

North Dakota REV-E-NEWS



Pam Sharp, Director

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

August 2013

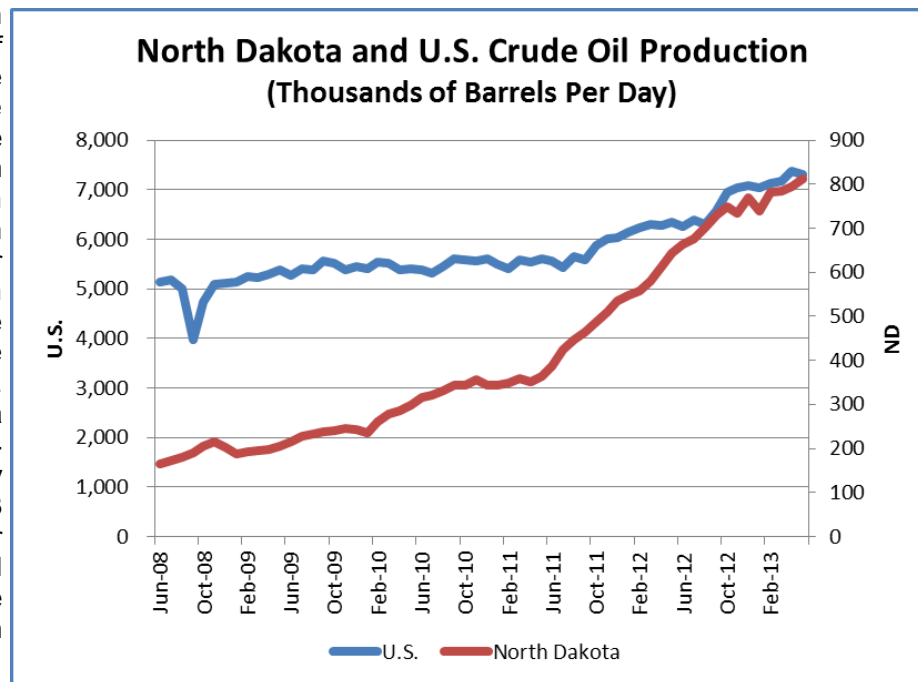
MESSAGE FROM THE DIRECTOR

Crude oil production in the U.S. peaked in November 1970 at around 10.0 million barrels per day. From 1970 to 2005, U.S. domestic production fell steadily until it reached 4.2 million barrels per day in September 2005. However, domestic production began to rebound in 2005 and has grown steadily ever since, reaching over 7.3 million barrels per day in May 2013, an increase of nearly 75 percent in less than eight years.

A leading factor contributing to the increase in domestic crude oil production is the advancement of technologies allowing for the extraction of oil from shale formations such as the Bakken in North Dakota. In North Dakota, the increase in crude oil production has been remarkable. In September 2005, crude oil production in North Dakota was on the rise and had just crossed the 100,000 barrel per day mark. At that point, North Dakota was producing just 2.4 percent of U.S. domestically produced crude. May 2013 was a landmark month for North Dakota crude oil production... for the first time the state produced more than

800,000 barrels per day. May 2013 production of 811,000 barrels per day represents 11.1 percent of U.S. domestic production and makes North Dakota the second highest oil producing state in the nation. Texas continues to lead the nation in crude oil production at over 2.5 million barrels per day.

The following chart shows the correlation between U.S. and North Dakota crude oil production over the past five years:



OIL ACTIVITY

The 2013-15 biennium revenue forecast is based on oil production increasing from 830,000 barrels per day in July 2013 to 850,000 barrels per day by the end of the biennium. Crude oil prices are projected to average \$75 per barrel for the entire biennium. Rig count is stable at 182 rigs, 17 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:



	June 2013	May 2013	Apr 2013
Actual average price per barrel	\$86.20	\$87.91	\$87.90
Production (barrels/day)	821,400	811,300	793,900
Drilling permits	165	211	202
Producing wells	9,071	8,932	8,772
Rig count	187	187	186

Comments or Questions?
Contact

Pam Sharp, Director
Phone: 701-328-2680
Fax: 701-328-3230

E-mail:
psharp@nd.gov

Visit the North Dakota web site

www.nd.gov

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2013-15 Biennium
July 2013

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2013 Leg. Forecast	Actual	Variance	Percent	May 2013 Leg. Forecast	Actual	Variance	Percent
Sales Tax	112,760,000	122,013,803	9,253,803	8.2%	112,760,000	122,013,803	9,253,803	8.2%
Motor Vehicle Excise Tax	12,789,000	11,376,193	(1,412,807)	-11.0%	12,789,000	11,376,193	(1,412,807)	-11.0%
Individual Income Tax	47,353,000	68,259,114	20,906,114	44.1%	47,353,000	68,259,114	20,906,114	44.1%
Corporate Income Tax		366,627	366,627	100.0%		366,627	366,627	100.0%
Insurance Premium Tax	259,580	190,456	(69,124)	-26.6%	259,580	190,456	(69,124)	-26.6%
Financial Institutions Tax		(2,304)	(2,304)	-100.0%		(2,304)	(2,304)	-100.0%
Oil & Gas Production Tax								
Oil Extraction Tax								
Gaming Tax	357,470	226,507	(130,963)	-36.6%	357,470	226,507	(130,963)	-36.6%
Lottery								
Cigarette & Tobacco Tax	2,566,000	2,341,670	(224,330)	-8.7%	2,566,000	2,341,670	(224,330)	-8.7%
Wholesale Liquor Tax	835,000	846,424	11,424	1.4%	835,000	846,424	11,424	1.4%
Coal Conversion Tax								
Mineral Leasing Fees	791,667	1,541,929	750,262	94.8%	791,667	1,541,929	750,262	94.8%
Departmental Collections	900,000	1,120,325	220,325	24.5%	900,000	1,120,325	220,325	24.5%
Interest Income	175,180	86,533	(88,647)	-50.6%	175,180	86,533	(88,647)	-50.6%
State Mill & Elevator-Transfer								
Major Special Fund Transfers	341,790,000	341,790,000	0	0.0%	341,790,000	341,790,000	0	0.0%
Other Transfers	222,170	388,691	166,521	75.0%	222,170	388,691	166,521	75.0%
Total Revenues and Transfers	520,799,067	550,545,968	29,746,901	5.7%	520,799,067	550,545,968	29,746,901	5.7%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2013-15 Biennium
July 2013

Revenues and Transfers	Fiscal Month				Biennium To Date			
	July <u>2011</u>	July <u>2013</u>	<u>Variance</u>	<u>Percent</u>	<u>2011-13</u>	<u>2013-15</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	62,834,040	122,013,803	59,179,764	94.2%	62,834,040	122,013,803	59,179,764	94.2%
Motor Vehicle Excise Tax	6,468,097	11,376,193	4,908,096	75.9%	6,468,097	11,376,193	4,908,096	75.9%
Individual Income Tax	39,475,968	68,259,114	28,783,146	72.9%	39,475,968	68,259,114	28,783,146	72.9%
Corporate Income Tax	293,940	366,627	72,687	24.7%	293,940	366,627	72,687	24.7%
Insurance Premium Tax	293,212	190,456	(102,756)	-35.0%	293,212	190,456	(102,756)	-35.0%
Financial Institutions Tax	8,686	(2,304)	(10,990)	-126.5%	8,686	(2,304)	(10,990)	-126.5%
Oil & Gas Production Tax								
Oil Extraction Tax								
Gaming Tax	486,978	226,507	(260,471)	-53.5%	486,978	226,507	(260,471)	-53.5%
Lottery								
Cigarette & Tobacco Tax	1,873,445	2,341,670	468,225	25.0%	1,873,445	2,341,670	468,225	25.0%
Wholesale Liquor Tax	734,426	846,424	111,997	15.2%	734,426	846,424	111,997	15.2%
Coal Conversion Tax								
Mineral Leasing Fees	2,354,064	1,541,929	(812,135)	-34.5%	2,354,064	1,541,929	(812,135)	-34.5%
Departmental Collections	885,696	1,120,325	234,629	26.5%	885,696	1,120,325	234,629	26.5%
Interest Income	150,182	86,533	(63,649)	-42.4%	150,182	86,533	(63,649)	-42.4%
State Mill & Elevator-Transfer								
Major Special Fund Transfers	295,000,000	341,790,000	46,790,000	15.9%	295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	185,625	388,691	203,066	109.4%	185,625	388,691	203,066	109.4%
Total Revenues and Transfers	411,044,360	550,545,968	139,501,608	33.9%	411,044,360	550,545,968	139,501,608	33.9%

VARIANCES

July 2013 is the start of the 2013-15 biennium and revenues started the biennium on a positive note, totaling \$550.5 million, \$29.7 million more than forecasted for the month and \$139.5 million more than July 2011. Significant variances are as follows:

- **Sales tax** collections total \$122.0 million in July, \$9.3 million more than estimated, a variance of 8.2 percent.
 - **Motor vehicle excise tax** collections exceed the previous biennium by \$4.9 million, but are short of the forecast by \$1.4 million, or 11.0 percent.
 - **Individual income tax** collections were the most significant contributor to the monthly revenue variance, exceeding the forecast by \$20.9 million, or 44.1 percent.
 - **Oil and gas taxes** will not be deposited into the general fund until August.
- July revenues are applied to the month of June at the close of the biennium. The first month of revenue allocated using the allocation formula enacted by the 2013 legislature will be in September, which will reflect revenue from oil produced in July, the first month of the new biennium.
- **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 by \$750,000 for the month.