

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**February 2013**

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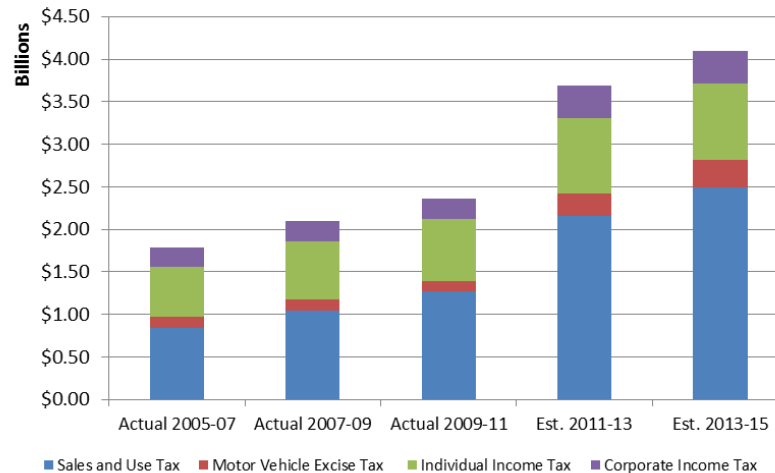
## MESSAGE FROM THE DIRECTOR

The state's major general fund revenue sources are sales tax, motor vehicle excise tax, individual income tax, and corporate income tax, which together comprise over 85 percent of estimated 2013-15 biennium general fund revenues. These four tax types have experienced tremendous growth in recent years. During the 2005-07 biennium, these four tax types totaled \$1.788 billion, then grew by 17.4 percent to a total of \$2.098 billion for 2007-09. For 2009-11, the combined tax types grew by an additional 12.3 percent to \$2.355 billion. With only five months remaining in the 2011-13 biennium, they are estimated to grow by 56.4 percent to \$3.684 billion. Recognizing that after such phenomenal growth, the rate of growth for the 2013-15 biennium is likely to be lower, the forecast assumes a conservative 11.2 percent.

The state's economic forecasting consultant, Moody's Analytics, recently completed an update to the state's revenue forecast. The updated forecast was presented to the 2013 legislature and was subsequently adopted by the House and Senate Appropriations committees, making it the official forecast for use in crafting the state's 2013-15 biennium budget. Compared to the forecast completed in November 2012, which was used to

develop the Governor's budget recommendation, the revised forecast shows little change. Estimated 2011-13 biennium revenue projections were revised upward by \$41.3 million, a change of less than 1.0 percent, to recognize strong growth already realized during the current biennium. For the 2013-15 biennium, the forecast was revised downward by \$45.7 million, again a change of less than 1.0 percent. The 2013-15 biennium changes were based on revisions to historical data used in the forecast and a slight decrease in the number of drilling rigs anticipated to be operating in the state during the upcoming two year period.

**Major General Fund Revenue Sources  
2005-07 Through 2013-15**



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

	Dec 2012	Nov 2012	Oct 2012
Actual average price per barrel	\$82.96	\$83.92	\$86.90
Production (barrels/day)	768,900	735,100	749,200
Drilling permits	154	211	370
Producing wells	8,224	8,101	8,035
Rig count	184	186	188

Comments or Questions?  
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## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium January 2013

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	April 2011 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	69,749,000	109,965,418	40,216,418	57.7%	1,112,589,000	1,768,262,025	655,673,025	58.9%
Motor Vehicle Excise Tax	7,899,000	12,024,444	4,125,444	52.2%	141,351,000	197,424,613	56,073,613	39.7%
Individual Income Tax	43,299,000	86,956,271	43,657,271	100.8%	417,607,000	704,617,247	287,010,247	68.7%
Corporate Income Tax	4,545,000	12,748,966	8,203,966	180.5%	86,962,000	260,930,863	173,968,863	200.1%
Insurance Premium Tax	125,000	49,517	(75,483)	-60.4%	46,900,000	51,016,131	4,116,131	8.8%
Financial Institutions Tax		(810,894)	(810,894)	-100.0%	2,270,000	2,927,583	657,583	29.0%
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	561,687	634,151	72,464	12.9%	7,279,500	8,935,404	1,655,904	22.7%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,900,000	2,183,245	283,245	14.9%	35,414,000	43,336,656	7,922,656	22.4%
Wholesale Liquor Tax	639,000	796,745	157,745	24.7%	11,925,000	13,968,431	2,043,431	17.1%
Coal Conversion Tax	1,390,000	1,424,384	34,384	2.5%	26,852,000	29,104,575	2,252,575	8.4%
Mineral Leasing Fees	1,416,667	1,888,122	471,455	33.3%	14,166,673	33,327,924	19,161,251	135.3%
Departmental Collections	6,166,192	7,149,274	983,082	15.9%	53,041,251	58,572,346	5,531,095	10.4%
Interest Income	1,250,000	405,914	(844,087)	-67.5%	27,297,500	9,818,326	(17,479,174)	-64.0%
State Mill & Elevator-Transfer					3,325,000	3,822,989	497,989	15.0%
Major Special Fund Transfers	305,000,000	305,000,000	0	0.0%	600,000,000	600,000,000	0	0.0%
Other Transfers	185,625	242,542	56,917	30.7%	1,299,375	1,498,362	198,987	15.3%
<b>Total Revenues and Transfers</b>	<b>444,126,171</b>	<b>540,658,098</b>	<b>96,531,927</b>	<b>21.7%</b>	<b>2,893,779,299</b>	<b>4,094,563,475</b>	<b>1,200,784,176</b>	<b>41.5%</b>

\* Oil and gas production and extraction tax collections totaled \$205.2 million in January. 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 January, \$371.1 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 January \$762.5 million has been deposited into that fund.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
*Compared to the Previous Biennium Revenues*  
**2011-13 Biennium**  
**January 2013**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	January 2011	January 2013	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	81,424,521	109,965,418	28,540,897	35.1%	979,011,979	1,768,262,025	789,250,046	80.6%
Motor Vehicle Excise Tax	5,398,566	12,024,444	6,625,878	122.7%	92,393,006	197,424,613	105,031,607	113.7%
Individual Income Tax	70,345,187	86,956,271	16,611,085	23.6%	507,618,102	704,617,247	196,999,145	38.8%
Corporate Income Tax	5,094,078	12,748,966	7,654,888	150.3%	154,186,007	260,930,863	106,744,856	69.2%
Insurance Premium Tax	98,181	49,517	(48,664)	-49.6%	43,396,403	51,016,131	7,619,728	17.6%
Financial Institutions Tax	(200,399)	(810,894)	(610,495)	304.6%	2,637,697	2,927,583	289,885	11.0%
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	983,959	634,151	(349,808)	-35.6%	12,752,186	8,935,404	(3,816,782)	-29.9%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	2,034,557	2,183,245	148,687	7.3%	36,898,112	43,336,656	6,438,544	17.4%
Wholesale Liquor Tax	757,730	796,745	39,014	5.1%	12,067,596	13,968,431	1,900,835	15.8%
Coal Conversion Tax	1,396,593	1,424,384	27,791	2.0%	29,954,153	29,104,575	(849,577)	-2.8%
Mineral Leasing Fees	1,513,216	1,888,122	374,905	24.8%	12,639,786	33,327,924	20,688,138	163.7%
Departmental Collections	7,066,005	7,149,274	83,269	1.2%	55,850,269	58,572,346	2,722,076	4.9%
Interest Income	614,538	405,914	(208,625)	-33.9%	27,797,527	9,818,326	(17,979,201)	-64.7%
State Mill & Elevator-Transfer					6,260,457	3,822,989	(2,437,468)	-38.9%
Major Special Fund Transfers		305,000,000	305,000,000	100.0%	435,000,000	600,000,000	165,000,000	37.9%
Other Transfers	166,135	242,542	76,407	46.0%	2,291,327	1,498,362	(792,965)	-34.6%
<b>Total Revenues and Transfers</b>	<b>176,692,869</b>	<b>540,658,098</b>	<b>363,965,229</b>	<b>206.0%</b>	<b>2,486,854,607</b>	<b>4,094,563,475</b>	<b>1,607,708,868</b>	<b>64.6%</b>

\* Oil and gas production and extraction tax collections totaled \$205.2 million in January. 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 January, \$371.1 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 January \$762.5 million has been deposited into that fund.

## VARIANCES

January 2013 revenues total \$540.7 million, \$96.5 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$1.201 billion, or 41.5 percent. Significant variances are as follows:

- **Sales tax** collections total \$110.0 million in January, \$40.2 million more than the original estimate. The biennium-to-date variance from the original forecast is \$655.7 million, or 58.9 percent. Compared to previous biennium collections through January 2011, sales tax collections this biennium are \$789.3 million, or 80.6 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$4.1 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 \$74.2 million higher. In terms of motor vehicle sales, this equates to an increase in sales of nearly \$1.5 billion.
- **Individual income tax** collections exceed the monthly forecast by \$43.7 million and are \$287.0 million ahead of the biennium-to-date forecast.
- **Corporate income tax** collections exceed the forecast by \$8.2 million for the month, bringing the biennium-to-date variance to \$174.0 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. January collections were \$283,000 higher than estimated, bringing the biennium-to-date variance to \$7.9 million, or 22.4 percent.
- **Departmental collections** are comprised of various fees and transfers. Consequently, causes of monthly variations from the forecast are often difficult to identify and in many cases are timing-related. However, for the month of January the variance is primarily attributable to increased agent/financial services representative license renewal fees. As the North Dakota economy continues to grow and outperform the nation, there is increased activity in the state's financial services industry.
- **Major special fund transfers** refers to the transfer of \$305.0 million from the strategic investment and improvements fund to the general fund, as directed by the 2011 legislature.

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