

North Dakota REV-E-NEWS



Pam Sharp, Director

November 2013

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

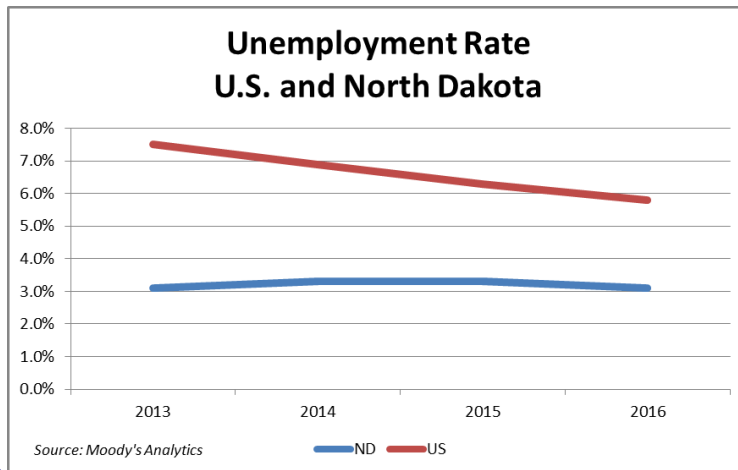
MESSAGE FROM THE DIRECTOR

In its October 2013 *Précis U.S. State* publication, Moody's Analytics updated its analysis of the North Dakota economy and the outlook remains positive. Moody's notes that although the rates of job growth and personal income growth have slowed in North Dakota, both remain double the national average.

Moody's predicts that North Dakota's economy will continue to outperform the U.S. Nationally, gross domestic product (GDP) is expected to grow by a mere 1.3 percent in 2013, then increase by between

2.9 and 4.1 percent through 2016. In North Dakota, the expected rate of growth in 2013 is 5.7 percent, more than four times the national average. North Dakota's GDP is expected to continue growing at the rate of 3.1 to 5.4 percent per year over the next three years. Employment in the state is expected to grow by 3.5 percent in 2013. Nationally, employment growth is expected to grow by less than half that rate -- only 1.6 percent. The unemployment rate in North Dakota is projected to remain around 3.0 percent through 2016. Nationally, the unemployment rate is expected to average 7.5 percent for 2013 and not dip below 6.0 percent until 2016.

Moody's analysis is summarized as follows: "North Dakota is in an enviable position and will outperform the U.S. for the next several years thanks to its booming energy industry. High prices and new technologies will support oil production, accompanied by growth in auxiliary industries throughout the state."



OIL ACTIVITY



Statistical Information

	Sept 2013	Aug 2013	July 2013
Actual average price per barrel	\$95.51	\$97.18	\$96.76
Production (barrels/day)	931,900	911,200	875,700
Drilling permits	287	276	179
Producing wells	9,682	9,475	9,334
Rig count	183	183	186

Tax Allocations (in Millions)

	Biennium to Date Oct 31, 2013
Political subs and tribes	\$150.5
Legacy fund	219.2
General fund	200.0
Education funds	73.9
Resources trust fund	70.5
Oil and gas impact fund	33.4
Property tax relief fund	23.0
Other allocations	14.7
Total	\$785.1

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium October 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	98,787,000	111,622,316	12,835,316	13.0%	405,238,000	437,700,448	32,462,448	8.0%
Motor Vehicle Excise Tax	13,510,000	12,084,317	(1,425,683)	-10.6%	52,850,000	45,367,076	(7,482,924)	-14.2%
Individual Income Tax	33,384,000	68,518,370	35,134,370	105.2%	115,859,000	183,863,016	68,004,016	58.7%
Corporate Income Tax	17,365,000	16,040,533	(1,324,467)	-7.6%	17,365,000	49,107,640	31,742,640	182.8%
Insurance Premium Tax	62,230	160,187	97,957	157.4%	5,274,250	3,385,448	(1,888,802)	-35.8%
Financial Institutions Tax		(2,985,808)	(2,985,808)	-100.0%		(3,170,387)	(3,170,387)	-100.0%
Oil & Gas Production Tax*	28,634,529	28,634,529	0	0.0%	96,933,188	96,933,188	0	0.0%
Oil Extraction Tax*	22,743,759	22,743,759	0	0.0%	103,066,812	103,066,812	0	0.0%
Gaming Tax	433,230	258,459	(174,771)	-40.3%	1,788,460	1,341,359	(447,101)	-25.0%
Lottery								
Cigarette & Tobacco Tax	2,441,000	2,682,344	241,344	9.9%	10,242,000	10,656,197	414,197	4.0%
Wholesale Liquor Tax	822,000	769,706	(52,294)	-6.4%	3,170,000	3,168,379	(1,621)	-0.1%
Coal Conversion Tax	1,652,000	1,552,961	(99,039)	-6.0%	4,884,000	4,120,233	(763,767)	-15.6%
Mineral Leasing Fees	791,667	3,352,455	2,560,788	323.5%	3,166,668	11,382,997	8,216,329	259.5%
Departmental Collections	1,851,510	2,280,428	428,918	23.2%	10,054,683	11,378,334	1,323,651	13.2%
Interest Income	549,080	251,574	(297,506)	-54.2%	1,997,370	772,626	(1,224,744)	-61.3%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	341,790,000	0	0.0%
Other Transfers	222,170	222,205	35	0.0%	444,340	615,941	171,601	38.6%
Total Revenues and Transfers	223,249,175	268,188,335	44,939,160	20.1%	1,174,123,771	1,301,479,308	127,355,537	10.8%

* Oil and gas tax collections for October exceed the monthly forecast by \$67.8 million. However, 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. Therefore, 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. The general fund cap contains two tiers. The first tier of \$200.0 million was reached in October. Additional oil taxes will flow to the property tax relief fund until that fund reaches its cap of \$341.8 million, after which time the general fund will receive an additional \$100.0 million. October allocations to the legacy fund were \$78.6 million.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	October 2011	October 2013	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	95,931,701	111,622,316	15,690,614	16.4%	332,742,879	437,700,448	104,957,570	31.5%
Motor Vehicle Excise Tax	9,421,086	12,084,317	2,663,230	28.3%	36,833,827	45,367,076	8,533,248	23.2%
Individual Income Tax	32,367,576	68,518,370	36,150,794	111.7%	117,573,883	183,863,016	66,289,133	56.4%
Corporate Income Tax	10,947,769	16,040,533	5,092,765	46.5%	11,797,697	49,107,640	37,309,943	316.2%
Insurance Premium Tax	70,294	160,187	89,893	127.9%	5,957,654	3,385,448	(2,572,206)	-43.2%
Financial Institutions Tax	45,502	(2,985,808)	(3,031,310)	-6661.9%	95,548	(3,170,387)	(3,265,935)	-3418.1%
Oil & Gas Production Tax	13,581,437	28,634,529	15,053,092	110.8%	60,353,152	96,933,188	36,580,035	60.6%
Oil Extraction Tax	16,808,529	22,743,759	5,935,231	35.3%	66,643,013	103,066,812	36,423,799	54.7%
Gaming Tax	590,189	258,459	(331,731)	-56.2%	2,436,420	1,341,359	(1,095,061)	-44.9%
Lottery								
Cigarette & Tobacco Tax	2,330,755	2,682,344	351,589	15.1%	9,144,905	10,656,197	1,511,292	16.5%
Wholesale Liquor Tax	675,623	769,706	94,083	13.9%	2,789,075	3,168,379	379,305	13.6%
Coal Conversion Tax	1,653,008	1,552,961	(100,046)	-6.1%	5,304,033	4,120,233	(1,183,800)	-22.3%
Mineral Leasing Fees	20,421,537	3,352,455	(17,069,082)	-83.6%	23,744,749	11,382,997	(12,361,752)	-52.1%
Departmental Collections	4,762,785	2,280,428	(2,482,358)	-52.1%	9,165,792	11,378,334	2,212,543	24.1%
Interest Income	524,077	251,574	(272,503)	-52.0%	1,897,364	772,626	(1,124,738)	-59.3%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	185,625	222,205	36,580	19.7%	371,245	615,941	244,695	65.9%
Total Revenues and Transfers	210,317,493	268,188,335	57,870,843	27.5%	981,851,236	1,301,479,308	319,628,072	32.6%

VARIANCES

October 2013 revenues total \$268.2 million, \$44.9 million more than forecast. Revenues for the biennium-to-date are \$127.4 million, or 10.8 percent higher than forecast. Significant variances are as follows:

- **Sales tax** collections total \$111.6 million for the month, \$12.8 million more than forecast, bringing the biennium to date variance to 32.5 million, or 8.0 percent.
- **Motor vehicle excise tax** collections again fell short of the forecast. Actual collections were \$1.4 million, or 10.6 percent, below forecast for the month, bringing the biennium-to-date variance to -\$7.5 million. However, current biennium collections exceed the first four months of the 2011-13 biennium by \$8.5 million, indicating the shortfall is attributable to optimistic forecast assumptions, not a decline in motor vehicle sales.
- **Individual income tax** collections accounted for most of the month's variance, exceeding the forecast by \$35.1 million, more than double the forecasted amount.
- **Corporate income tax** collections were \$1.3 million lower than projected for the month, but remain \$31.7 million ahead of forecast. Despite the significant rate reductions approved by the 2013 legislature, October 2013 collections were \$5.1 million, or 46.5 percent, higher than during October 2011.
- **Financial Institutions tax** collections were projected at \$0 for the biennium due to the 2013 repeal of this tax pursuant to Senate Bill 2325. The negative amount reflected

on this report relates to refunds due financial institutions for prepayment of estimated tax liability.

- **Oil and gas taxes** exceed the monthly forecast by \$67.8 million due to higher than anticipated oil prices and production. 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. During October, the general fund reached \$200.0 million -- the first tier of the biennial cap. The state share will be deposited in the property tax relief fund until that fund reaches its cap of \$341.8 million, after which the general fund will receive an additional \$100.0 million.
- **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 \$2.6 million for the month and by \$8.2 million for the biennium-to-date. The majority of the October variance -- approximately \$2.2 million -- was related to the state receiving monies held by the federal government due to sequestration.