

North Dakota REV-E-NEWS



Pam Sharp, Director

January 2013

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

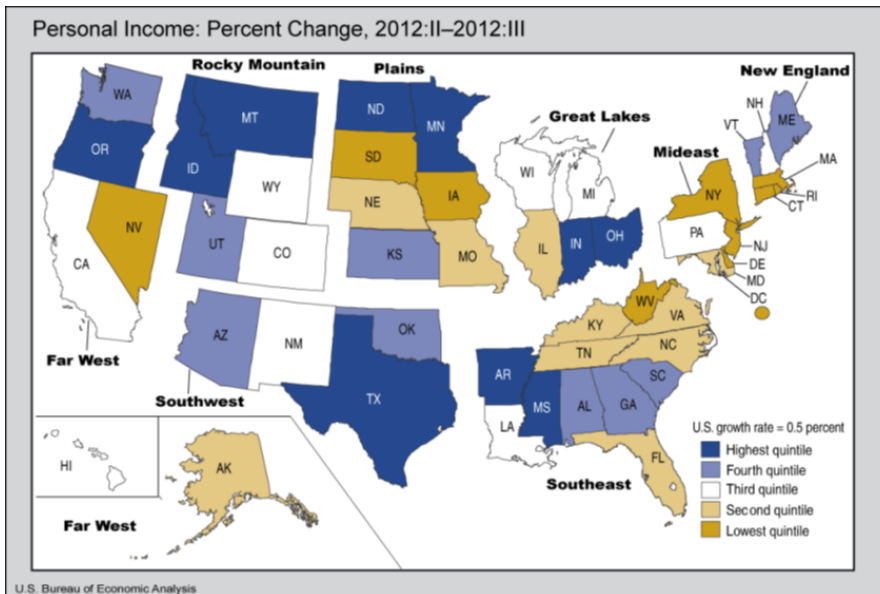
MESSAGE FROM THE DIRECTOR

Nationally, personal income growth slowed to a mere .5 percent from the second to third quarter of 2012. However, in North Dakota, which ranked first in the nation, personal income grew at a rate nearly three times the national average – 1.4 percent.

No other state in the nation experienced personal income growth in excess of 1.0 percent. Other states in the plains region ranged from a decrease of 1.6 percent in South Dakota to an increase of .8 percent in Minnesota. Montana ranked third in the nation with growth of .9 percent. Wyoming ranked thirtieth with growth of .5 percent.

Moody's Analytics, the state's economic forecasting consultant, predicts that U.S. personal income growth will average 1.4 percent during 2012 and

only 1.3 percent during 2013 as the nation continues to struggle through economic recovery. Growth is expected to accelerate to 4.5 percent in 2014 and 4.9 percent in 2015. Their forecast for North Dakota provides for the state to continue to outpace the nation with personal income growth of 9.0 percent in 2012, 7.0 percent in 2013, 8.4 percent in 2014, and 7.3 percent in 2015.



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, 15 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Nov 2012	Oct 2012	Sept 2012
Actual average price per barrel	\$83.92	\$86.90	\$88.02
Production (barrels/day)	733,100	749,200	729,200
Drilling permits	211	370	273
Producing wells	8,101	8,035	7,899
Rig count	186	188	190

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2011-13 Biennium
December 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	50,679,000	95,446,484	44,767,484	88.3%	1,042,840,000	1,658,296,606	615,456,606	59.0%
Motor Vehicle Excise Tax	6,757,000	8,953,023	2,196,023	32.5%	133,452,000	185,400,169	51,948,169	38.9%
Individual Income Tax	7,697,000	25,315,063	17,618,063	228.9%	374,308,000	617,660,976	243,352,976	65.0%
Corporate Income Tax	13,281,000	35,509,474	22,228,474	167.4%	82,417,000	248,181,897	165,764,897	201.1%
Insurance Premium Tax	1,500,000	850,416	(649,584)	-43.3%	46,775,000	50,966,614	4,191,614	9.0%
Financial Institutions Tax		54,181	54,181	100.0%	2,270,000	3,738,477	1,468,477	64.7%
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	5,537	50,127	44,590	805.3%	6,717,813	8,301,253	1,583,440	23.6%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,825,000	2,239,029	414,029	22.7%	33,514,000	41,153,411	7,639,411	22.8%
Wholesale Liquor Tax	660,000	707,396	47,396	7.2%	11,286,000	13,171,686	1,885,686	16.7%
Coal Conversion Tax	1,504,000	1,622,274	118,274	7.9%	25,462,000	27,680,191	2,218,191	8.7%
Mineral Leasing Fees	(708,333)	(320,455)	387,878	-54.8%	12,750,006	31,439,802	18,689,796	146.6%
Departmental Collections	3,124,964	2,626,232	(498,732)	-16.0%	46,875,059	51,423,071	4,548,012	9.7%
Interest Income	1,100,000	378,191	(721,809)	-65.6%	26,047,500	9,412,413	(16,635,087)	-63.9%
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		2,100	2,100	100.0%	1,113,750	1,255,820	142,070	12.8%
Total Revenues and Transfers	87,425,168	173,433,536	86,008,368	98.4%	2,449,653,128	3,553,905,376	1,104,252,248	45.1%

* Oil and gas production and extraction tax collections totaled \$194.2 million in December. 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 December, \$289.3 million has been deposited into the strategic investment and improvements fund. Revenues will continue to be deposited into that fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through December \$707.5 million has been deposited into that fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	December 2010	December 2012	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	47,145,229	95,446,484	48,301,256	102.5%	897,587,458	1,658,296,606	760,709,149	84.8%
Motor Vehicle Excise Tax	4,952,283	8,953,023	4,000,741	80.8%	86,994,440	185,400,169	98,405,729	113.1%
Individual Income Tax	10,759,080	25,315,063	14,555,984	135.3%	437,272,915	617,660,976	180,388,060	41.3%
Corporate Income Tax	36,266,879	35,509,474	(757,405)	-2.1%	149,091,929	248,181,897	99,089,968	66.5%
Insurance Premium Tax	587,896	850,416	262,519	44.7%	43,298,222	50,966,614	7,668,392	17.7%
Financial Institutions Tax	(178,295)	54,181	232,476	-130.4%	2,838,097	3,738,477	900,380	31.7%
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	9,700	50,127	40,427	416.8%	11,768,227	8,301,253	(3,466,974)	-29.5%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	2,069,146	2,239,029	169,883	8.2%	34,863,554	41,153,411	6,289,857	18.0%
Wholesale Liquor Tax	633,715	707,396	73,680	11.6%	11,309,865	13,171,686	1,861,821	16.5%
Coal Conversion Tax	1,447,459	1,622,274	174,815	12.1%	28,557,559	27,680,191	(877,368)	-3.1%
Mineral Leasing Fees	(478,724)	(320,455)	158,270	-33.1%	11,126,570	31,439,802	20,313,233	182.6%
Departmental Collections	2,918,268	2,626,232	(292,036)	-10.0%	48,784,264	51,423,071	2,638,808	5.4%
Interest Income	648,385	378,191	(270,195)	-41.7%	27,182,989	9,412,413	(17,770,576)	-65.4%
State Mill & Elevator-Transfer					6,260,457	3,822,989	(2,437,468)	-38.9%
Major Special Fund Transfers	140,000,000		(140,000,000)	-100.0%	435,000,000	295,000,000	(140,000,000)	-32.2%
Other Transfers	1,434	2,100	666	46.5%	2,125,192	1,255,820	(869,371)	-40.9%
Total Revenues and Transfers	246,782,455	173,433,536	(73,348,919)	-29.7%	2,310,161,738	3,553,905,376	1,243,743,638	53.8%

* Oil and gas production and extraction tax collections totaled \$194.2 million in December. 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 December, \$289.3 million has been deposited into the strategic investment and improvements fund. Revenues will continue to be deposited into that fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through December \$707.5 million has been deposited into that fund.

VARIANCES

December 2012 revenues total \$173.4 million, \$86.0 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$1.104 billion, or 45.1 percent. Significant variances are as follows:

- **Sales tax** collections total \$95.4 million in December, \$44.8 million more than the original estimate. The biennium-to-date variance from the original forecast is \$615.5 million, or 59.0 percent. Compared to previous biennium collections through December 2010, sales tax collections this biennium are \$760.7 million, or 84.8 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$2.2 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 \$69.4 million higher. In terms of motor vehicle sales, this equates to an increase in sales of nearly \$1.4 billion.

- **Individual income tax** collections exceed the monthly forecast by \$17.6 million and are \$243.4 million ahead of the biennium-to-date forecast.
- **Corporate income tax** collections exceed the forecast by \$22.2 million for the month, bringing the biennium-to-date variance to \$165.8 million, or over 200.0 percent.
- **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.
- **Cigarette and tobacco taxes** continue to exceed the original forecast. December collections were \$414,000 higher than estimated, bringing the biennium-to-date variance to \$7.6 million, or 22.8 percent.

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