

North Dakota REV-E-NEWS



Pam Sharp, Director

June 2013

**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

A June report from the U.S. Bureau of Economic Analysis (BEA) shows widespread economic growth in 2012 based on changes in real gross domestic product (GDP). Real GDP by state is defined by the BEA as “an inflation-adjusted measure of each state’s production based on a weighted average of national prices for those products produced within each state.”

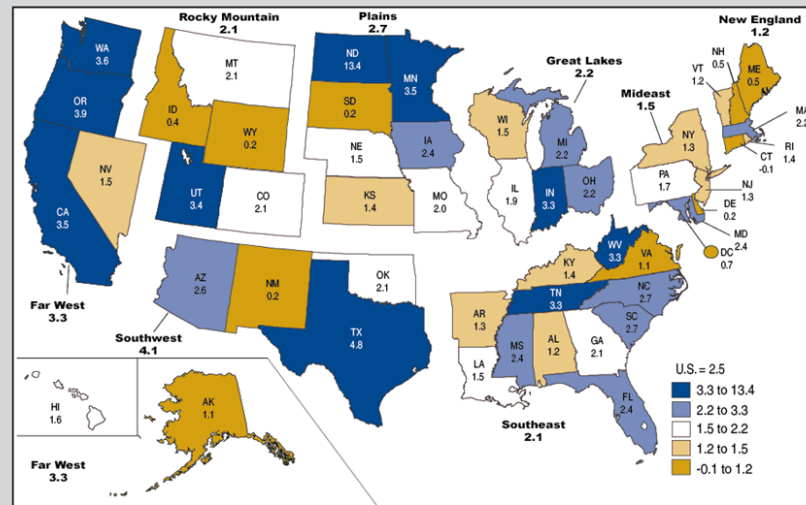
The BEA reported that real GDP increased in 49 states and the District of Columbia in 2012, growing by a nationwide average of 2.5 percent. The BEA divides the nation into eight reporting regions and growth was realized in each of the eight regions. Durable-goods manufacturing was the largest contributor to growth, increasing by 9.1 percent. In seven of the eight regions, this sector was the largest contributor to growth.

The state with the fastest rate of growth was North Dakota, with real GDP growth of 13.4 percent, over five times the national average. In North Dakota, the mining sector was the largest single contributor to GDP growth, accounting for 3.3

percentage points out of the 13.4. However, this means that excluding the mining sector completely, North Dakota realized real GDP growth of over 10.0 percent, still four times the national average.

Other states in the top five were Texas at 4.8 percent, Oregon at 3.9 percent, Washington at 3.6 percent, and Minnesota at 3.5 percent. States with the slowest rates of growth were Maine at -.1 percent and Delaware, Wyoming, New Mexico, and South Dakota at .2 percent.

Percent Change in Real GDP by State, 2012



U.S. Bureau of Economic Analysis

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 and crude oil prices remaining stable at around \$70 per barrel during that time. The current rig count is 184 rigs, 30 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	Apr 2013	Mar 2013	Feb 2013
Actual average price per barrel	\$87.90	\$88.61	\$89.77
Production (barrels/day)	793,200	783,000	779,000
Drilling permits	202	218	185
Producing wells	8,758	8,639	8,492
Rig count	186	186	183

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium May 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	63,427,000	93,762,280	30,335,280	47.8%	1,336,000,000	2,113,652,423	777,652,423	58.2%
Motor Vehicle Excise Tax	9,536,000	12,315,586	2,779,586	29.1%	174,099,000	240,746,077	66,647,077	38.3%
Individual Income Tax	13,385,000	16,313,646	2,928,646	21.9%	529,287,000	1,010,396,605	481,109,605	90.9%
Corporate Income Tax	2,285,000	4,284,314	1,999,314	87.5%	110,774,000	345,178,391	234,404,391	211.6%
Insurance Premium Tax	8,300,000	10,141,609	1,841,609	22.2%	69,250,000	81,681,696	12,431,696	18.0%
Financial Institutions Tax	7,666	22,077	14,411	188.0%	5,041,666	9,363,780	4,322,114	85.7%
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	827,979	760,159	(67,820)	-8.2%	9,070,507	10,943,273	1,872,766	20.6%
Lottery					5,500,000	7,000,000	1,500,000	27.3%
Cigarette & Tobacco Tax	1,821,000	2,204,223	383,223	21.0%	42,027,000	51,302,515	9,275,515	22.1%
Wholesale Liquor Tax	636,000	815,978	179,978	28.3%	14,186,000	16,789,961	2,603,961	18.4%
Coal Conversion Tax	1,507,000	1,672,950	165,950	11.0%	32,852,000	34,663,331	1,811,331	5.5%
Mineral Leasing Fees	1,416,667	2,640,569	1,223,902	86.4%	17,708,341	42,445,086	24,736,745	139.7%
Departmental Collections	1,916,482	2,418,164	501,682	26.2%	60,749,163	72,081,453	11,332,290	18.7%
Interest Income	1,300,000	321,628	(978,372)	-75.3%	32,397,500	11,123,142	(21,274,358)	-65.7%
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		40,718	40,718	100.0%	1,485,000	1,729,412	244,412	16.5%
Total Revenues and Transfers	106,365,794	147,713,900	41,348,106	38.9%	3,343,752,177	4,952,920,135	1,609,167,958	48.1%

* Oil and gas production and extraction tax collections totaled \$216.6 million in May. 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 May, \$643.2 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 May \$1.096 billion has been deposited into that fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2011	May 2013	Variance	Percent	2009-11	2011-13	Variance	Percent
Sales Tax	72,458,057	93,762,280	21,304,222	29.4%	1,204,188,585	2,113,652,423	909,463,838	75.5%
Motor Vehicle Excise Tax	7,087,721	12,315,586	5,227,865	73.8%	117,614,050	240,746,077	123,132,027	104.7%
Individual Income Tax	34,897,921	16,313,646	(18,584,276)	-53.3%	704,975,065	1,010,396,605	305,421,540	43.3%
Corporate Income Tax	4,988,657	4,284,314	(704,343)	-14.1%	205,470,966	345,178,391	139,707,424	68.0%
Insurance Premium Tax	7,303,036	10,141,609	2,838,573	38.9%	61,905,938	81,681,696	19,775,758	31.9%
Financial Institutions Tax	14	22,077	22,063	100.0%	6,733,053	9,363,780	2,630,727	39.1%
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	1,450,448	760,159	(690,289)	-47.6%	15,889,660	10,943,273	(4,946,387)	-31.1%
Lottery					5,100,000	7,000,000	1,900,000	37.3%
Cigarette & Tobacco Tax	1,823,327	2,204,223	380,896	20.9%	44,058,191	51,302,515	7,244,325	16.4%
Wholesale Liquor Tax	709,644	815,978	106,334	15.0%	14,476,950	16,789,961	2,313,011	16.0%
Coal Conversion Tax	1,545,248	1,672,950	127,702	8.3%	35,773,057	34,663,331	(1,109,725)	-3.1%
Mineral Leasing Fees	1,874,062	2,640,569	766,507	40.9%	18,647,485	42,445,086	23,797,602	127.6%
Departmental Collections	2,645,728	2,418,164	(227,564)	-8.6%	65,457,086	72,081,453	6,624,367	10.1%
Interest Income	577,961	321,628	(256,332)	-44.4%	30,146,583	11,123,142	(19,023,442)	-63.1%
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	30,156	40,718	10,562	35.0%	2,823,324	1,729,412	(1,093,913)	-38.7%
Total Revenues and Transfers	137,391,980	147,713,900	10,321,920	7.5%	3,045,520,450	4,952,920,135	1,907,399,685	62.6%

* Oil and gas production and extraction tax collections totaled \$216.6 million in May. 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 May, \$643.2 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 May \$1.096 billion has been deposited into that fund.

VARIANCES

May 2013 revenues total \$147.7 million, \$41.3 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$1.609 billion, or 48.1 percent. Compared to the more recently completed 2013 legislative forecast, actual revenues through May exceed that forecast by approximately \$191.0 million. Significant variances are as follows:

- **Sales tax** collections total \$93.8 million in May, \$30.3 million more than the original estimate. The biennium-to-date variance from the original forecast is \$777.7 million, or 58.2 percent. Compared to previous biennium collections through May 2011, sales tax collections this biennium are \$909.5 million, or 75.5 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$2.8 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 \$83.9 million higher. In terms of motor vehicle sales, this equates to an increase in sales of over \$1.6 billion.
- **Individual income tax** collections exceed the biennium-to-date forecast by \$481.1 million, or 90.9 percent.
- **Corporate income tax** collections exceed the forecast by \$2.0 million for the month, bringing the biennium-to-date variance to \$234.4 million. Actual collections total \$345.2 million compared to a forecast of only \$110.8 million through May 2013.
- **Insurance premium tax collections**, which are a percentage of premiums collected by insurers in the state, exceed the monthly forecast by \$1.8 million and exceed the biennium-to-date forecast by \$12.4 million, or 18.0 percent.
- **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. May collections were \$383,200 higher than estimated, bringing the biennium-to-date variance to \$9.3 million, or 22.1 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. Actual collections exceed the forecast for the month by \$1.2 million. Biennium-to-date collections exceed the forecast by \$24.7 million, or 139.7 percent, through May.