

North Dakota REV-E-NEWS



Pam Sharp, Director

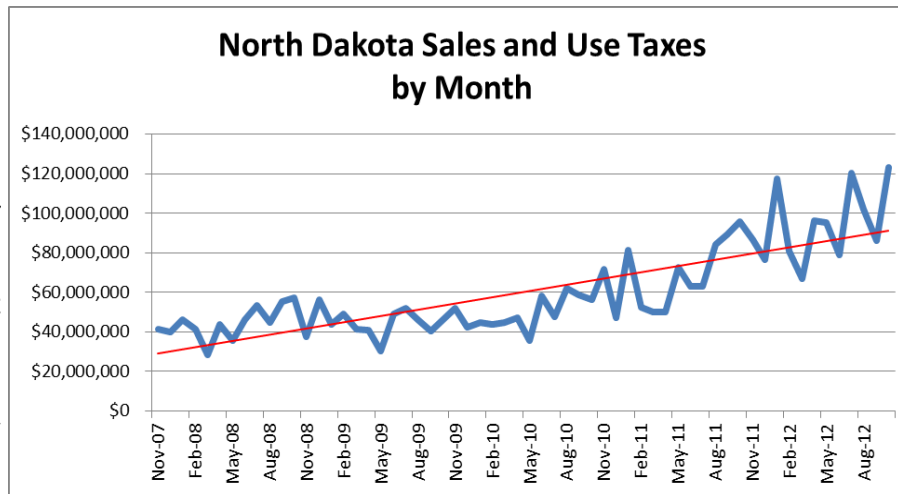
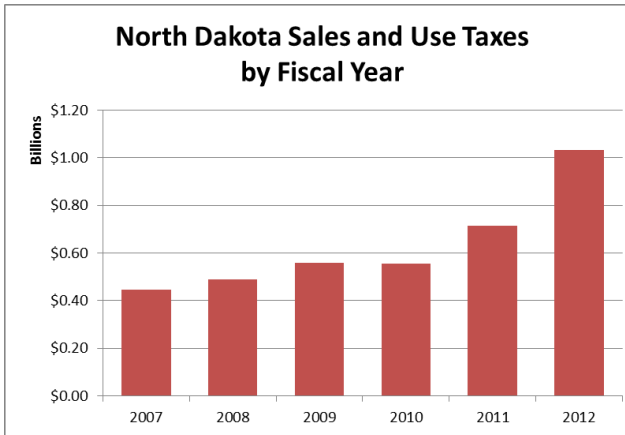
November 2012

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

MESSAGE FROM THE DIRECTOR

The state's 5.0 percent sales and use tax is the largest source of revenue for the state general fund and the primary means used to fund state government programs in North Dakota. Growth in sales tax collections in recent years have helped make possible increases in funding for education and social service programs, the enactment of state funded property tax relief, and continuing reductions in individual and corporate income tax rates. Consequently, it is exciting to monitor the growth in this important tax type. In fact, in October these tax collections reached a new record level of \$123.0 million, topping the \$120.0 million mark for only the second time in history.

During fiscal year 2007, sales and use tax collections averaged only \$37.3 million per month, compared to an average of over \$85.0 million during fiscal year 2012. From fiscal year 2010 to 2011, sales and use taxes grew by over 28.0 percent and from 2011 to 2012, they grew by nearly 45.0 percent. The result is that sales and use taxes collections have more than doubled in just the past five years – from \$447.2 million in fiscal year 2007 to over \$1.03 billion in fiscal year 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 187 rigs, 16 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Sept 2012	August 2012	July 2012
Actual average price per barrel	\$88.02	\$82.76	\$73.61
Production (barrels/day)	728,500	701,400	676,200
Drilling permits	273	261	183
Producing wells	7,798	7,701	7,467
Rig count	190	198	211

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium October 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	71,247,000	123,017,187	51,770,187	72.7%	924,393,000	1,463,022,432	538,629,432	58.3%
Motor Vehicle Excise Tax	8,243,000	11,789,643	3,546,643	43.0%	120,066,000	166,601,013	46,535,013	38.8%
Individual Income Tax	23,294,000	63,354,112	40,060,112	172.0%	353,027,000	582,319,745	229,292,745	65.0%
Corporate Income Tax	6,070,000	8,809,956	2,739,956	45.1%	67,804,000	208,937,294	141,133,294	208.1%
Insurance Premium Tax	125,000	312,617	187,617	150.1%	38,275,000	43,045,522	4,770,522	12.5%
Financial Institutions Tax		(106,687)	(106,687)	-100.0%	2,270,000	3,687,111	1,417,111	62.4%
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	314,546	503,949	189,403	60.2%	5,964,159	7,552,570	1,588,411	26.6%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,849,000	2,248,516	399,516	21.6%	29,886,000	36,326,717	6,440,717	21.6%
Wholesale Liquor Tax	655,000	722,295	67,295	10.3%	10,015,000	11,604,268	1,589,268	15.9%
Coal Conversion Tax	1,614,000	1,815,679	201,679	12.5%	22,416,000	24,472,628	2,056,628	9.2%
Mineral Leasing Fees	1,416,667	2,623,960	1,207,293	85.2%	12,041,672	29,557,571	17,515,899	145.5%
Departmental Collections	1,862,073	2,185,444	323,371	17.4%	41,763,526	46,778,115	5,014,589	12.0%
Interest Income	1,100,000	468,547	(631,453)	-57.4%	23,847,500	8,589,814	(15,257,686)	-64.0%
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%	1,113,750	1,246,565	132,815	11.9%
Total Revenues and Transfers	117,975,911	217,930,842	99,954,931	84.7%	2,256,707,607	3,239,564,352	982,856,745	43.6%

* Oil and gas production and extraction tax collections totaled \$200.7 million in October. 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 October, \$116.9 million has been deposited into the strategic investment and improvements fund. In addition, \$22.0 million has been deposited into the state disaster fund. Now that the cap has been reached in that fund, additional revenues will continue to be deposited into the strategic investment and improvements fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through October, \$589.1 million has been deposited into that fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	October <u>2010</u>	October <u>2012</u>	<u>Variance</u>	<u>Percent</u>	<u>2009-11</u>	<u>2011-13</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	56,266,473	123,017,187	66,750,714	118.6%	778,726,604	1,463,022,432	684,295,828	87.9%
Motor Vehicle Excise Tax	4,911,697	11,789,643	6,877,946	140.0%	76,940,158	166,601,013	89,660,855	116.5%
Individual Income Tax	32,123,725	63,354,112	31,230,387	97.2%	404,283,133	582,319,745	178,036,612	44.0%
Corporate Income Tax	7,295,736	8,809,956	1,514,220	20.8%	111,056,405	208,937,294	97,880,889	88.1%
Insurance Premium Tax	39,800	312,617	272,817	685.5%	35,323,106	43,045,522	7,722,416	21.9%
Financial Institutions Tax	(44,723)	(106,687)	(61,964)	138.6%	3,032,790	3,687,111	654,321	21.6%
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	551,019	503,949	(47,071)	-8.5%	10,447,979	7,552,570	(2,895,410)	-27.7%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	1,999,901	2,248,516	248,615	12.4%	30,817,239	36,326,717	5,509,478	17.9%
Wholesale Liquor Tax	659,364	722,295	62,931	9.5%	10,067,015	11,604,268	1,537,253	15.3%
Coal Conversion Tax	1,563,137	1,815,679	252,542	16.2%	25,627,442	24,472,628	(1,154,813)	-4.5%
Mineral Leasing Fees	829,381	2,623,960	1,794,580	216.4%	10,072,233	29,557,571	19,485,338	193.5%
Departmental Collections	2,127,646	2,185,444	57,798	2.7%	43,917,354	46,778,115	2,860,761	6.5%
Interest Income	670,417	468,547	(201,871)	-30.1%	25,822,176	8,589,814	(17,232,362)	-66.7%
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	184,200	185,625	1,425	0.8%	2,108,878	1,246,565	(862,313)	-40.9%
Total Revenues and Transfers	109,177,771	217,930,842	108,753,071	99.6%	1,945,602,968	3,239,564,352	1,293,961,384	66.5%

* Oil and gas production and extraction tax collections totaled \$200.7 million in October. 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 October, \$116.9 million has been deposited into the strategic investment and improvements fund. In addition, \$22.0 million has been deposited into the state disaster fund. Now that the cap has been reached in that fund, additional revenues will continue to be deposited into the strategic investment and improvements fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through October, \$589.1 million has been deposited into that fund.

VARIANCES

October 2012 revenues total \$217.9 million, \$100.0 million more than forecasted for the month, based on the original legislative forecast. The biennium -to-date variance is \$982.9 million, or 43.6 percent. Significant variances are as follows:

- **Sales tax** collections total \$123.0 million in October, \$51.8 million more than estimated. The biennium-to-date variance from the original forecast is \$538.6 million, or 58.3 percent. Compared to previous biennium collections through October 2012, sales tax collections this biennium are \$684.3 million, or 87.9 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.5 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 \$64.1 million higher. In terms of motor vehicle sales, this equates to an increase in sales of over \$1.2 billion.

- **Individual income tax** collections exceeded the forecast by \$40.1 million for the month, bringing the biennium-to-date variance to nearly \$230.0 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. Monthly collections exceed the forecast by \$1.2 million; the biennium-to-date variance is \$17.5 million.