

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**July 2011**

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

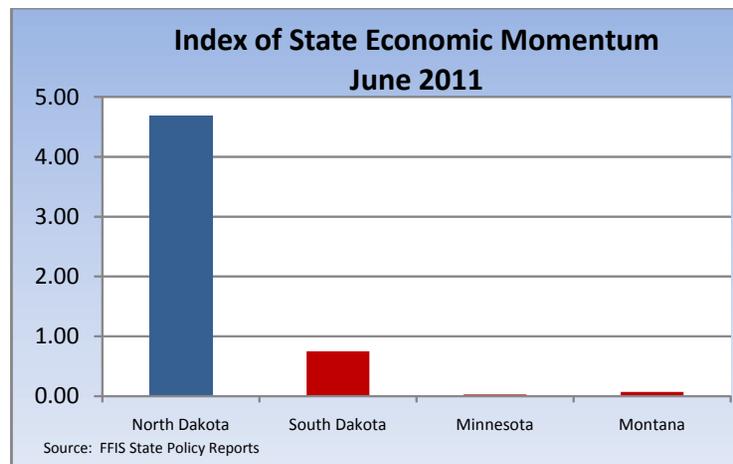
June marks the end of the state fiscal year and the end of the 2009-11 biennium. General fund revenues ended the biennium nearly 10.0 percent ahead of original projections, a variance of \$285.0 million. Sales and use taxes grew by a phenomenal 21.1 percent from 2007-09 to 2009-11. This growth in sales tax serves as a barometer of the prosperity of the North Dakota economy and the confidence of the state's consumers. The economic growth occurring in our state puts us in a unique position as other states deal with lackluster revenue collections, high unemployment, and state and local budget crises.

An illustration of how divergent North Dakota's economy is from other states is provided by Federal Funds Information for States (FFIS) in its June 2011 update of the Index of State Economic Momentum (*State Policy Reports*, Volume 29, Issue 12). The index "ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth and population growth. Measures of the three components are averaged, and the national average is set at zero. Each state's score is then expressed as a percentage above or below the national average."

The report reflects the dismal economic performance occurring in most states "with the notable exception of North Dakota, which left every other state in the dust this time around." Only three states achieved an index of greater than 1. Leading the nation, North

Dakota's index was 4.68. The second and third ranked states of Texas and Oklahoma achieved respective index ratings of 1.29 and 1.08. Elsewhere in the region, South Dakota's index was .75, Wyoming's was .69, Montana's was .07, and Minnesota's was .03.

Looking at the individual components of the index, it is easy to see why North Dakota "left other states in the dust..." as the authors of the report indicated. North Dakota's change in personal income was 14.59 percent compared to a national average of 4.71 percent. Employment in the state grew by 4.3 percent compared to a national average of only .6 percent. In terms of population growth, a category that has traditionally hindered North Dakota's ranking, the state recorded growth of 1.2 percent compared to the national average of .8 percent.



## OIL ACTIVITY



The 2011 legislative revenue forecast is based on oil prices in the range of \$67 to \$75 per barrel and production gradually increasing from 390,000 to 425,000 barrels per day through fiscal year 2013. Currently, the posted price for North Dakota sweet crude is around \$91 per barrel. Recovering from the constraints of wet weather and load restrictions in many areas, May production grew by 10,000 barrels per day. The current rig count is 183 rigs, 40 rigs more than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

	May 2011	Apr 2011	Mar 2011
Actual average price per barrel	\$94.69	\$103.91	\$92.15
Production (barrels/day)	361,400	351,300	360,300
Drilling permits	154	125	149
Producing wells	5,570	5,536	5,439
Rig count	175	173	171

Comments or Questions?  
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## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2009-11 Biennium June 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	44,508,800	63,022,745	18,513,945	41.6%	1,109,974,800	1,267,211,331	157,236,531	14.2%
Motor Vehicle Excise Tax	4,575,250	6,811,351	2,236,101	48.9%	86,978,250	124,425,401	37,447,151	43.1%
Individual Income Tax	18,101,000	24,280,829	6,179,829	34.1%	655,508,000	729,255,895	73,747,895	11.3%
Corporate Income Tax	23,675,000	28,893,330	5,218,330	22.0%	239,110,000	234,364,296	(4,745,704)	-2.0%
Insurance Premium Tax	2,200,000	1,245,010	(954,990)	-43.4%	66,000,000	63,150,948	(2,849,052)	-4.3%
Financial Institutions Tax		15,700	15,700	100.0%	9,500,000	6,748,753	(2,751,247)	-29.0%
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	241,109	300,332	59,223	24.6%	16,799,316	16,189,991	(609,325)	-3.6%
Lottery	5,577,500	5,300,000	(277,500)	-5.0%	11,155,000	10,400,000	(755,000)	-6.8%
Cigarette & Tobacco Tax	2,058,000	2,195,280	137,280	6.7%	45,428,000	46,253,470	825,470	1.8%
Wholesale Liquor Tax	683,000	686,905	3,905	0.6%	13,644,000	15,163,855	1,519,855	11.1%
Coal Conversion Tax	3,630,000	3,291,242	(338,758)	-9.3%	45,005,000	39,064,299	(5,940,701)	-13.2%
Mineral Leasing Fees	(1,185,000)	(1,125,850)	59,150	-5.0%	22,715,000	17,521,635	(5,193,365)	-22.9%
Departmental Collections	2,585,439	3,120,496	535,057	20.7%	60,961,920	68,577,582	7,615,662	12.5%
Interest Income	2,947,066	13,538,242	10,591,176	359.4%	27,000,000	43,684,825	16,684,825	61.8%
Bank of North Dakota-Transfer	1,000,000		(1,000,000)	-100.0%	1,000,000		(1,000,000)	-100.0%
State Mill & Elevator-Transfer	2,367,918	7,641,811	5,273,893	222.7%	4,735,836	13,902,268	9,166,432	193.6%
Oil tax trust fund-Transfer					435,000,000	435,000,000		0.0%
Other Transfers	35,000,000	38,021,326	3,021,326	8.6%	36,288,000	40,844,650	4,556,650	12.6%
<b>Total Revenues and Transfers</b>	<b>147,965,082</b>	<b>197,238,750</b>	<b>49,273,668</b>	<b>33.3%</b>	<b>2,957,803,122</b>	<b>3,242,759,200</b>	<b>284,956,078</b>	<b>9.6%</b>

\* Oil and gas production and extraction tax collections totaled \$156.3 million in June. 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 June, oil tax collections totaling \$981.6 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 June 2011

Revenues and Transfers	Fiscal Month				Biennium To Date			
	June 2009	June 2011	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	48,850,908	63,022,745	14,171,837	29.0%	1,046,485,684	1,267,211,331	220,725,647	21.1%
Motor Vehicle Excise Tax	5,819,583	6,811,351	991,769	17.0%	130,151,534	124,425,401	(5,726,133)	-4.4%
Individual Income Tax	16,699,532	24,280,829	7,581,297	45.4%	681,703,888	729,255,895	47,552,007	7.0%
Corporate Income Tax	20,152,463	28,893,330	8,740,867	43.4%	239,695,937	234,364,296	(5,331,641)	-2.2%
Insurance Premium Tax	815,203	1,245,010	429,807	52.7%	64,388,601	63,150,948	(1,237,653)	-1.9%
Financial Institutions Tax	(3,142)	15,700	18,842	-599.7%	10,486,495	6,748,753	(3,737,742)	-35.6%
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	287,654	300,332	12,678	4.4%	20,042,392	16,189,991	(3,852,401)	-19.2%
Lottery	5,755,000	5,300,000	(455,000)	-7.9%	11,055,000	10,400,000	(655,000)	-5.9%
Cigarette & Tobacco Tax	1,775,292	2,195,280	419,987	23.7%	45,230,771	46,253,470	1,022,699	2.3%
Wholesale Liquor Tax	643,722	686,905	43,183	6.7%	14,076,919	15,163,855	1,086,936	7.7%
Coal Conversion Tax	2,154,835	3,291,242	1,136,407	52.7%	49,438,952	39,064,299	(10,374,653)	-21.0%
Mineral Leasing Fees	(3,304,964)	(1,125,850)	2,179,114	-65.9%	25,306,589	17,521,635	(7,784,954)	-30.8%
Departmental Collections	3,268,615	3,120,496	(148,119)	-4.5%	62,143,185	68,577,582	6,434,397	10.4%
Interest Income	5,403,632	13,538,242	8,134,609	150.5%	49,506,190	43,684,825	(5,821,365)	-11.8%
Bank of North Dakota-Transfer	30,000,000		(30,000,000)	-100.0%	60,000,000		(60,000,000)	-100.0%
State Mill & Elevator-Transfer		7,641,811	7,641,811	100.0%		13,902,268	13,902,268	100.0%
Oil Tax Trust Fund-Transfer					115,000,000	435,000,000	320,000,000	278.3%
Other Transfers	15,003,560	38,021,326	23,017,765	153.4%	19,551,243	40,844,650	21,293,408	108.9%
<b>Total Revenues and Transfers</b>	<b>153,321,895</b>	<b>197,238,750</b>	<b>43,916,855</b>	<b>28.6%</b>	<b>2,715,263,379</b>	<b>3,242,759,200</b>	<b>527,495,820</b>	<b>19.4%</b>

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## VARIANCES

June 2011 revenues are \$197.2 million, \$49.3 million more than projected in the original legislative forecast. As of the end of the biennium, revenues exceed the original forecast by \$285.0 million, or 9.6 percent. Notable variances for the month are as follows:

- **Sales tax** collections, the state's largest tax source, exceed the legislative forecast by \$18.5 million for the month, bringing the biennium to date variance to \$157.2 million, or 14.2 percent. Biennium to date collections total \$1.267 billion, which is 21.1 percent higher than during the previous biennium.
- **Motor vehicle excise tax** collections exceed the legislative forecast by \$2.2 million for the month and \$37.4 million for the biennium to date. Adjusting for legislatively authorized changes in the allocation of motor vehicle excise tax revenues between the general fund and the highway fund, 2009-11 biennium collections are \$21.2 million higher than 2007-09.
- **Individual income tax** collections are \$6.2 million higher than estimated for the month, resulting in the biennium to date total being 11.3 percent over forecast. Biennium to date collections exceed the previous biennium by 7.0 percent, an indication of strong growth in wage and other income considering the \$90.0 million income tax reduction measure approved by the 2009 legislature.
- **Corporate income tax** collections have rebounded significantly. Twelve months ago, corporate income tax collections were short of the forecast by 26.9 percent. In light of the lingering national recession, it was anticipated that corporate income tax collections in North Dakota would continue to lag the forecast. Instead, collections have steadily recovered and finished the biennium a mere 2.0 percent below the original forecast.
- **Interest income** was bolstered in June 2011 by a transfer of \$11.5 million from the accumulated earnings of the budget stabilization fund. For the biennium, interest income totaled \$43.7 million, \$16.7 million more than originally estimated.
- **State Mill and Elevator transfer** amounts are now based on a percentage of Mill profits (2009 Senate Bill No. 1014). Estimated at only \$2.4 million, the fiscal year 2011 transfer was actually \$7.6 million, reflecting higher than anticipated profits at the State Mill.