

North Dakota REV-E-NEWS



Pam Sharp, Director

January 2014

**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

State Policy Reports (S/P/R) recently issued the quarterly “Index of State Economic Momentum” report that ranks states based upon year over year change in personal income, population and employment – three key measures of economic vitality. The national average is established at zero, with each state’s score shown as a percentage above or below the national average.

North Dakota topped the list at 2.59 percent above the national average, followed by South Dakota at 1.86 percent, Utah at 1.08 percent and Texas at 1.01 percent. Nineteen other states were ranked at less than 1.0 percent higher than average, with the remaining states below average.

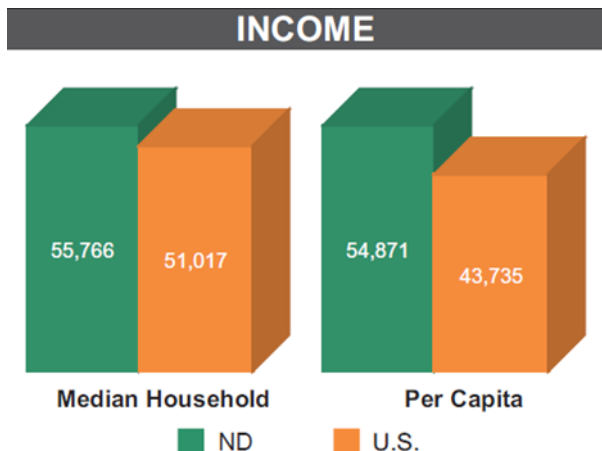
North Dakota ranked first in both the employment and population growth categories, coming in second to South Dakota in personal income growth.

“Between the third quarters of 2012 and 2013, personal income across the nation grew by an average of 3.63%. . . The improvement reflects a settling of the national economy, as the turmoil around the federal budget situation and sequestration subsided.” The exceptionally strong economy in North Dakota resulted in personal income increasing by 6.49 percent.

Nationally, the employment growth rate from November 2012 to November 2013 was 1.5

percent. North Dakota’s employment growth rate of 4.00 percent “was more than double the national average and 1.5 percentage points more than #2 Texas.”

The Index’s final component, population change, again saw North Dakota leading the way. Based upon population estimates released in December 2013, the national population increased by 0.72 percent. During the most of the last decade, the population growth averaged about 1 percent per year. Contrastingly, North Dakota’s population grew by 3.14 percent from July 1, 2012 to July 1, 2013, more than quadruple that of the national population.



Sources: Census, 2011 (household); BEA, 2012 (per capita)

OIL ACTIVITY



Statistical Information

	Nov 2013	Oct 2013	Sept 2013
Actual average price per barrel	\$79.27	\$88.27	\$95.51
Production (barrels/day)	973,000	945,200	933,000
Drilling permits	232	267	287
Producing wells	10,023	9,923	9,701
Rig count	184	183	183

Tax Allocations (in Millions)

	Biennium to Date Dec 31, 2013
Political subs and tribes	\$250.9
Legacy fund	372.2
General fund	200.0
Education funds	125.4
Resources trust fund	121.8
Oil and gas impact fund	66.4
Property tax relief fund	178.1
Other allocations	22.1
Total	\$1,336.9

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium December 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	73,575,000	107,773,679	34,198,679	46.5%	597,467,000	638,436,289	40,969,289	6.9%
Motor Vehicle Excise Tax	11,048,000	10,916,729	(131,271)	-1.2%	74,764,000	66,590,240	(8,173,760)	-10.9%
Individual Income Tax	14,298,000	13,262,177	(1,035,823)	-7.2%	144,524,000	208,259,230	63,735,230	44.1%
Corporate Income Tax	31,285,000	35,587,991	4,302,991	13.8%	52,431,000	90,682,624	38,251,624	73.0%
Insurance Premium Tax	382,920	1,282,483	899,563	234.9%	13,466,930	14,610,673	1,143,743	8.5%
Financial Institutions Tax	0	(1,728,405)	(1,728,405)	-100.0%	0	(4,921,329)	(4,921,329)	-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	22,950	16,491	(6,459)	-28.1%	2,202,610	1,849,515	(353,095)	-16.0%
Lottery								
Cigarette & Tobacco Tax	2,408,000	2,311,955	(96,045)	-4.0%	15,030,000	15,622,410	592,410	3.9%
Wholesale Liquor Tax	831,000	690,627	(140,373)	-16.9%	4,767,000	4,703,347	(63,653)	-1.3%
Coal Conversion Tax	1,519,000	1,586,341	67,341	4.4%	7,906,000	7,246,576	(659,424)	-8.3%
Mineral Leasing Fees	791,667	(4,975,054)	(5,766,721)	-728.4%	4,750,002	7,833,276	3,083,274	64.9%
Departmental Collections	2,645,557	3,190,681	545,124	20.6%	14,935,592	17,149,405	2,213,813	14.8%
Interest Income	505,970	229,920	(276,050)	-54.6%	3,023,590	1,212,736	(1,810,854)	-59.9%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	341,790,000	0	0.0%
Other Transfers					444,340	623,594	179,254	40.3%
Total Revenues and Transfers	139,313,064	170,145,615	30,832,551	22.1%	1,477,502,064	1,611,688,586	134,186,522	9.1%

* 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. December allocations to the property tax relief fund were \$77.2 million; allocations to the legacy fund were \$74.6 million.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	December 2011	December 2013	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	76,639,714	107,773,679	31,133,965	40.6%	495,750,742	638,436,289	142,685,547	28.8%
Motor Vehicle Excise Tax	10,439,514	10,916,729	477,215	4.6%	56,300,501	66,590,240	10,289,739	18.3%
Individual Income Tax	17,657,123	13,262,177	(4,394,946)	-24.9%	144,882,958	208,259,230	63,376,272	43.7%
Corporate Income Tax	40,366,263	35,587,991	(4,778,272)	-11.8%	54,759,050	90,682,624	35,923,574	65.6%
Insurance Premium Tax	432,540	1,282,483	849,943	196.5%	15,211,904	14,610,673	(601,231)	-4.0%
Financial Institutions Tax	(416,453)	(1,728,405)	(1,311,952)	315.0%	(311,721)	(4,921,329)	(4,609,608)	1478.8%
Oil & Gas Production Tax*	22,435,678		(22,435,678)	100.0%	99,799,206	96,933,188	(2,866,018)	-2.9%
Oil Extraction Tax*	15,697,729		(15,697,729)	100.0%	100,200,794	103,066,812	2,866,018	2.9%
Gaming Tax	31,259	16,491	(14,768)	-47.2%	3,000,617	1,849,515	(1,151,102)	-38.4%
Lottery								
Cigarette & Tobacco Tax	2,072,810	2,311,955	239,145	11.5%	13,583,836	15,622,410	2,038,575	15.0%
Wholesale Liquor Tax	665,472	690,627	25,155	3.8%	4,227,625	4,703,347	475,722	11.3%
Coal Conversion Tax	1,788,380	1,586,341	(202,039)	-11.3%	8,718,632	7,246,576	(1,472,056)	-16.9%
Mineral Leasing Fees	(1,094,903)	(4,975,054)	(3,880,151)	354.4%	24,591,235	7,833,276	(16,757,959)	-68.1%
Departmental Collections	2,660,709	3,190,681	529,972	19.9%	13,933,179	17,149,405	3,216,226	23.1%
Interest Income	480,972	229,920	(251,052)	-52.2%	2,873,584	1,212,736	(1,660,848)	-57.8%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	1		(1)	-100.0%	380,634	623,594	242,960	63.8%
Total Revenues and Transfers	189,856,810	170,145,615	(19,711,195)	-10.4%	1,332,902,775	1,611,688,586	278,785,811	20.9%

* 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. December allocations to the property tax relief fund were \$77.2 million; allocations to the legacy fund were \$74.6 million.

VARIANCES

December 2013 revenues total \$170.1 million, \$30.8 million more than forecast. Revenues for the biennium-to-date are \$1.61 billion, or 9.1 percent higher than forecast. Significant variances are as follows:

- **Sales tax** collections total \$107.8 million for the month, \$34.2 million more than forecast, bringing the biennium to date variance to \$41.0 million, or 6.9 percent.
- **Motor vehicle excise tax** collections again fell slightly short of the forecast. Actual collections of \$10.9 million were \$131,000, or 1.2 percent, below forecast for the month. The biennium-to-date variance is - \$8.2 million. However, current biennium collections exceed the first six months of the 2011-13 biennium by \$10.3 million, indicating the shortfall is attributable to monthly forecast assumptions, not a decline in motor vehicle sales.
- **Individual income tax** collections fell short of the forecast by \$1.0 million. However, biennium to date collections continue to exceed the forecast by a wide margin -- \$63.7 million, or 44.1 percent.
- **Corporate income tax** collections were \$4.3 million higher than projected for the month, bringing the biennium to date variance to \$38.3 million. Despite the significant rate reductions approved by the 2013 legislature, collections through December 2013 were \$35.9 million higher than during the same six-month period in 2011. Revenue strength is a result of strong estimated payments, indicating corporations are experiencing a profitable 2013.
- **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 \$53.6 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.