

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**October 2012**

**OFFICE OF MANAGEMENT AND BUDGET  
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

## MESSAGE FROM THE DIRECTOR

### North Dakota = Nation's Lowest Unemployment Rate and Highest Job Growth

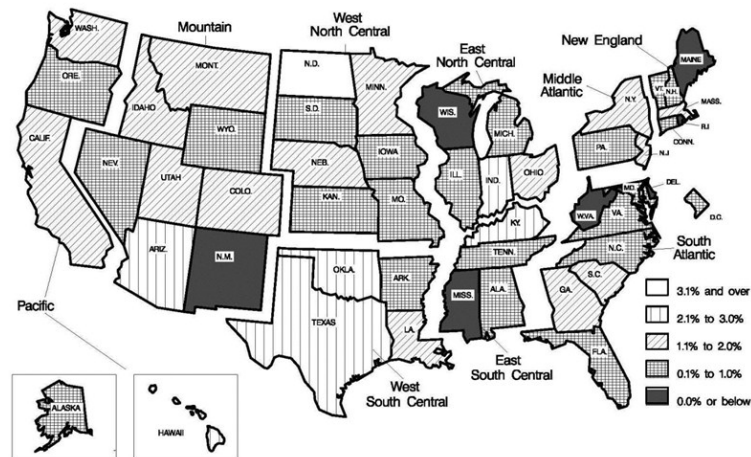
The Bureau of Labor Statistics, in an October 19, 2012 report, released its latest state employment statistics. Generally, the labor market is improving with lower unemployment rates and job growth in most states. However, once again, North Dakota stands out.

“Forty-four states and the District of Columbia registered unemployment rate decreases from a year earlier, while six states experienced increases. The national jobless rate decreased to 7.8 percent from August and was 1.2 percentage points lower than in September 2011.” In North Dakota, the unemployment rate remains the lowest in the nation at a mere 3.0 percent. Surrounding states all fare better than the national average, but have rates significantly higher than North Dakota. South Dakota’s September seasonally adjusted unemployment rate was 4.4 percent. Rates were even higher in Minnesota, Montana, and Wyoming, at 5.8 percent, 6.1 percent, and 5.4 percent, respectively.

The Bureau of Labor Statistics reported that “nonfarm employment increased in 44 states and the District of Columbia, decreased in 5 states, and remained unchanged in Maine.” Although the majority of

states recorded an increase in employment since September of last year, in most cases the increase was modest. Nationally, the average employment change was only 1.1 percent. Neighboring states all experienced job growth at a rate similar to the national average. Rates of growth ranged from .9 percent in South Dakota to 1.9 percent in Montana. In North Dakota, however, the rate of growth was an astounding 5.6 percent, more than twice the rate of growth experienced in second-ranked Kentucky, where employment grew by 2.6 percent.

**Percent Change in Nonfarm Employment by State – Seasonally Adjusted  
September 2011 – September 2012**



## OIL ACTIVITY



The 2011-13 biennium revised revenue forecast is based on oil production increasing to 830,000 barrels per day by the end of the biennium. North Dakota crude oil prices are forecasted to remain around \$70 per barrel during that time. The current rig count is 193 rigs, 6 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	August 2012	July 2012	June 2012
Actual average price per barrel	\$82.76	\$73.61	\$73.21
Production (barrels/day)	701,100	676,200	664,500
Drilling permits	261	183	204
Producing wells	7,701	7,467	7,365
Rig count	198	211	213

Comments or Questions?  
Contact

Pam Sharp, Director  
Phone: 701-328-2680  
Fax : 701-328-3230

E-mail:  
[psharp@nd.gov](mailto:psharp@nd.gov)  
Visit the North Dakota web site  
[www.nd.gov](http://www.nd.gov)

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium September 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	50,009,000	86,295,569	36,286,569	72.6%	853,146,000	1,340,005,245	486,859,245	57.1%
Motor Vehicle Excise Tax	7,630,000	10,009,216	2,379,216	31.2%	111,823,000	154,811,369	42,988,369	38.4%
Individual Income Tax	13,817,000	19,303,738	5,486,738	39.7%	329,733,000	518,965,633	189,232,633	57.4%
Corporate Income Tax		229,357	229,357	100.0%	61,734,000	200,127,337	138,393,337	224.2%
Insurance Premium Tax	150,000	45,087	(104,913)	-69.9%	38,150,000	42,732,905	4,582,905	12.0%
Financial Institutions Tax		8,472	8,472	100.0%	2,270,000	3,793,798	1,523,798	67.1%
Oil & Gas Production Tax*					163,458,104	163,458,104	0	0.0%
Oil Extraction Tax*					136,541,896	136,541,896	0	0.0%
Gaming Tax	15,495	63,975	48,480	312.9%	5,649,613	7,048,621	1,399,008	24.8%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	2,004,000	2,586,401	582,401	29.1%	28,037,000	34,078,200	6,041,200	21.5%
Wholesale Liquor Tax	612,000	766,031	154,031	25.2%	9,360,000	10,881,973	1,521,973	16.3%
Coal Conversion Tax	1,512,000	1,663,953	151,953	10.0%	20,802,000	22,656,950	1,854,950	8.9%
Mineral Leasing Fees	(708,333)	(3,224,715)	(2,516,382)	355.3%	10,625,005	26,933,610	16,308,605	153.5%
Departmental Collections	4,967,611	5,320,795	353,184	7.1%	39,901,453	44,592,671	4,691,218	11.8%
Interest Income	985,000	446,470	(538,530)	-54.7%	22,747,500	8,121,268	(14,626,232)	-64.3%
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		12,302	12,302	100.0%	928,125	1,060,940	132,815	14.3%
<b>Total Revenues and Transfers</b>	<b>80,993,773</b>	<b>123,526,649</b>	<b>42,532,876</b>	<b>52.5%</b>	<b>2,138,731,696</b>	<b>3,021,633,510</b>	<b>882,901,814</b>	<b>41.3%</b>

\* Oil and gas production and extraction tax collections totaled \$188.1 million in August. The general fund cap of \$300.0 million has been reached and no additional oil taxes will be deposited into the general fund during the 2011-13 biennium. Through August, \$67.9 million has been deposited into the strategic investment and improvements fund. Once \$100.0 million is deposited into that fund, \$22.0 million will be deposited into the state disaster fund. After the cap is reached in that fund, additional revenues will once again be deposited into the strategic investment and improvements fund for the remainder of the biennium. Moneys will continue to be deposited each month into the legacy fund; through September, \$535.2 million has been deposited into that fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	September 2010	September 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	58,825,753	86,295,569	27,469,816	46.7%	722,460,132	1,340,005,245	617,545,113	85.5%
Motor Vehicle Excise Tax	5,378,058	10,009,216	4,631,157	86.1%	72,028,461	154,811,369	82,782,908	114.9%
Individual Income Tax	17,127,150	19,303,738	2,176,588	12.7%	372,159,409	518,965,633	146,806,225	39.4%
Corporate Income Tax	14,708,069	229,357	(14,478,712)	-98.4%	103,760,669	200,127,337	96,366,668	92.9%
Insurance Premium Tax	112,150	45,087	(67,063)	-59.8%	35,283,306	42,732,905	7,449,599	21.1%
Financial Institutions Tax	(64,367)	8,472	72,839	-113.2%	3,077,513	3,793,798	716,285	23.3%
Oil & Gas Production Tax*					32,718,333	163,458,104	130,739,771	399.6%
Oil Extraction Tax*					38,281,667	136,541,896	98,260,229	256.7%
Gaming Tax	27,144	63,975	36,830	135.7%	9,896,960	7,048,621	(2,848,339)	-28.8%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	2,202,276	2,586,401	384,125	17.4%	28,817,338	34,078,200	5,260,863	18.3%
Wholesale Liquor Tax	632,571	766,031	133,460	21.1%	9,407,651	10,881,973	1,474,322	15.7%
Coal Conversion Tax	1,483,036	1,663,953	180,917	12.2%	24,064,305	22,656,950	(1,407,355)	-5.8%
Mineral Leasing Fees	(1,525,675)	(3,224,715)	(1,699,041)	111.4%	9,242,852	26,933,610	17,690,758	191.4%
Departmental Collections	6,096,113	5,320,795	(775,318)	-12.7%	41,789,709	44,592,671	2,802,963	6.7%
Interest Income	692,700	446,470	(246,230)	-35.5%	25,151,759	8,121,268	(17,030,491)	-67.7%
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		12,302	12,302	100.0%	1,924,678	1,060,940	(863,738)	-44.9%
<b>Total Revenues and Transfers</b>	<b>105,694,979</b>	<b>123,526,649</b>	<b>17,831,671</b>	<b>16.9%</b>	<b>1,836,425,197</b>	<b>3,021,633,510</b>	<b>1,185,208,313</b>	<b>64.5%</b>

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## VARIANCES

September 2012 revenues total \$123.5 million, \$42.5 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$882.9 million, or 41.3 percent. Significant variances are as follows:

- **Sales tax** collections total \$86.3 million in September, \$36.3 million more than estimated. The biennium-to-date variance from the original forecast is \$486.9 million, or 57.1 percent. Compared to previous biennium collections through September 2010, sales tax collections this biennium are \$617.5 million, or 85.5 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$2.4 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 \$58.8 million higher.
- **Individual income tax** collections exceeded the forecast by \$5.5 million for the month, bringing the biennium-to-date variance to \$189.2 million.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in August. No additional oil taxes will be deposited into the general fund during the 2011-13 biennium.
- **Mineral leasing fees** are received from the federal government for leasing mineral rights and extracting minerals on federal lands located within the state. These revenues are shared equally with the counties in which the minerals are located through a quarterly distribution, reflected on this report as a negative amount. The large variance for September reflects the larger than anticipated quarterly distribution to counties. The biennium-to-date variance is \$16.3 million.
- **Departmental collections** are comprised of various fees and transfers. Consequently, causes of variations from the forecast are often difficult to identify and in many cases are timing-related. However, for the month of September the variance is primarily attributable to the annual transfer from the excess balance in the insurance regulatory trust fund. The transfer was budgeted at \$3.0 million but was actually \$3.5 million.