

North Dakota REV-E-NEWS



Pam Sharp, Director

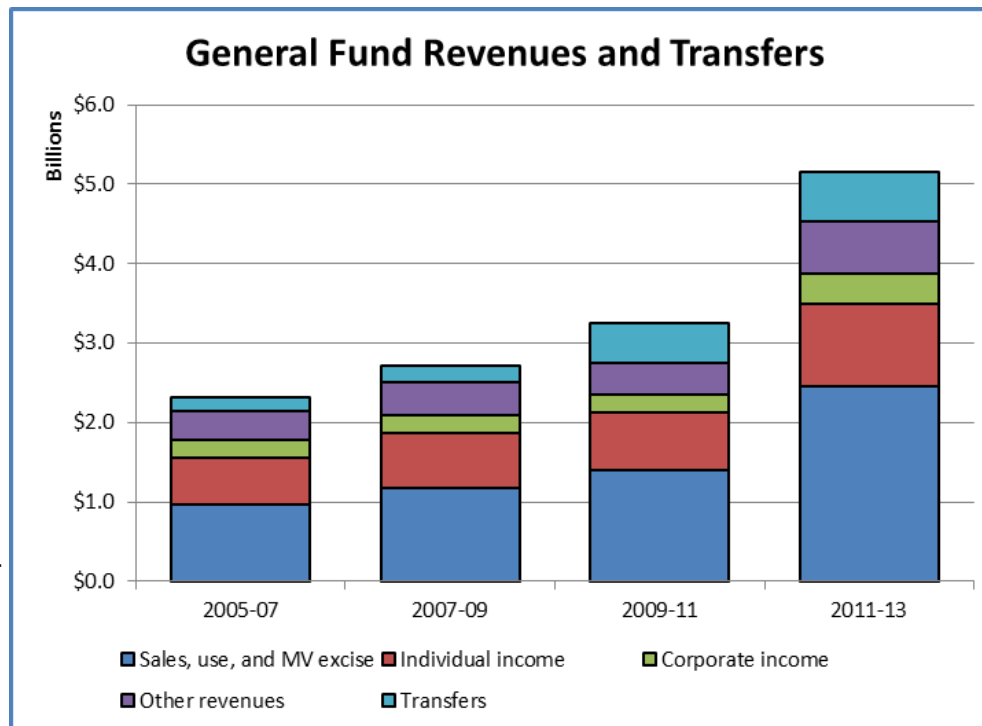
July 2013

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

MESSAGE FROM THE DIRECTOR

June marks the end of the 2011-13 biennium... a biennium of remarkable growth in the North Dakota economy and unprecedented growth in state tax revenues. General fund revenues, including transfers, totaled \$5.156 billion – an increase of \$1.913 billion, or 59.0 percent, from the previous biennium. General fund revenues, excluding transfers, totaled \$4.530 billion – an increase of \$1.787 billion or 65.2 percent. Sales and use taxes, the largest component of state general fund revenues, grew by an even larger percentage – 73.4 percent. Sales, use, and motor vehicle

excise taxes alone totaled \$2.450 billion, more than the total of all general fund revenues and transfers during the 2005-07 biennium. To help illustrate this phenomenal rate of growth, general fund revenues from 2005-07 to 2011-13 are depicted on the chart below:



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 180 rigs, 27 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	May 2013	Apr 2013	Mar 2013
Actual average price per barrel	N/A	\$87.90	\$88.61
Production (barrels/day)	810,100	793,900	783,000
Drilling permits	211	202	218
Producing wells	8,915	8,772	8,639
Rig count	187	186	186

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2011-13 Biennium
June 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	46,234,660	83,325,370	37,090,710	80.2%	1,382,234,660	2,196,977,793	814,743,133	58.9%
Motor Vehicle Excise Tax	8,940,167	11,979,326	3,039,159	34.0%	183,039,167	252,725,403	69,686,236	38.1%
Individual Income Tax	15,378,667	35,764,630	20,385,963	132.6%	544,665,667	1,046,161,236	501,495,569	92.1%
Corporate Income Tax	15,469,667	40,635,857	25,166,190	162.7%	126,243,667	385,814,247	259,570,580	205.6%
Insurance Premium Tax	1,310,000	1,176,033	(133,967)	-10.2%	70,560,000	82,857,729	12,297,729	17.4%
Financial Institutions Tax		1,872,730	1,872,730	100.0%	5,041,666	11,236,510	6,194,844	122.9%
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	171,445	193,148	21,703	12.7%	9,241,952	11,136,421	1,894,469	20.5%
Lottery	5,500,000	7,300,000	1,800,000	32.7%	11,000,000	14,300,000	3,300,000	30.0%
Cigarette & Tobacco Tax	1,875,000	2,421,134	546,134	29.1%	43,902,000	53,723,649	9,821,649	22.4%
Wholesale Liquor Tax	748,000	827,540	79,540	10.6%	14,934,000	17,617,501	2,683,501	18.0%
Coal Conversion Tax	2,912,000	3,736,083	824,083	28.3%	35,764,000	38,399,414	2,635,414	7.4%
Mineral Leasing Fees	(708,341)	606,988	1,315,329	-185.7%	17,000,000	43,052,074	26,052,074	153.2%
Departmental Collections	2,535,283	4,912,812	2,377,529	93.8%	63,284,446	76,994,265	13,709,819	21.7%
Interest Income	10,302,500	2,548,139	(7,754,362)	-75.3%	42,700,000	13,671,280	(29,028,720)	-68.0%
State Mill & Elevator-Transfer	3,325,000	5,625,933	2,300,933	69.2%	6,650,000	9,448,922	2,798,922	42.1%
Major Special Fund Transfers					600,000,000	600,000,000	0	0.0%
Other Transfers		8,703	8,703	100.0%	1,485,000	1,738,115	253,115	17.0%
Total Revenues and Transfers	113,994,048	202,934,425	88,940,377	78.0%	3,457,746,225	5,155,854,560	1,698,108,335	49.1%

* Oil and gas production and extraction tax collections totaled \$232.9 million in June. 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 June, \$787.0 million has been deposited into the strategic investment and improvements fund and \$1.271 billion has been deposited into the legacy fund.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	June <u>2011</u>	June <u>2013</u>	<u>Variance</u>	<u>Percent</u>	<u>2009-11</u>	<u>2011-13</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	63,022,745	83,325,370	20,302,625	32.2%	1,267,211,331	2,196,977,793	929,766,463	73.4%
Motor Vehicle Excise Tax	6,811,351	11,979,326	5,167,975	75.9%	124,425,401	252,725,403	128,300,002	103.1%
Individual Income Tax	24,280,829	35,764,630	11,483,801	47.3%	729,255,895	1,046,161,236	316,905,341	43.5%
Corporate Income Tax	28,893,330	40,635,857	11,742,527	40.6%	234,364,296	385,814,247	151,449,951	64.6%
Insurance Premium Tax	1,245,010	1,176,033	(68,977)	-5.5%	63,150,948	82,857,729	19,706,781	31.2%
Financial Institutions Tax	15,700	1,872,730	1,857,030	100.0%	6,748,753	11,236,510	4,487,757	66.5%
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	300,332	193,148	(107,184)	-35.7%	16,189,991	11,136,421	(5,053,570)	-31.2%
Lottery	5,300,000	7,300,000	2,000,000	37.7%	10,400,000	14,300,000	3,900,000	37.5%
Cigarette & Tobacco Tax	2,195,280	2,421,134	225,854	10.3%	46,253,470	53,723,649	7,470,179	16.2%
Wholesale Liquor Tax	686,905	827,540	140,634	20.5%	15,163,855	17,617,501	2,453,645	16.2%
Coal Conversion Tax	3,291,242	3,736,083	444,841	13.5%	39,064,299	38,399,414	(664,884)	-1.7%
Mineral Leasing Fees	(1,125,850)	606,988	1,732,837	-153.9%	17,521,635	43,052,074	25,530,439	145.7%
Departmental Collections	3,120,496	4,912,812	1,792,316	57.4%	68,577,582	76,994,265	8,416,683	12.3%
Interest Income	13,538,242	2,548,139	(10,990,103)	-81.2%	43,684,825	13,671,280	(30,013,545)	-68.7%
State Mill & Elevator-Transfer	7,641,811	5,625,933	(2,015,878)	-26.4%	13,902,268	9,448,922	(4,453,346)	-32.0%
Major Special Fund Transfers	35,000,000	0	(35,000,000)	-100.0%	470,000,000	600,000,000	130,000,000	27.7%
Other Transfers	3,021,326	8,703	(3,012,622)	-99.7%	5,844,650	1,738,115	(4,106,535)	-70.3%
Total Revenues and Transfers	197,238,750	202,934,425	5,695,676	2.9%	3,242,759,200	5,155,854,560	1,913,095,360	59.0%

* Oil and gas production and extraction tax collections totaled \$232.9 million in June. 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 June, \$787.0 million has been deposited into the strategic investment and improvements fund and \$1.271 billion has been deposited into the legacy fund.

VARIANCES

June 2013 revenues total \$202.9 million, \$88.9 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$1.698 billion, or 49.1 percent. Compared to the more recently completed 2013 legislative forecast, actual revenues exceed that forecast by approximately \$222.1 million. Significant variances are as follows:

- **Sales tax** collections total \$83.3 million in June, \$37.1 million more than the original estimate. The biennium-to-date variance from the original forecast is \$814.7 million, or 58.9 percent. Compared to the 2013 legislative forecast, actual sales tax collections for the biennium were \$37.0 million, or 1.7 percent, higher.
- **Motor vehicle excise tax** collections exceed the original forecast by 69.7 million for the biennium. Compared to the more recent 2013 legislative revenue forecast, actual collections were \$6.2 million less than projected.
- **Individual income tax** collections exceed the original forecast by \$501.5 million, or 92.1 percent. Compared to the revised forecast, actual collections were \$163.2 million higher than estimated.
- **Corporate income tax** collections exceed the original forecast by \$259.6 million and exceed the revised forecast by \$5.3 million.
- **Insurance premium tax collections**, which are a percentage of premiums collected by insurers in the state, exceed the original forecast by \$12.3 million and exceed the revised forecast by \$4.2 million.
- **Cigarette and tobacco taxes** exceed the original forecast by \$9.8 million, or 22.4 percent. Compared to the revised revenue forecast, actual collections ended the biennium 1.4 percent below projections.
- **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 original forecast by \$26.1 million and exceed the revised forecast by \$8.3 million.
- **Departmental collections** consist of various fees collected by state agencies. Many agencies are experiencing an increased level of activity and the result has been increased collections of service and permit fees. Compared to the original forecast, actual collections were \$13.7 million, or 21.7 percent, higher. Compared to the revised forecast, actual collections were \$5.1 million, or 7.0 percent, higher.