

North Dakota REV-E-NEWS



Pam Sharp, Director

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**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

A news release entitled *Local Area Personal Income*, issued by the U.S. Bureau of Economic Analysis (BEA) on November 21, 2013, provides the latest personal income statistics for the nation's 381 metropolitan statistical areas (MSAs). MSAs are county-based areas developed by the federal Office of Management and Budget for federal statistical purposes. MSAs have "at least one urbanized area of 50,000 or more population, plus adjacent territory that has a high degree of social and economic integration with the core as measured by commuting ties."

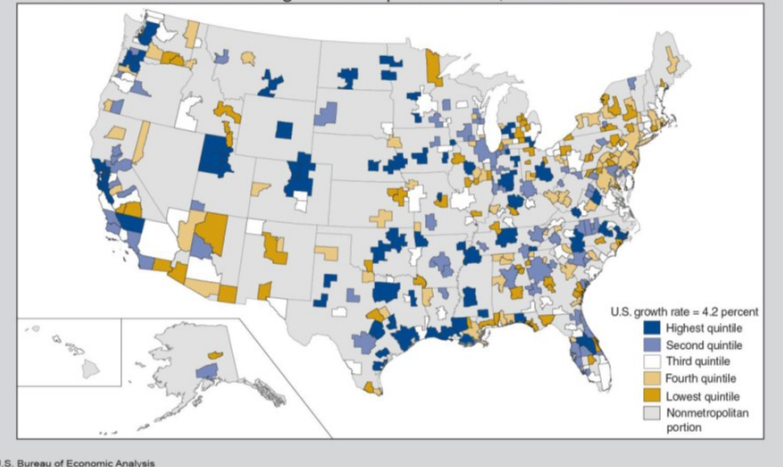
The news release indicates that "North Dakota's three MSAs were among the fastest growing in the country in 2012: Grand Forks grew 10.5 percent and ranked third, Bismarck ranked fourth (10.1 percent),

and Fargo ranked sixth (8.3 percent). Personal income in the nonmetropolitan portion of North Dakota – where the booming mining industry is located – grew at an even faster 26.3 percent pace."

Growth in per capita personal income, which is the personal income of all residents of a given area divided by the resident population of that area, ranged from a high of 9.5 percent in Grand Forks, ND to a low of -2.8 percent in Kennewick, WA.

Nationally, personal income growth by MSA was slower in 2012, averaging only 4.2 percent compared to 6.0 percent in 2011. The BEA reported that for 2012, personal income growth "slowed in 311 MSAs, accelerated in 65 MSAs, and remained unchanged in 5 MSAs."

Personal Income: Percent Change for Metropolitan Areas, 2011 - 2012



Another indication of the state's strong economy -- the State of North Dakota recently earned a AAA credit rating, the highest rating available, from Standard & Poor's Rating Services. The new rating is an upgrade from the state's previous credit rating of AA+, the second-highest rating available. In determining the state's upgraded credit rating, Standard and Poor's considered the state's capacity to meet financial commitments, its strong government management and budgetary performance, growing reserves, low unemployment rate, and growth in per-capita gross state product.

OIL ACTIVITY



Statistical Information

	October 2013	September 2013	August 2013
Actual average price per barrel	\$88.27	\$95.51	\$97.18
Production (barrels/day)	941,600	933,000	911,200
Drilling permits	267	287	276
Producing wells	9,900	9,701	9,475
Rig count	183	183	183

Tax Allocations (in Millions)

	Biennium to Date Nov 30, 2013
Political subs and tribes	\$202.9
Legacy fund	297.7
General fund	200.0
Education funds	100.3
Resources trust fund	96.8
Oil and gas impact fund	50.4
Property tax relief fund	100.9
Other allocations	18.8
Total	\$1,067.8

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2013-15 Biennium
November 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	118,654,000	92,962,162	(25,691,838)	-21.7%	523,892,000	530,662,610	6,770,610	1.3%
Motor Vehicle Excise Tax	10,866,000	10,306,435	(559,565)	-5.1%	63,716,000	55,673,511	(8,042,489)	-12.6%
Individual Income Tax	14,367,000	11,134,037	(3,232,963)	-22.5%	130,226,000	194,997,053	64,771,053	49.7%
Corporate Income Tax	3,781,000	5,986,992	2,205,992	58.3%	21,146,000	55,094,633	33,948,633	160.5%
Insurance Premium Tax	7,809,760	9,942,742	2,132,982	27.3%	13,084,010	13,328,190	244,180	1.9%
Financial Institutions Tax		(22,537)	(22,537)	-100.0%		(3,192,924)	(3,192,924)	-100.0%
Oil & Gas Production Tax*					96,933,188	96,933,188	0	0.0%
Oil Extraction Tax*					103,066,812	103,066,812	0	0.0%
Gaming Tax	391,200	491,665	100,465	25.7%	2,179,660	1,833,024	(346,636)	-15.9%
Lottery								
Cigarette & Tobacco Tax	2,380,000	2,654,258	274,258	11.5%	12,622,000	13,310,455	688,455	5.5%
Wholesale Liquor Tax	766,000	844,341	78,341	10.2%	3,936,000	4,012,720	76,720	1.9%
Coal Conversion Tax	1,503,000	1,540,002	37,002	2.5%	6,387,000	5,660,235	(726,765)	-11.4%
Mineral Leasing Fees	791,667	1,425,333	633,666	80.0%	3,958,335	12,808,330	8,849,995	223.6%
Departmental Collections	2,235,352	2,580,390	345,038	15.4%	12,290,035	13,958,724	1,668,689	13.6%
Interest Income	520,250	210,190	(310,060)	-59.6%	2,517,620	982,816	(1,534,804)	-61.0%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	341,790,000	0	0.0%
Other Transfers		7,653	7,653	100.0%	444,340	623,594	179,254	40.3%
Total Revenues and Transfers	164,065,229	140,063,664	(24,001,565)	-14.6%	1,338,189,000	1,441,542,971	103,353,971	7.7%

* The general fund cap for oil and gas taxes 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. November allocations to the property tax relief fund were \$77.9 million; allocations to the legacy fund were \$78.5 million.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	November <u>2011</u>	November <u>2013</u>	<u>Variance</u>	<u>Percent</u>	<u>2011-13</u>	<u>2013-15</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	86,368,149	92,962,162	6,594,013	7.6%	419,111,028	530,662,610	111,551,582	26.6%
Motor Vehicle Excise Tax	9,027,159	10,306,435	1,279,276	14.2%	45,860,987	55,673,511	9,812,525	21.4%
Individual Income Tax	9,651,952	11,134,037	1,482,085	15.4%	127,225,835	194,997,053	67,771,218	53.3%
Corporate Income Tax	2,595,090	5,986,992	3,391,903	130.7%	14,392,787	55,094,633	40,701,846	282.8%
Insurance Premium Tax	8,821,710	9,942,742	1,121,032	12.7%	14,779,364	13,328,190	(1,451,174)	-9.8%
Financial Institutions Tax	9,184	(22,537)	(31,721)	-345.4%	104,732	(3,192,924)	(3,297,656)	-3148.7%
Oil & Gas Production Tax*	17,010,375		(17,010,375)	-100.0%	77,363,528	96,933,188	19,569,660	25.3%
Oil Extraction Tax*	17,860,052		(17,860,052)	-100.0%	84,503,065	103,066,812	18,563,748	22.0%
Gaming Tax	532,937	491,665	(41,273)	-7.7%	2,969,357	1,833,024	(1,136,334)	-38.3%
Lottery								
Cigarette & Tobacco Tax	2,366,121	2,654,258	288,137	12.2%	11,511,026	13,310,455	1,799,429	15.6%
Wholesale Liquor Tax	773,078	844,341	71,263	9.2%	3,562,152	4,012,720	450,567	12.6%
Coal Conversion Tax	1,626,220	1,540,002	(86,217)	-5.3%	6,930,252	5,660,235	(1,270,017)	-18.3%
Mineral Leasing Fees	1,941,389	1,425,333	(516,056)	-26.6%	25,686,138	12,808,330	(12,877,808)	-50.1%
Departmental Collections	2,106,679	2,580,390	473,711	22.5%	11,272,470	13,958,724	2,686,254	23.8%
Interest Income	495,248	210,190	(285,058)	-57.6%	2,392,612	982,816	(1,409,795)	-58.9%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	9,388	7,653	(1,735)	-18.5%	380,633	623,594	242,961	63.8%
Total Revenues and Transfers	161,194,730	140,063,664	(21,131,066)	-13.1%	1,143,045,966	1,441,542,971	298,497,005	26.1%

* The general fund cap for oil and gas taxes 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. November allocations to the property tax relief fund were \$77.9 million; allocations to the legacy fund were \$78.5 million.

VARIANCES

November 2013 revenues total \$140.1 million, \$21.1 million less than forecast. Revenues for the biennium-to-date are \$103.4 million, or 7.7 percent higher than forecast. Significant variances are as follows:

- **Sales tax** collections total \$93.0 million for the month, \$25.7 million less than forecast, bringing the biennium-to-date variance to \$6.8 million, or 1.3 percent.
- **Motor vehicle excise tax** collections again fell short of the forecast. Actual collections of \$10.3 million were \$570,000, or 5.1 percent, below forecast for the month. The biennium-to-date variance is -\$8.0 million. However, current biennium collections exceed the first five months of the 2011-13 biennium by \$9.8 million, indicating the shortfall is attributable to optimistic forecast assumptions, not a decline in motor vehicle sales.
- **Individual income tax** collections fell short of the forecast by \$3.2 million. However, biennium-to-date collections continue to exceed the forecast by a wide margin - \$64.8 million, or 49.7 percent.
- **Corporate income tax** collections were \$2.2 million higher than projected for the month, bringing the biennium-to-date variance to \$33.9 million. Despite the significant rate reductions approved by the 2013 legislature, November 2013 collections were \$3.4 million higher than during November 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 \$73.8 million due to higher than anticipated oil prices and production. 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.