	July 2010	July 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	47,527,825	120,275,054	72,747,229	153.1%	601,781,151	1,151,717,070	549,935,919	91.4%
Motor Vehicle Excise Tax	5,272,490	10,855,364	5,582,874	105.9%	60,749,389	133,028,869	72,279,479	119.0%
Individual Income Tax	31,820,718	63,349,646	31,528,928	99.1%	333,459,052	493,345,659	159,886,606	47.9%
Corporate Income Tax	380,147	978,805	598,658	157.5%	88,254,740	199,725,576	111,470,836	126.3%
Insurance Premium Tax	59,642	17,808	(41,834)	-70.1%	31,311,957	39,046,292	7,734,335	24.7%
Financial Institutions Tax	56,175	(201)	(56,376)	-100.4%	2,886,840	3,782,959	896,119	31.0%
Oil & Gas Production Tax*					32,718,333	146,501,416	113,783,083	347.8%
Oil Extraction Tax*					38,281,667	112,550,313	74,268,646	194.0%
Gaming Tax	103,620	289,720	186,100	179.6%	8,305,816	6,112,141	(2,193,674)	-26.4%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	2,019,978	2,331,364	311,386	15.4%	24,455,293	28,939,377	4,484,085	18.3%
Wholesale Liquor Tax	759,368	856,152	96,784	12.7%	8,127,240	9,319,629	1,192,389	14.7%
Coal Conversion Tax					21,113,869	19,498,126	(1,615,743)	-7.7%
Mineral Leasing Fees	1,435,157	1,639,103	203,947	14.2%	9,469,061	27,920,814	18,451,753	194.9%
Departmental Collections	1,106,644	982,397	(124,246)	-11.2%	34,298,592	36,593,414	2,294,822	6.7%
Interest Income	274,892	113,367	(161,524)	-58.8%	23,675,340	7,196,725	(16,478,614)	-69.6%
State Mill & Elevator-Transfer					6,260,457	3,822,989	(2,437,468)	-38.9%
Major Special Fund Transfers					295,000,000	295,000,000	0	0.0%
Other Transfers	161,000	185,625	24,625	15.3%	1,924,678	1,048,638	(876,040)	-45.5%
<b>Total Revenues and Transfers</b>	<b>90,977,655</b>	<b>201,874,204</b>	<b>110,896,549</b>	<b>121.9%</b>	<b>1,627,173,474</b>	<b>2,722,150,008</b>	<b>1,094,976,534</b>	<b>67.3%</b>

\* Oil and gas production and extraction tax collections totaled \$0 million in July, since July collections are allocated to June prior to the close of the fiscal year. The first collections for fiscal year 2013 will accrue during August. An additional \$40.9 million will be deposited into the general fund in August, bringing the general fund to its statutory cap of \$300.0 million. Additional collections will be deposited into the strategic investment and improvements fund.

## VARIANCES

July 2012 revenues total \$201.9 million, \$90.3 million more than forecasted for the month. The biennium-to-date variance is \$874.1 million, or 47.3 percent. Significant variances are as follows:

- **Sales tax** collections total \$120.3 million in July, \$54.4 million more than estimated. The biennium-to-date variance from the forecast is \$419.1 million, or 57.2 percent. Compared to the first thirteen months of the previous biennium, sales tax collections are \$549.9 million, or 91.4 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.6 million for the month. For 2009-11, only 75.0 percent of the tax was allocated to the general fund, but for 2011-13, 100.0 percent of the tax is allocated to the general fund. Adjusting for this change in allocation, 2011-13 collections are \$52.1 million higher.
- **Individual income tax** collections exceed the forecast by \$32.3 million for the month,

and by \$196.5 million biennium to date.

- **Oil and gas taxes** were not deposited in the general fund during July. July revenues were allocated to June to close out the fiscal year. An additional \$40.9 million will be deposited in the general fund during the 2011-13 biennium, at which time the \$300.0 million general fund cap will be reached. Additional oil and gas tax revenues will be deposited into the state disaster fund, the strategic investment and improvements fund, and the legacy fund.
- **Departmental collections** are comprised of various fees charged by a multitude of state agencies. Consequently, causes of variations from the forecast are often difficult to identify and in many cases are timing-related. For the month of July, collections were nearly \$900,000 lower than estimated, but continue to exceed the biennium-to-date forecast by \$3.4 million.