

North Dakota REV-E-NEWS



Pam Sharp, Director

May 2014

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

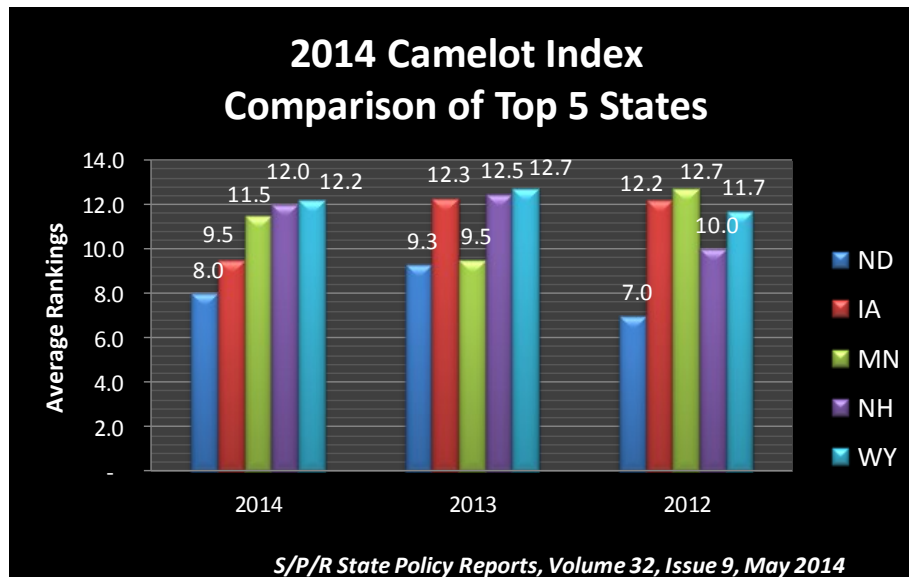
MESSAGE FROM THE DIRECTOR

State Policy Reports recently released the 2014 Camelot Index. Developed by *Reports* founding editor Hal Hovey, the Camelot Index, ranks states by six components: economic vitality, healthy people, education, crime, healthy society, and prudent government. When combined, these components measure the overall quality of life within a state. Each index component contains multiple variables are that measured and ranked, with the desired result receiving the #1 ranking. Categorical rankings are averaged to determine the overall state score. If a state were ranked best in every component, the state would have score of 1. The state ranked last would have a score of 50.

For the third consecutive year, North Dakota claimed the #1 overall rank, with a score of 8. Iowa, Minnesota, New Hampshire and Wyoming fill out the 2014 top 5 rankings, with scores between 9.5 and 12.2. The lowest ranked state was South Carolina with 40 points.

North Dakota ranked #1 in two of the six index components: economic vitality and education. "North Dakota maintained its position at the top of the

Healthy Economy index due to its steady population, employment and per capita personal income growth, and high retail wages. " North Dakota and Kansas tied for the top spot in the Educated Population component, which measures pupil-teacher ratio, high school graduation rate, in-state college costs, and SAT/ACT scores. "Both states have strong high school graduation rates and low average in-state college costs, while North Dakota has a lower pupil-teacher ratio and Kansas has higher SAT/ACT composite scores." The state also ranked high in the healthy people (15), crime (3), healthy society (4) and prudent government (24) components.



OIL ACTIVITY



Statistical Information

	Mar 2014	Feb 2014	Jan 2014
Actual average price per barrel	\$90.29	\$91.34	\$80.85
Production (barrels/day)	977,051	952,055	935,126
Drilling permits	250	180	253
Producing wells	10,457	10,199	10,114
Rig count	193	189	188

Tax Allocations (in Millions)

	Biennium to Date Apr 31, 2014
Political subs and tribes	\$429.7
Legacy fund	653.5
General fund	300.0
Education funds	220.5
Resources trust fund	216.4
Oil and gas impact fund	128.2
Property tax relief fund	341.8
Other allocations	60.7
Total	\$2,350.8

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium April 2014

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2013 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	May 2013 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	91,755,000	97,586,204	5,831,204	6.4%	977,397,000	1,011,713,280	34,316,280	3.5%
Motor Vehicle Excise Tax	13,984,000	12,702,780	(1,281,220)	-9.2%	125,798,000	112,681,197	(13,116,803)	-10.4%
Individual Income Tax	121,718,000	162,398,275	40,680,275	33.4%	352,745,000	478,586,143	125,841,143	35.7%
Corporate Income Tax	44,896,000	59,592,996	14,696,996	32.7%	136,616,000	189,676,291	53,060,291	38.8%
Insurance Premium Tax	(119,350)	411,965	531,315	-445.2%	25,052,860	31,249,617	6,196,757	24.7%
Financial Institutions Tax		14,395	14,395	100.0%		(4,887,518)	(4,887,518)	-100.0%
Oil & Gas Production Tax*	33,304,172	33,304,172		0.0%	146,071,108	146,071,108		0.0%
Oil Extraction Tax*	9,306,671	9,306,671		0.0%	153,928,892	153,928,892		0.0%
Gaming Tax	441,450	262,370	(179,080)	-40.6%	3,591,470	2,938,367	(653,103)	-18.2%
Lottery								
Cigarette & Tobacco Tax	2,301,000	2,276,416	(24,584)	-1.1%	23,864,000	24,566,511	702,511	2.9%
Wholesale Liquor Tax	788,000	681,836	(106,164)	-13.5%	7,627,000	7,579,208	(47,792)	-0.6%
Coal Conversion Tax	1,543,000	1,670,244	127,244	8.2%	14,506,000	13,559,296	(946,704)	-6.5%
Mineral Leasing Fees	791,667	3,233,345	2,441,678	308.4%	7,916,670	15,416,617	7,499,947	94.7%
Departmental Collections	1,868,965	2,931,170	1,062,205	56.8%	31,707,943	34,694,068	2,986,125	9.4%
Interest Income	478,170	237,396	(240,774)	-50.4%	5,007,850	2,071,638	(2,936,212)	-58.6%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	341,790,000		0.0%
Other Transfers	222,170	222,170			888,680	1,067,934	179,254	20.2%
Total Revenues and Transfers	323,278,914	386,832,404	63,553,490	19.7%	2,354,508,473	2,562,702,649	208,194,176	8.8%

* The general fund cap for oil and gas taxes contains two tiers. The first tier of \$200.0 million was reached in October 2013. The next \$341.8 million was deposited into the property tax relief fund. The second tier of \$100.0 million was reached in April 2014, two months earlier than anticipated. 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. 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.

Total production and extraction tax collections of \$260.9 million were distributed in April 2014. The state general fund reached its cap of \$300.0 million and will not receive any additional allocations this biennium. Through April, \$653.5 million has been deposited into the legacy fund; for a total of \$2.0 billion.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2013-15 Biennium April 2014

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2012	April 2014	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	96,061,775	97,586,204	1,524,429	1.6%	857,277,150	1,011,713,280	154,436,130	18.0%
Motor Vehicle Excise Tax	11,259,601	12,702,780	1,443,178	12.8%	99,167,247	112,681,197	13,513,950	13.6%
Individual Income Tax	151,583,085	162,398,275	10,815,190	7.1%	394,599,867	478,586,143	83,986,276	21.3%
Corporate Income Tax	67,158,508	59,592,996	(7,565,512)	-11.3%	152,687,449	189,676,291	36,988,842	24.2%
Insurance Premium Tax	(134,820)	411,965	546,785	-405.6%	28,299,079	31,249,617	2,950,538	10.4%
Financial Institutions Tax	2,078,574	14,395	(2,064,179)	-99.3%	3,904,295	(4,887,518)	(8,791,813)	-225.2%
Oil & Gas Production Tax*		33,304,172	33,304,172	100.0%	99,799,206	146,071,108	46,271,902	46.4%
Oil Extraction Tax*		9,306,671	9,306,671	100.0%	100,200,794	153,928,892	53,728,098	53.6%
Gaming Tax	601,389	262,370	(339,018)	-56.4%	4,892,681	2,938,367	(1,954,314)	-39.9%
Lottery								
Cigarette & Tobacco Tax	2,088,962	2,276,416	187,453	9.0%	21,851,335	24,566,511	2,715,176	12.4%
Wholesale Liquor Tax	662,625	681,836	19,211	2.9%	6,895,025	7,579,208	684,183	9.9%
Coal Conversion Tax	1,515,348	1,670,244	154,896	10.2%	14,539,555	13,559,296	(980,259)	-6.7%
Mineral Leasing Fees	5,709,455	3,233,345	(2,476,111)	-43.4%	25,380,599	15,416,617	(9,963,981)	-39.3%
Departmental Collections	1,911,808	2,931,170	1,019,363	53.3%	31,061,459	34,694,068	3,632,608	11.7%
Interest Income	453,170	237,396	(215,773)	-47.6%	4,757,835	2,071,638	(2,686,197)	-56.5%
State Mill & Elevator-Transfer		0						
Major Special Fund Transfers		0			295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	185,625	222,170	36,545	19.7%	764,906	1,067,934	303,029	39.6%
Total Revenues and Transfers	341,135,104	386,832,404	45,697,300	13.4%	2,141,078,483	2,562,702,649	421,624,166	19.7%

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VARIANCES

April 2014 revenues of \$386.8 million exceeded the forecast by \$63.5 million, or 19.7 percent. Total revenues for the biennium-to-date are \$2.56 billion, or 8.8 percent higher than forecast. Significant variances are as follows:

- **Sales tax** collections for the biennium total \$1.01 billion, or 3.5 percent above forecast. Sales tax collections are currently 18.0 percent above the previous biennium and are anticipated to remain strong.
- **Motor vehicle excise tax** collections continue to fall short of the forecast. Actual collections of \$12.7 million were \$1.3 million, or 9.2 percent, below forecast for the month. Biennium-to-date variance collections are 10.4 percent, or \$13.1 million, less than anticipated. However, current biennium collections exceed the 2011-13 biennium by \$13.5 million, indicating the shortfall is attributable to monthly forecast assumptions, not a decline in motor vehicle sales.
- **Individual income tax** biennium to date collections exceed the forecast by a wide margin -- \$125.8 million, or 35.7 percent. Collections for the month of \$162.4 million were 33.4 percent higher than anticipated. Driving factors behind the increased collection include the state's economic and population growth, as well as the new withholding on royalties.
- **Corporate income tax** collections were \$14.7 million more than anticipated for the month, bringing the biennium to date variance to \$53.1 million, or 38.8 percent. Despite the significant rate

reductions approved by the 2013 legislature, collections through April 2014 total \$189.7 million, which is 24.0 percent higher than during the same time period in the 2011-13 biennium.

- **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 \$2.4 million for the month and by \$7.5 million for the biennium-to-date. The majority of the April variance was due to bonus payments received from mineral lease sales.
- **Departmental collections** consist of various fees and transfers received by state agencies. April collections exceeded the \$1.9 million monthly forecast by \$1.0 million, or 56.8 percent. Half of the variance resulted from the rebate received by the Office of Management through the state's purchasing card program. Of the \$1.4 million rebate, approximately \$860,000 was distributed to agencies and \$540,000 was deposited in the general fund.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in April. The original forecast assumed that cap would not be reached until July 2014. No additional oil taxes will be deposited in the general fund during the 2013-15 biennium. March production reached a new record high of just over 977,000 barrels per day. The previous record high was 976,453 barrels per day set in November 2013.

<http://www.nd.gov/fiscal> or www.nd.gov/omb

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