

North Dakota REV-E-NEWS



Pam Sharp, Director

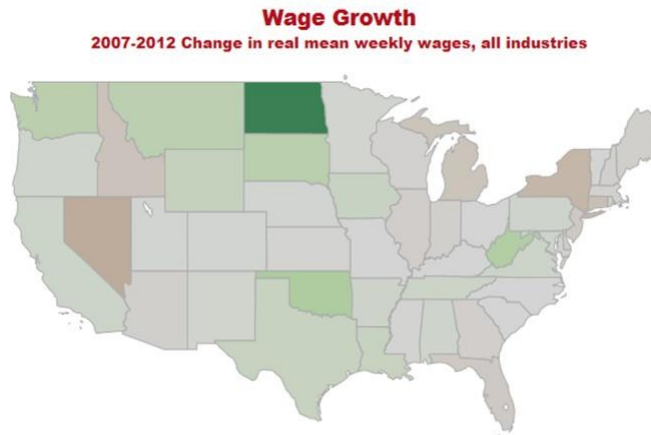
**OFFICE OF MANAGEMENT AND BUDGET
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

September 2013

MESSAGE FROM THE DIRECTOR

An August 29, 2013 article from *Governing Magazine* provides an analysis of wage growth across the nation. The article's author concludes that although employers "are slowly expanding payrolls as recovery inches forward...they haven't yet begun to bump up wages." Although this statement may apply to most states in the nation, it is clearly not applicable to the labor market in North Dakota.

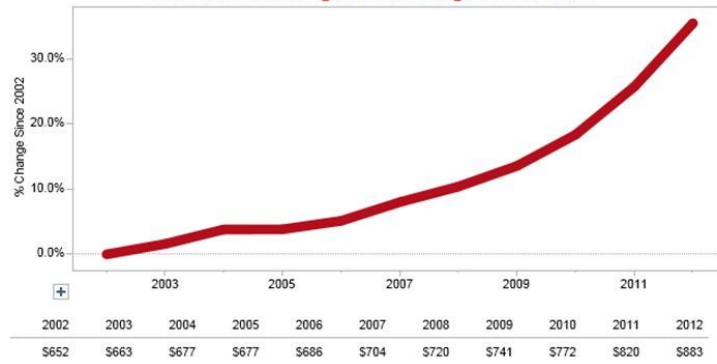
The *Governing* analysis looked at mean weekly wages for all industries,



2007-2012 Change in Average Weekly Wage
-6.5% 25.4%

Source: Governing.com

North Dakota Change in Mean Wages Since 2002



Figures shown are in 2012 dollars, adjusted for inflation using CPI
Source: Governing analysis of data from BLS Quarterly Census of Employment and Wages: Average Weekly Wage, all industries and establishments

as reported in the Labor Department's Quarterly Census of Employment and Wages, adjusted for inflation using the consumer price index (CPI). The map above shows wage growth by state from 2007 through 2012. Changes ranged from a decline of 6.5 percent in Nevada to an increase of 25.4 percent in North Dakota, which led the nation in wage growth during that time period.

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 currently 178 rigs, 14 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:



	July 2013	June 2013	May 2013
Actual average price per barrel	\$96.76	\$86.20	\$87.91
Production (barrels/day)	874,500	821,600	811,300
Drilling permits	179	165	211
Producing wells	9,322	9,096	8,932
Rig count	186	187	187

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium August 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	108,560,000	90,573,474	(17,986,526)	-16.6%	221,320,000	212,587,278	(8,732,722)	-3.9%
Motor Vehicle Excise Tax	13,179,000	11,790,401	(1,388,599)	-10.5%	25,968,000	23,166,593	(2,801,407)	-10.8%
Individual Income Tax	15,138,000	13,019,982	(2,118,018)	-14.0%	62,491,000	81,279,096	18,788,096	30.1%
Corporate Income Tax		614,357	614,357	100.0%	0	980,985	980,985	100.0%
Insurance Premium Tax	4,746,600	20,244	(4,726,356)	-99.6%	5,006,180	210,700	(4,795,480)	-95.8%
Financial Institutions Tax		10,000	10,000	100.0%	0	7,696	7,696	100.0%
Oil & Gas Production Tax *	57,914,205	57,914,205	0	0.0%	57,914,205	57,914,205	0	0.0%
Oil Extraction Tax *	36,412,088	36,412,088	0	0.0%	36,412,088	36,412,088	0	0.0%
Gaming Tax	976,370	837,417	(138,953)	-14.2%	1,333,840	1,063,925	(269,916)	-20.2%
Lottery								
Cigarette & Tobacco Tax	2,590,000	2,876,986	286,986	11.1%	5,156,000	5,218,655	62,655	1.2%
Wholesale Liquor Tax	758,000	821,257	63,257	8.3%	1,593,000	1,667,681	74,681	4.7%
Coal Conversion Tax	1,582,000	1,164,013	(417,988)	-26.4%	1,582,000	1,164,013	(417,988)	-26.4%
Mineral Leasing Fees	791,667	910,535	118,868	15.0%	1,583,334	2,452,464	869,130	54.9%
Departmental Collections	1,816,164	2,152,233	336,069	18.5%	2,716,164	3,272,557	556,393	20.5%
Interest Income	621,220	179,273	(441,947)	-71.1%	796,400	265,806	(530,594)	-66.6%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	341,790,000	0	0.0%
Other Transfers		(59)	(59)	-100.0%	222,170	388,632	166,462	74.9%
Total Revenues and Transfers	245,085,315	219,296,407	(25,788,908)	-10.5%	765,884,382	769,842,375	3,957,993	0.5%

* Oil and gas taxes exceed the monthly forecast due to higher than anticipated oil prices. August revenue is based on July oil production, at which time prices averaged \$86 per barrel compared to a forecasted price of \$75. Although actual collections exceed the monthly forecast, for the purposes of this report, oil tax forecast amounts are shown as being equal to actual collections. For the biennium in total, the general fund share of oil taxes is limited to no more than \$300.0 million. So, exceeding the forecast in a single month only accelerates the time frame during which the general fund will receive its share of oil taxes, but does not increase the general fund share above the statutory cap.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	August 2011	August 2013	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	84,265,196	90,573,474	6,308,279	7.5%	147,099,236	212,587,278	65,488,042	44.5%
Motor Vehicle Excise Tax	11,377,744	11,790,401	412,657	3.6%	17,845,841	23,166,593	5,320,752	29.8%
Individual Income Tax	27,772,883	13,019,982	(14,752,901)	-53.1%	67,248,852	81,279,096	14,030,245	20.9%
Corporate Income Tax	472,365	614,357	141,992	30.1%	766,306	980,985	214,679	28.0%
Insurance Premium Tax	5,361,639	20,244	(5,341,394)	-99.6%	5,654,851	210,700	(5,444,150)	-96.3%
Financial Institutions Tax	(4,087)	10,000	14,087	-344.7%	4,599	7,696	3,097	67.3%
Oil & Gas Production Tax	43,986,646	57,914,205	13,927,559	31.7%	43,986,646	57,914,205	13,927,559	31.7%
Oil Extraction Tax	31,686,624	36,412,088	4,725,464	14.9%	31,686,624	36,412,088	4,725,464	14.9%
Gaming Tax	1,330,112	837,417	(492,695)	-37.0%	1,817,090	1,063,925	(753,166)	-41.4%
Lottery								
Cigarette & Tobacco Tax	2,446,071	2,876,986	430,914	17.6%	4,319,516	5,218,655	899,139	20.8%
Wholesale Liquor Tax	668,986	821,257	152,271	22.8%	1,403,412	1,667,681	264,268	18.8%
Coal Conversion Tax	1,852,268	1,164,013	(688,255)	-37.2%	1,852,268	1,164,013	(688,255)	-37.2%
Mineral Leasing Fees	2,377,392	910,535	(1,466,857)	-61.7%	4,731,456	2,452,464	(2,278,992)	-48.2%
Departmental Collections	1,583,927	2,152,233	568,306	35.9%	2,469,623	3,272,557	802,935	32.5%
Interest Income	596,218	179,273	(416,945)	-69.9%	746,400	265,806	(480,594)	-64.4%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	(5)	(59)	(54)	1129.9%	185,620	388,632	203,012	109.4%
Total Revenues and Transfers	215,773,980	219,296,407	3,522,427	1.6%	626,818,340	769,842,375	143,024,035	22.8%

VARIANCES

August 2013 revenues totaled \$219.3 million, \$25.8 million less than forecast. However, revenues for the biennium are tracking close to forecast -- \$4.0 million higher than forecast through August, a variance of only .5 percent. Significant variances are as follows:

- **Sales tax** collections total \$90.6 million for the month, 7.5 percent more than August 2011, but 16.6 percent below forecast for the month. July sales tax collections exceeded the forecast so biennium-to-date collections are only 3.9 percent below forecast. The August variance is thought to be timing-related due to the month of August ending on a holiday weekend.
- **Motor vehicle excise tax** collections, although nearly 30.0 percent higher than the previous biennium, fell short of the forecast for the second month. Collections are \$1.4 million lower than expected for the month and \$2.8 million lower for the biennium-to-date.
- **Individual income tax** collections fell short of the August forecast by \$2.1 million, but exceed the biennium-to-date forecast by \$18.8 million, or 30.1 percent.
- **Insurance premium tax** collections fell short of the forecast by \$4.7 million for the month. However, this variance is timing-related as insurance premium tax collections are accumulated in the insurance tax distribution fund early in the biennium in order to make increased distributions to fire districts, as authorized by 2013 House Bill No 1145.
- **Oil and gas taxes** exceed the monthly forecast due to higher than anticipated oil prices. August revenue is based on July oil production, at which time prices averaged \$86 per barrel compared to a forecasted price of \$75. Although actual collections exceed the monthly forecast, for the purposes of this report, oil tax forecast amounts are shown as being equal to actual collections. For the biennium in total, the general fund share of oil taxes is limited to no more than \$300.0 million. So, exceeding the forecast in a single month only accelerates the time frame during which the general fund will receive its share of oil taxes, but does not increase the general fund share above the statutory cap.