

North Dakota REV-E-NEWS



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**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

North Dakota continues its ranking as the most economically vital state according to the March 2014 “Index of State Economic Momentum”. The report, issued quarterly by State Policy Reports (S/P/R), ranks states based upon year over year change in personal income, population and employment. 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 2.30 percent above the national average, followed by Texas at 1.34 percent, Utah at 1.04 percent and Nevada at 1.01 percent. Fifteen other states were ranked at less than 1.0 percent higher than average, with the remaining states below average.

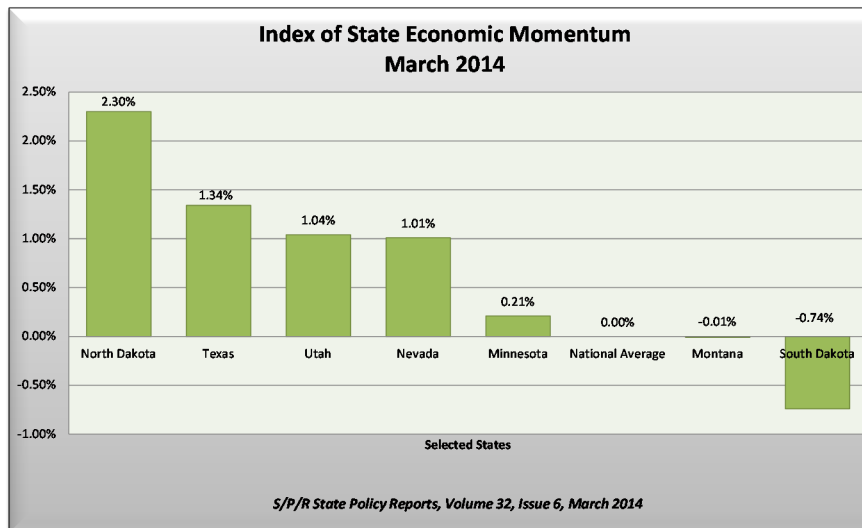
North Dakota ranked first in both the personal income and population growth categories, coming in a close second to Nevada in employment growth.

“Between the fourth quarters of 2012 and 2013, personal income across the nation grew by an average of 1.39%,” while the exceptionally strong economy in North Dakota resulted in personal income increasing by 4.11 percent.

Nationally, the employment growth rate from January 2013

to January 2014 was 1.53 percent. Nevada ranked first in this indicator at 3.39 percent. North Dakota ranked second with an employment growth rate of 3.30 percent, nearly double the national average.

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 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.



OIL ACTIVITY



Statistical Information

| | Apr 2014 | Mar 2014 | Feb 2014 |
|---------------------------------|-----------|----------|----------|
| Actual average price per barrel | \$89.89 | \$90.29 | \$91.34 |
| Production (barrels/day) | 1,001,149 | 977,178 | 952,055 |
| Drilling permits | 233 | 250 | 180 |
| Producing wells | 10,457 | 10,457 | 10,199 |
| Rig count | 188 | 193 | 189 |

Tax Allocations (in Millions)

| | Biennium to Date May 31, 2014 |
|--------------------------|----------------------------------|
| Political subs | \$287.1 |
| Tribes | \$192.7 |
| Legacy fund | 735.2 |
| General fund | 300.0 |
| Education funds | 248.2 |
| Resources trust fund | 244.0 |
| Oil and gas impact fund | 146.9 |
| Property tax relief fund | 341.8 |
| Other allocations | 148.5 |
| Total | \$2,644.4 |

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

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|---------------------------|--------------------|--------------------|--------------|---------------------------|----------------------|--------------------|-------------|
| | May 2013 Leg. Forecast | Actual | Variance | Percent | May 2013 Leg. Forecast | Actual | Variance | Percent |
| Sales Tax | 100,062,000 | 91,429,872 | (8,632,128) | -8.6% | 1,077,459,000 | 1,103,143,152 | 25,684,152 | 2.4% |
| Motor Vehicle Excise Tax | 15,440,000 | 13,253,877 | (2,186,123) | -14.2% | 141,238,000 | 125,935,074 | (15,302,926) | -10.8% |
| Individual Income Tax | 8,391,000 | 10,300,216 | 1,909,216 | 22.8% | 361,136,000 | 488,886,359 | 127,750,359 | 35.4% |
| Corporate Income Tax | 6,266,000 | 3,444,934 | (2,821,066) | -45.0% | 142,882,000 | 193,121,225 | 50,239,225 | 35.2% |
| Insurance Premium Tax | 6,332,900 | 10,605,766 | 4,272,866 | 67.5% | 31,385,760 | 41,855,383 | 10,469,623 | 33.4% |
| Financial Institutions Tax | | 15,852 | 15,852 | | | (4,871,666) | (4,871,666) | -100.0% |
| Oil & Gas Production Tax* | | | | | 146,071,108 | 146,071,108 | | |
| Oil Extraction Tax* | | | | | 153,928,892 | 153,928,892 | | |
| Gaming Tax | 574,070 | 610,803 | 36,733 | 6.4% | 4,165,540 | 3,549,170 | (616,370) | -14.8% |
| Lottery | | | | | | | | |
| Cigarette & Tobacco Tax | 2,404,000 | 2,346,168 | (57,832) | -2.4% | 26,268,000 | 26,912,679 | 644,679 | 2.5% |
| Wholesale Liquor Tax | 822,000 | 823,269 | 1,269 | 0.2% | 8,449,000 | 8,402,477 | (46,523) | -0.6% |
| Coal Conversion Tax | 1,754,000 | 2,033,722 | 279,722 | 15.9% | 16,260,000 | 15,593,018 | (666,982) | -4.1% |
| Mineral Leasing Fees | 791,667 | 2,026,411 | 1,234,744 | 156.0% | 8,708,337 | 17,443,028 | 8,734,691 | 100.3% |
| Departmental Collections | 1,924,489 | 2,009,503 | 85,014 | 4.4% | 33,632,432 | 36,703,570 | 3,071,138 | 9.1% |
| Interest Income | 465,050 | 264,771 | (200,279) | -43.1% | 5,472,900 | 2,336,409 | (3,136,491) | -57.3% |
| State Mill & Elevator-Transfer | | | | | | | | |
| Major Special Fund Transfers | | | | | 341,790,000 | 341,790,000 | | |
| Other Transfers | | | | | 888,680 | 1,067,934 | 179,254 | 20.2% |
| Total Revenues and Transfers | 145,227,176 | 139,165,163 | (6,062,013) | -4.2% | 2,499,735,649 | 2,701,867,811 | 202,132,162 | 8.1% |

* 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. The general fund will not receive additional allocations this biennium.

Total production and extraction tax collections of \$293.7 million were distributed in May 2014. Through May, \$735.2 million has been deposited into the legacy fund; for a total of \$2.1 billion.

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

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------|----------------------|----------------------|--------------------|--------------|
| | May 2012 | May 2014 | Variance | Percent | 2011-13 | 2013-15 | Variance | Percent |
| Sales Tax | 95,344,914 | 91,429,872 | (3,915,042) | -4.1% | 952,622,064 | 1,103,143,152 | 150,521,088 | 15.8% |
| Motor Vehicle Excise Tax | 12,346,669 | 13,253,877 | 907,209 | 7.3% | 111,513,916 | 125,935,074 | 14,421,158 | 12.9% |
| Individual Income Tax | 9,576,328 | 10,300,216 | 723,888 | 7.6% | 404,176,195 | 488,886,359 | 84,710,163 | 21.0% |
| Corporate Income Tax | 6,939,203 | 3,444,934 | (3,494,269) | -50.4% | 159,626,651 | 193,121,225 | 33,494,573 | 21.0% |
| Insurance Premium Tax | 7,153,490 | 10,605,766 | 3,452,276 | 48.3% | 35,452,569 | 41,855,383 | 6,402,814 | 18.1% |
| Financial Institutions Tax | (96,119) | 15,852 | 111,971 | -116.5% | 3,808,176 | (4,871,666) | (8,679,842) | -227.9% |
| Oil & Gas Production Tax* | | | | | 99,799,206 | 146,071,108 | 46,271,902 | 46.4% |
| Oil Extraction Tax* | | | | | 100,200,794 | 153,928,892 | 53,728,098 | 53.6% |
| Gaming Tax | 782,055 | 610,803 | (171,251) | -21.9% | 5,674,736 | 3,549,170 | (2,125,566) | -37.5% |
| Lottery | | | | | | | | |
| Cigarette & Tobacco Tax | 2,197,244 | 2,346,168 | 148,923 | 6.8% | 24,048,579 | 26,912,679 | 2,864,099 | 11.9% |
| Wholesale Liquor Tax | 783,082 | 823,269 | 40,187 | 5.1% | 7,678,107 | 8,402,477 | 724,370 | 9.4% |
| Coal Conversion Tax | 1,732,298 | 2,033,722 | 301,424 | 17.4% | 16,271,852 | 15,593,018 | (678,835) | -4.2% |
| Mineral Leasing Fees | 2,336,963 | 2,026,411 | (310,552) | -13.3% | 27,717,562 | 17,443,028 | (10,274,534) | -37.1% |
| Departmental Collections | 1,287,734 | 2,009,503 | 721,769 | 56.0% | 32,349,193 | 36,703,570 | 4,354,377 | 13.5% |
| Interest Income | 440,055 | 264,771 | (175,284) | -39.8% | 5,197,890 | 2,336,409 | (2,861,481) | -55.1% |
| State Mill & Elevator-Transfer | | | | | | | | |
| Major Special Fund Transfers | | | | | 295,000,000 | 341,790,000 | 46,790,000 | 15.9% |
| Other Transfers | 581 | | (581) | -100.0% | 765,487 | 1,067,934 | 302,447 | 39.5% |
| Total Revenues and Transfers | 140,824,497 | 139,165,163 | (1,659,334) | -1.2% | 2,281,902,979 | 2,701,867,811 | 419,964,832 | 18.4% |

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Total production and extraction tax collections of \$293.7 million were distributed in May 2014. Through May, \$735.2 million has been deposited into the legacy fund; for a total of \$2.1 billion.

VARIANCES

May 2014 revenues of \$139.2 million were \$6.1 million, or 4.2 percent below forecast. Biennium-to-date revenues total \$2.70 billion, which is \$202.1 million, or 8.1 percent higher than forecast. Significant variances are as follows:

- **Sales tax** collections for the biennium total \$1.10 billion, which is 2.4 percent above forecast. Sales tax collections are currently 15.8 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 \$13.2 million were \$2.2 million, or 14.2 percent, below forecast for the month. Biennium-to-date collections are 10.8 percent, or \$15.3 million, less than anticipated. However, current biennium collections exceed the 2011-13 biennium by \$14.4 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 -- \$127.8 million, or 35.4 percent. Collections for the month of \$10.3 million were 22.8 percent higher than anticipated. Driving factors behind the increased collections include the state's economic and population growth, as well as the new withholding on royalties.
- **Corporate income tax** collections were \$2.8 million less than anticipated for the month due to refunds of overpayments. The biennium to date variance is now \$50.2 million, or 35.2 percent above the forecast. Despite the significant rate reductions approved by the 2013 legislature, collections through May 2014 total \$193.1 million, which is 21.0 percent higher than during the same time period in the 2011-13 biennium.
- **Insurance premium tax** collections for the month totaled \$10.6 million, which is nearly \$4.3 million, or 67.5 percent, more than anticipated. Biennium to date premium tax collections are 33.4% above projections. Quarterly tax collections are based on the previous year's premiums, which has increased significantly. Variances will continue until reconciled tax returns are filed in 2015.
- **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 \$1.2 million for the month and by \$8.7 million for the biennium-to-date. The variance is a result of one-time bonus payments received from mineral lease sales.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in April. No additional oil taxes will be deposited in the general fund during the 2013-15 biennium.