

North Dakota REV-E-NEWS



Pam Sharp, Director

April 2013

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

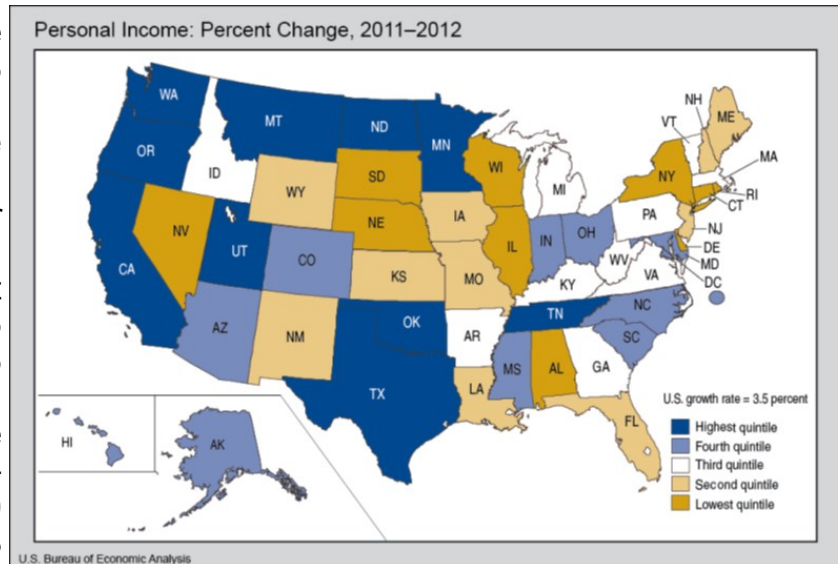
MESSAGE FROM THE DIRECTOR

The U.S. Bureau of Economic Analysis (BEA) issued a March 27, 2013, news release that once again showed North Dakota leading the nation in personal income growth. “For the fifth time in the last six years North Dakota has had the fastest personal income growth of all states.” Personal income is defined by the BEA as “income received by all persons from all sources...the sum of net earnings by place of residence, property income, and personal current transfer receipts”.

The average growth rate for all states for 2012 was 3.5 percent. North Dakota ranked first with a growth rate three and a half times the national average -- 12.4 percent. Other states in the top five were Texas at 4.8 percent, Utah at 4.7 percent, Washington at 4.5 percent, and Montana at 4.5 percent. States that ranked lowest in personal income growth were South Dakota at -.2 percent, Connecticut at 2.0 percent, Delaware at 2.3

percent, Nebraska at 2.3 percent, and Nevada at 2.4 percent.

The widespread drought, and its impact on agricultural earnings, was noted as a contributing factor to the poor performance in South Dakota and Nebraska. In North Dakota, the state benefited from a healthy agricultural sector as well as strong growth in wages in the mining and construction sectors.



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 185 rigs, 25 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Feb 2013	Jan 2013	Dec 2012
Actual average price per barrel	\$89.77	\$91.04	\$82.96
Production (barrels/day)	779,000	737,800	770,100
Drilling permits	185	218	154
Producing wells	8,492	8,342	8,237
Rig count	183	185	183

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2011 Leg. Forecast	Actual	Variance	Percent	April 2011 Leg. Forecast	Actual	Variance	Percent
Sales Tax	40,733,000	60,096,897	19,363,897	47.5%	1,216,733,000	1,917,288,172	700,555,172	57.6%
Motor Vehicle Excise Tax	8,049,000	10,464,556	2,415,556	30.0%	155,898,000	217,197,757	61,299,757	39.3%
Individual Income Tax	7,964,000	30,148,101	22,184,101	278.6%	433,406,000	751,152,924	317,746,924	73.3%
Corporate Income Tax	7,475,000	17,328,579	9,853,579	131.8%	96,313,000	283,182,575	186,869,575	194.0%
Insurance Premium Tax	9,000,000	15,160,427	6,160,427	68.4%	60,800,000	71,161,339	10,361,339	17.0%
Financial Institutions Tax	942,000	2,005,840	1,063,840	112.9%	3,320,000	5,077,564	1,757,564	52.9%
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	10,161	20,636	10,475	103.1%	7,844,916	9,656,566	1,811,650	23.1%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,460,000	1,857,599	397,599	27.2%	38,463,000	47,162,077	8,699,077	22.6%
Wholesale Liquor Tax	531,000	644,642	113,642	21.4%	12,942,000	15,262,923	2,320,923	17.9%
Coal Conversion Tax	1,544,000	1,526,932	(17,068)	-1.1%	29,927,000	31,642,781	1,715,781	5.7%
Mineral Leasing Fees	(708,333)	(2,311,071)	(1,602,738)	226.3%	14,875,007	32,845,947	17,970,940	120.8%
Departmental Collections	1,696,264	1,765,508	69,244	4.1%	56,560,067	65,085,212	8,525,145	15.1%
Interest Income	1,250,000	331,783	(918,217)	-73.5%	29,797,500	10,488,912	(19,308,588)	-64.8%
State Mill & Elevator-Transfer					3,325,000	3,822,989	497,989	15.0%
Major Special Fund Transfers					600,000,000	600,000,000	0	0.0%
Other Transfers		(1)	(1)	-100.0%	1,299,375	1,495,559	196,184	15.1%
Total Revenues and Transfers	79,946,092	139,040,427	59,094,335	73.9%	3,067,003,865	4,369,523,298	1,302,519,433	42.5%

* Oil and gas production and extraction tax collections totaled \$200.5 million in March. 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 March, \$504.9 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 March \$927.2 million has been deposited into that fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	March 2011	March 2013	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	50,095,854	60,096,897	10,001,043	20.0%	1,081,566,116	1,917,288,172	835,722,056	77.3%
Motor Vehicle Excise Tax	6,786,735	10,464,556	3,677,821	54.2%	104,820,446	217,197,757	112,377,311	107.2%
Individual Income Tax	17,478,704	30,148,101	12,669,397	72.5%	530,551,622	751,152,924	220,601,301	41.6%
Corporate Income Tax	11,082,700	17,328,579	6,245,878	56.4%	170,217,922	283,182,575	112,964,653	66.4%
Insurance Premium Tax	6,639,870	15,160,427	8,520,557	128.3%	54,393,057	71,161,339	16,768,283	30.8%
Financial Institutions Tax	1,593,763	2,005,840	412,077	25.9%	4,265,987	5,077,564	811,576	19.0%
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	17,800	20,636	2,835	15.9%	13,742,678	9,656,566	(4,086,112)	-29.7%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	1,682,020	1,857,599	175,579	10.4%	40,355,030	47,162,077	6,807,047	16.9%
Wholesale Liquor Tax	540,897	644,642	103,745	19.2%	13,091,404	15,262,923	2,171,519	16.6%
Coal Conversion Tax	1,630,967	1,526,932	(104,035)	-6.4%	32,734,479	31,642,781	(1,091,698)	-3.3%
Mineral Leasing Fees	(368,595)	(2,311,071)	(1,942,476)	527.0%	14,706,577	32,845,947	18,139,370	123.3%
Departmental Collections	2,939,312	1,765,508	(1,173,804)	-39.9%	60,813,555	65,085,212	4,271,657	7.0%
Interest Income	622,739	331,783	(290,956)	-46.7%	28,963,600	10,488,912	(18,474,688)	-63.8%
State Mill & Elevator-Transfer					6,260,457	3,822,989	(2,437,468)	-38.9%
Major Special Fund Transfers					435,000,000	600,000,000	165,000,000	37.9%
Other Transfers	331,567	(1)	(331,568)	-100.0%	2,632,168	1,495,559	(1,136,609)	-43.2%
Total Revenues and Transfers	101,074,333	139,040,427	37,966,094	37.6%	2,670,215,101	4,369,523,298	1,699,308,197	63.6%

* Oil and gas production and extraction tax collections totaled \$200.5 million in March. 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 March, \$504.9 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 March \$927.2 million has been deposited into that fund.

VARIANCES

March 2013 revenues total \$139.0 million, \$59.1 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$1.303 billion, or 42.5 percent. Significant variances are as follows:

- **Sales tax** collections total \$60.1 million in March, \$19.4 million more than the original estimate. The biennium-to-date variance from the original forecast is \$700.6 million, or 57.6 percent. Compared to previous biennium collections through March 2011, sales tax collections this biennium are \$835.7 million, or 77.3 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 \$77.5 million higher. In terms of motor vehicle sales, this equates to an increase in sales of over \$1.5 billion.
- **Individual income tax** collections exceed the monthly forecast by \$22.2 million and are \$317.7 million ahead of the biennium-to-date forecast.
- **Corporate income tax** collections exceed the forecast by \$9.9 million for the month, bringing the biennium-to-date variance to \$186.9 million. Actual collections total \$283.2 million compared to a forecast of only \$96.3 million through March 2013.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in August 2012. 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. February collections were \$397,600 higher than estimated, bringing the biennium-to-date variance to \$8.7 million, or 22.6 percent.
- **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. Actual collections have exceeded the forecast and, as a result, quarterly distributions to oil-producing counties have also been higher than estimated.

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