

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**December 2012**

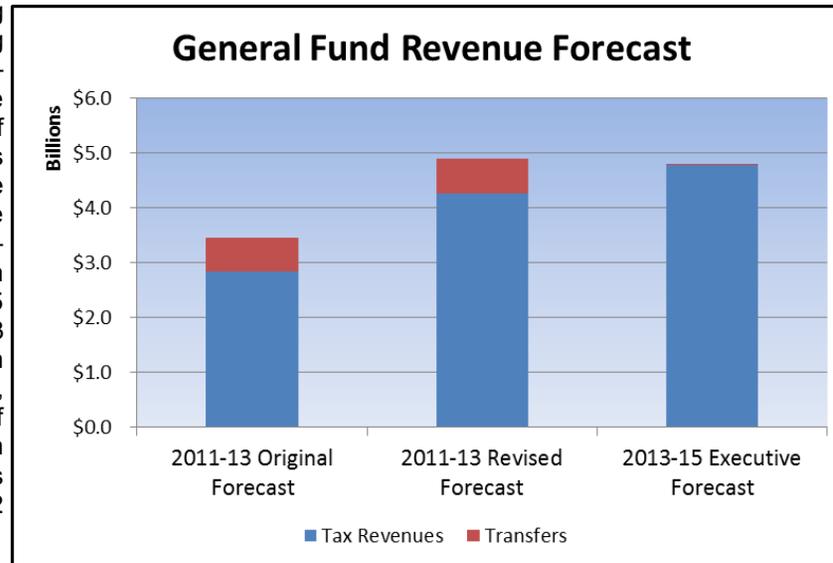
**OFFICE OF MANAGEMENT AND BUDGET  
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

## MESSAGE FROM THE DIRECTOR

During the 63<sup>rd</sup> legislature's organizational session, which took place during the first week of December, the Governor released his recommended budget for the 2013-15 biennium. This marks the start of the state budget process as the legislature prepares to examine and modify the recommended budget through the course of the legislative session from January through April 2013. The Governor proposed a budget that keeps ongoing expenditures below the level of ongoing revenues and adds to the state's healthy reserve balances.

The general fund revenue forecast is a critical component of the recommended budget as it determines the level of funding available to support ongoing government programs as well as one-time projects. The executive revenue forecast, developed with the help of economic consultants at Moody's Analytics and the expertise of the state's Advisory Council on Revenue Forecasting, projects ongoing 2011-13 revenues of \$4.27 billion, an increase of \$1.43 billion, or 50.5 percent, from the original 2011-13 legislative forecast. Although such robust growth seems hard to believe, the state has actually realized most of this growth already. Through November 2012, actual revenues exceed the original forecast by \$1.02 billion, or 43.1 percent.

For the 2013-15 biennium, ongoing general fund revenues are expected to grow by an additional \$511.4 million, or 12.0 percent. This increase is after the impact of an income tax relief proposal included in the executive budget. The Governor's proposal is expected to save individuals \$100.0 million and corporations \$25.0 million during the 2013-15 biennium through lowered income tax rates. One-time transfers, which amounted to \$600.0 million in the 2011-13 biennium, are eliminated for the 2013-15 biennium. The chart below shows the dramatic growth in the state's ongoing general fund revenues.



## 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. North Dakota crude oil prices are forecasted to remain around \$70 per barrel during that time. The current rig count is 183 rigs, 16 fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:

|                                 | Oct 2012 | Sept 2012 | August 2012 |
|---------------------------------|----------|-----------|-------------|
| Actual average price per barrel | \$86.90  | \$88.02   | \$82.76     |
| Production (barrels/day)        | 747,200  | 729,200   | 701,400     |
| Drilling permits                | 370      | 273       | 261         |
| Producing wells                 | 8,025    | 7,899     | 7,701       |
| Rig count                       | 188      | 190       | 198         |

Comments or Questions?  
Contact

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

E-mail:  
[psharp@nd.gov](mailto:psharp@nd.gov)

Visit the North Dakota web site

[www.nd.gov](http://www.nd.gov)

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2011-13 Biennium November 2012

| Revenues and Transfers              | Fiscal Month                |                    |                   |              | Biennium To Date            |                      |                      |              |
|-------------------------------------|-----------------------------|--------------------|-------------------|--------------|-----------------------------|----------------------|----------------------|--------------|
|                                     | April 2011<br>Leg. Forecast | Actual             | Variance          | Percent      | April 2011<br>Leg. Forecast | Actual               | Variance             | Percent      |
| Sales Tax                           | 67,768,000                  | 99,827,690         | 32,059,690        | 47.3%        | 992,161,000                 | 1,562,850,122        | 570,689,122          | 57.5%        |
| Motor Vehicle Excise Tax            | 6,629,000                   | 9,846,133          | 3,217,133         | 48.5%        | 126,695,000                 | 176,447,146          | 49,752,146           | 39.3%        |
| Individual Income Tax               | 13,584,000                  | 10,026,167         | (3,557,833)       | -26.2%       | 366,611,000                 | 592,345,912          | 225,734,912          | 61.6%        |
| Corporate Income Tax                | 1,332,000                   | 3,735,129          | 2,403,129         | 180.4%       | 69,136,000                  | 212,672,423          | 143,536,423          | 207.6%       |
| Insurance Premium Tax               | 7,000,000                   | 7,070,677          | 70,677            | 1.0%         | 45,275,000                  | 50,116,199           | 4,841,199            | 10.7%        |
| Financial Institutions Tax          |                             | (2,815)            | (2,815)           | -100.0%      | 2,270,000                   | 3,684,296            | 1,414,296            | 62.3%        |
| 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                          | 748,117                     | 698,556            | (49,561)          | -6.6%        | 6,712,276                   | 8,251,125            | 1,538,849            | 22.9%        |
| Lottery                             |                             |                    |                   |              | 5,500,000                   | 7,000,000            | 1,500,000            | 27.3%        |
| Cigarette & Tobacco Tax             | 1,803,000                   | 2,587,665          | 784,665           | 43.5%        | 31,689,000                  | 38,914,382           | 7,225,382            | 22.8%        |
| Wholesale Liquor Tax                | 611,000                     | 860,023            | 249,023           | 40.8%        | 10,626,000                  | 12,464,291           | 1,838,291            | 17.3%        |
| Coal Conversion Tax                 | 1,542,000                   | 1,585,289          | 43,289            | 2.8%         | 23,958,000                  | 26,057,917           | 2,099,917            | 8.8%         |
| Mineral Leasing Fees                | 1,416,667                   | 2,202,686          | 786,019           | 55.5%        | 13,458,339                  | 31,760,257           | 18,301,918           | 136.0%       |
| Departmental Collections            | 1,986,569                   | 2,018,724          | 32,155            | 1.6%         | 43,750,095                  | 48,796,839           | 5,046,744            | 11.5%        |
| Interest Income                     | 1,100,000                   | 444,408            | (655,592)         | -59.6%       | 24,947,500                  | 9,034,222            | (15,913,278)         | -63.8%       |
| State Mill & Elevator-Transfer      |                             |                    |                   |              | 3,325,000                   | 3,822,989            | 497,989              | 15.0%        |
| Major Special Fund Transfers        |                             |                    |                   |              | 295,000,000                 | 295,000,000          | 0                    | 0.0%         |
| Other Transfers                     |                             | 7,155              | 7,155             | 100.0%       | 1,113,750                   | 1,253,720            | 139,970              | 12.6%        |
| <b>Total Revenues and Transfers</b> | <b>105,520,353</b>          | <b>140,907,488</b> | <b>35,387,135</b> | <b>33.5%</b> | <b>2,362,227,960</b>        | <b>3,380,471,840</b> | <b>1,018,243,880</b> | <b>43.1%</b> |

\* Oil and gas production and extraction tax collections totaled \$213.9 million in November. 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 November, \$200.7 million has been deposited into the strategic investment and improvements fund. Revenues will continue to be deposited into that fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through November \$646.7 million has been deposited into that fund.

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2011-13 Biennium November 2012

| Revenues and Transfers              | Fiscal Month       |                    |                   |              | Biennium To Date     |                      |                      |              |
|-------------------------------------|--------------------|--------------------|-------------------|--------------|----------------------|----------------------|----------------------|--------------|
|                                     | November 2010      | November 2012      | Variance          | Percent      | 2009-11              | 2011-13              | Variance             | Percent      |
| Sales Tax                           | 71,715,624         | 99,827,690         | 28,112,065        | 39.2%        | 850,442,229          | 1,562,850,122        | 712,407,893          | 83.8%        |
| Motor Vehicle Excise Tax            | 5,102,000          | 9,846,133          | 4,744,134         | 93.0%        | 82,042,157           | 176,447,146          | 94,404,989           | 115.1%       |
| Individual Income Tax               | 22,230,703         | 10,026,167         | (12,204,535)      | -54.9%       | 426,513,836          | 592,345,912          | 165,832,076          | 38.9%        |
| Corporate Income Tax                | 1,768,645          | 3,735,129          | 1,966,484         | 111.2%       | 112,825,050          | 212,672,423          | 99,847,373           | 88.5%        |
| Insurance Premium Tax               | 7,387,220          | 7,070,677          | (316,543)         | -4.3%        | 42,710,325           | 50,116,199           | 7,405,873            | 17.3%        |
| Financial Institutions Tax          | (16,398)           | (2,815)            | 13,583            | -82.8%       | 3,016,392            | 3,684,296            | 667,904              | 22.1%        |
| 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                          | 1,310,547          | 698,556            | (611,992)         | -46.7%       | 11,758,527           | 8,251,125            | (3,507,401)          | -29.8%       |
| Lottery                             |                    |                    |                   |              | 5,100,000            | 7,000,000            | 1,900,000            | 37.3%        |
| Cigarette & Tobacco Tax             | 1,977,170          | 2,587,665          | 610,496           | 30.9%        | 32,794,409           | 38,914,382           | 6,119,974            | 18.7%        |
| Wholesale Liquor Tax                | 609,136            | 860,023            | 250,887           | 41.2%        | 10,676,150           | 12,464,291           | 1,788,140            | 16.7%        |
| Coal Conversion Tax                 | 1,482,658          | 1,585,289          | 102,630           | 6.9%         | 27,110,100           | 26,057,917           | (1,052,183)          | -3.9%        |
| Mineral Leasing Fees                | 1,533,061          | 2,202,686          | 669,625           | 43.7%        | 11,605,294           | 31,760,257           | 20,154,963           | 173.7%       |
| Departmental Collections            | 1,948,642          | 2,018,724          | 70,082            | 3.6%         | 45,865,996           | 48,796,839           | 2,930,843            | 6.4%         |
| Interest Income                     | 712,427            | 444,408            | (268,019)         | -37.6%       | 26,534,604           | 9,034,222            | (17,500,381)         | -66.0%       |
| State Mill & Elevator-Transfer      |                    |                    |                   |              | 6,260,457            | 3,822,989            | (2,437,468)          | -38.9%       |
| Major Special Fund Transfers        |                    |                    |                   |              | 295,000,000          | 295,000,000          | 0                    | 0.0%         |
| Other Transfers                     | 14,880             | 7,155              | (7,725)           | -51.9%       | 2,123,758            | 1,253,720            | (870,038)            | -41.0%       |
| <b>Total Revenues and Transfers</b> | <b>117,776,315</b> | <b>140,907,488</b> | <b>23,131,173</b> | <b>19.6%</b> | <b>2,063,379,283</b> | <b>3,380,471,840</b> | <b>1,317,092,557</b> | <b>63.8%</b> |

\* Oil and gas production and extraction tax collections totaled \$213.9 million in November. 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 November, \$200.7 million has been deposited into the strategic investment and improvements fund. Revenues will continue to be deposited into that fund for the remainder of the biennium. Moneys will also continue to be deposited each month into the legacy fund; through November \$646.7 million has been deposited into that fund.

## VARIANCES

November 2012 revenues total \$140.9 million, \$35.4 million more than forecasted for the month, based on the original legislative forecast. The biennium-to-date variance is \$1.018 billion, or 43.1 percent. Significant variances are as follows:

- **Sales tax** collections total \$99.8 million in November, \$32.1 million more than the original estimate. The biennium-to-date variance from the original forecast is \$570.7 million, or 57.5 percent. Compared to previous biennium collections through November 2010, sales tax collections this biennium are \$712.4 million, or 83.8 percent, higher.
- **Motor vehicle excise tax** collections exceed the forecast by \$3.2 million for the month. For 2009-11, only 75.0 percent of the tax was allocated to the general fund, but for 2011-13, 100.0 percent of the tax is allocated to the general fund. Adjusting for this change in allocation, 2011-13 collections are \$67.1 million higher. In terms of motor vehicle sales, this equates to an increase in sales of over \$1.3 billion.
- **Individual income tax** collections fell short of the monthly forecast by \$3.6 million, but remain \$225.7 million ahead of the biennium-to-date forecast.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in August. No additional oil taxes will be deposited into the general fund during the 2011-13 biennium.
- **Cigarette and tobacco taxes** continue to exceed the original forecast. November collections were nearly \$785,000 higher than estimated, bringing the biennium-to-date variance to \$7.2 million, or 22.8 percent.
- **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 through a quarterly distribution, reflected on this report as a negative amount. Monthly collections exceed the forecast by \$786,000; the biennium-to-date variance is \$18.3 million.

OFFICE OF MANAGEMENT AND BUDGET  
 600 EAST BOULEVARD AVE — DEPT. 110  
 BISMARCK, ND 58505-0400  
<http://www.nd.gov/fiscal> or [www.nd.gov/omb](http://www.nd.gov/omb)