

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**September 2010**

**OFFICE OF MANAGEMENT AND BUDGET  
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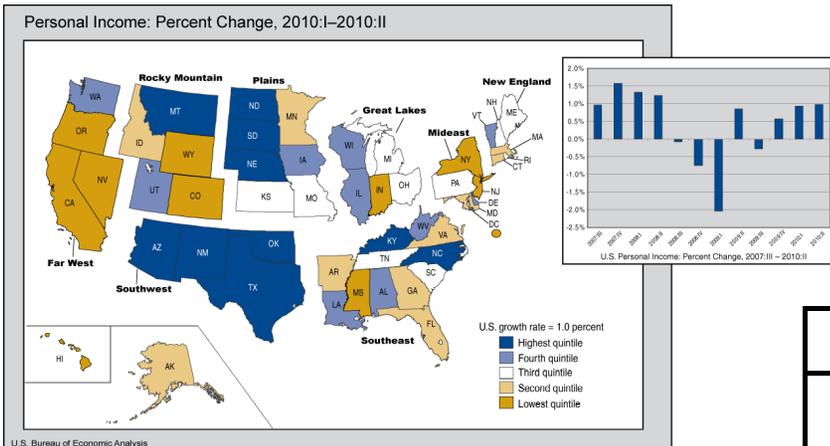
## MESSAGE FROM THE DIRECTOR

### North Dakota Records Highest Percentage Growth in Personal Income!

During the second quarter of 2010, personal income grew nationally by an average of 1.0 percent, as reported by the Bureau of Economic Analysis (BEA). However, in North Dakota, personal income grew by an average of 2.0 percent, double the national average and the highest rate of growth recorded by any state.

income grew by an average of 1.0 percent, the same as the national average. Behind North Dakota's 2.0 percent growth, Montana was second at 1.6 percent, followed by Texas at 1.4 percent, South Dakota at 1.4 percent, and New Mexico at 1.3 percent.

Moody's Economy.com remains optimistic that the North Dakota economy will continue to outperform the national economy. Personal income growth in North Dakota is expected to continue to exceed the national average by a significant margin, as shown below:



In a September 20, 2010, news release the BEA reported that "Growth rates ranged from 2.0 percent in North Dakota to 0.3 percent in Nevada....In eight states – Texas, Oklahoma, Louisiana, Wyoming, Alaska, North Dakota, Montana, and West Virginia – the mining industry (including oil and gas extraction) made the largest contribution to nonfarm earnings growth."

In the plains region, consisting of Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, and South Dakota, personal

Projected Personal Income Growth Rates		
	North Dakota	United States
2010	4.7%	.8%
2011	3.6%	2.6%
2012	4.7%	4.8%
2013	5.3%	4.7%
2014	4.9%	3.8%

## OIL ACTIVITY

The legislative revenue forecast for the 2009-11 biennium is based on gradually increasing oil price and production – starting at \$40 per barrel and 205,000 barrels per day and ending the biennium at \$55 per barrel and production of 225,000 barrels per day. Currently, the Tesoro posted price for North Dakota sweet crude is around \$70 per barrel. Production jumped to a new record in July, at over 320,000 barrels per day. The current rig count is 141 rigs, a 70 percent increase since January. Price, production, and drilling activity are summarized on the following table:



	July 2010	June 2010	May 2010
Actual average price per barrel	\$66.21	\$64.76	\$62.91
Production (barrels/day)	321,000	314,500	298,000
Drilling permits	145	128	102
Producing wells	5,051	4,977	4,893
Rig count	135	125	114

Comments or Questions?  
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## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2009-11 Biennium August 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	55,227,000	61,853,228	6,626,228	12.0%	664,425,000	663,634,379	(790,621)	-0.1%
Motor Vehicle Excise Tax	4,070,000	5,901,013	1,831,013	45.0%	47,209,000	66,650,403	19,441,403	41.2%
Individual Income Tax	11,209,000	21,573,206	10,364,206	92.5%	371,224,000	355,032,259	(16,191,741)	-4.4%
Corporate Income Tax		797,860	797,860	100.0%	120,164,000	89,052,600	(31,111,400)	-25.9%
Insurance Premium Tax	3,500,000	3,859,199	359,199	10.3%	35,135,000	35,171,156	36,156	0.1%
Financial Institutions Tax		255,040	255,040	100.0%	4,750,000	3,141,880	(1,608,120)	-33.9%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,380,047	1,564,000	183,953	13.3%	10,292,445	9,869,816	(422,629)	-4.1%
Lottery					5,577,500	5,100,000	(477,500)	-8.6%
Cigarette & Tobacco Tax	2,080,000	2,159,769	79,769	3.8%	27,042,000	26,615,062	(426,938)	-1.6%
Wholesale Liquor Tax	596,000	647,839	51,839	8.7%	7,967,000	8,775,079	808,079	10.1%
Coal Conversion Tax	1,922,000	1,467,400	(454,600)	-23.7%	24,245,000	22,581,269	(1,663,731)	-6.9%
Mineral Leasing Fees	2,000,000	1,299,466	(700,534)	-35.0%	14,200,000	10,768,527	(3,431,473)	-24.2%
Departmental Collections	2,050,106	1,395,004	(655,102)	-32.0%	33,864,823	35,693,596	1,828,773	5.4%
Interest Income	819,677	783,719	(35,958)	-4.4%	14,021,316	24,459,059	10,437,743	74.4%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer					2,367,918	6,260,457	3,892,539	164.4%
Oil tax trust fund-Transfer					295,000,000	295,000,000	0	0.0%
Other Transfers					805,000	1,924,678	1,119,678	139.1%
<b>Total Revenues and Transfers</b>	<b>84,853,830</b>	<b>103,556,744</b>	<b>18,702,914</b>	<b>22.0%</b>	<b>1,749,290,002</b>	<b>1,730,730,218</b>	<b>(18,559,784)</b>	<b>-1.1%</b>

\* Oil and gas production and extraction tax collections totaled \$43.5 million in August. Because the \$71.0 million statutory cap for the 2009-11 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2009-11 biennium. Through August, oil tax collections totaling \$354.8 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2009-11 Biennium August 2010

Revenues and Transfers	Fiscal Month				Biennium To Date			
	August 2008	August 2010	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	44,729,522	61,853,228	17,123,706	38.3%	586,156,563	663,634,379	77,477,816	13.2%
Motor Vehicle Excise Tax	6,006,383	5,901,013	(105,370)	-1.8%	79,019,314	66,650,403	(12,368,911)	-15.7%
Individual Income Tax	2,771,929	21,573,206	18,801,277	678.3%	343,087,453	355,032,259	11,944,805	3.5%
Corporate Income Tax	672,775	797,860	125,085	18.6%	142,360,920	89,052,600	(53,308,320)	-37.4%
Insurance Premium Tax	3,433,413	3,859,199	425,786	12.4%	37,026,541	35,171,156	(1,855,385)	-5.0%
Financial Institutions Tax	9	255,040	255,031	100.0%	6,499,166	3,141,880	(3,357,287)	-51.7%
Oil & Gas Production Tax*					39,309,315	32,718,333	(6,590,982)	-16.8%
Oil Extraction Tax*					31,690,685	38,281,667	6,590,982	20.8%
Gaming Tax	1,646,462	1,564,000	(82,462)	-5.0%	12,279,383	9,869,816	(2,409,568)	-19.6%
Lottery					5,300,000	5,100,000	(200,000)	-3.8%
Cigarette & Tobacco Tax	2,079,719	2,159,769	80,050	3.8%	26,722,954	26,615,062	(107,893)	-0.4%
Wholesale Liquor Tax	698,304	647,839	(50,465)	-7.2%	8,235,454	8,775,079	539,625	6.6%
Coal Conversion Tax	2,152,806	1,467,400	(685,407)	-31.8%	28,072,958	22,581,269	(5,491,689)	-19.6%
Mineral Leasing Fees	3,543,570	1,299,466	(2,244,105)	-63.3%	15,266,224	10,768,527	(4,497,697)	-29.5%
Departmental Collections	1,329,280	1,395,004	65,723	4.9%	32,461,661	35,693,596	3,231,935	10.0%
Interest Income	1,502,929	783,719	(719,210)	-47.9%	25,708,959	24,459,059	(1,249,900)	-4.9%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer						6,260,457	6,260,457	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	295,000,000	180,000,000	156.5%
Other Transfers	6,279	0	(6,279)	-100.0%	846,216	1,924,678	1,078,462	127.4%
<b>Total Revenues and Transfers</b>	<b>70,573,382</b>	<b>103,556,744</b>	<b>32,983,362</b>	<b>46.7%</b>	<b>1,535,043,766</b>	<b>1,730,730,218</b>	<b>195,686,451</b>	<b>12.7%</b>

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## VARIANCES

August 2010 revenues were \$103.6 million, \$18.7 million more than projected in the legislative forecast. Biennium to date revenues are within a variance of 1.1 percent compared to the original forecast and are 12.7 percent higher than at the same point of the 2007-09 biennium. Notable variances for the month are as follows:

- **Sales tax** collections for the month are \$6.6 million more than the legislative forecast, bringing biennium to date collections very close to estimates – just .1% below forecast through August. Compared to collections through the first fourteen months of the 2007-09 biennium, 2009-11 collections are \$77.5 million higher.
- **Motor vehicle excise tax** collections again exceed the legislative forecast -- by \$1.8 million for the month and \$19.4 million for the biennium to date.
- **Individual income tax** collections exceed the forecast by \$10.4 million, reversing the \$7.0 million July shortfall correctly attributed to timing.
- **Coal conversion tax** collections fell short of projections by \$450,000, bringing the biennium to date variance to \$1.7 million. Collections are \$5.5 million lower than during the same months of the 2007-09 biennium, primarily reflecting the impact of the coal conversion tax credits enacted by the 2009 legislature in Senate Bill No. 2221.
- **Departmental collections**, which include various fees and service charges collected by state agencies, remain above forecast for the biennium, but fell short of the monthly forecast by \$655,000 as a result of timing.
- **Mineral leasing fees**, received from the federal government for mineral extraction on federal land located within the state, have consistently fallen short of the forecast despite the increasing volume of oil activity in the state. This variance is likely the result of variations in the bonus amounts paid for oil exploration leases on federal land.