

North Dakota REV-E-NEWS



Pam Sharp, Director

October 2014

**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

After a one-quarter lapse, North Dakota once again ranks at the top of the State Policy Reports (S/P/R), “Index of State Economic Momentum.” Each quarter 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 exceeded the national average by 2.43 percent, followed by Texas at 1.51 percent, and Utah at 1.32 percent. Seventeen other states were ranked at less than 1.0 percent higher than average, with the remaining states below average. Overall, “the Plains region has seen slippage in its rankings, with North Dakota the exception to the

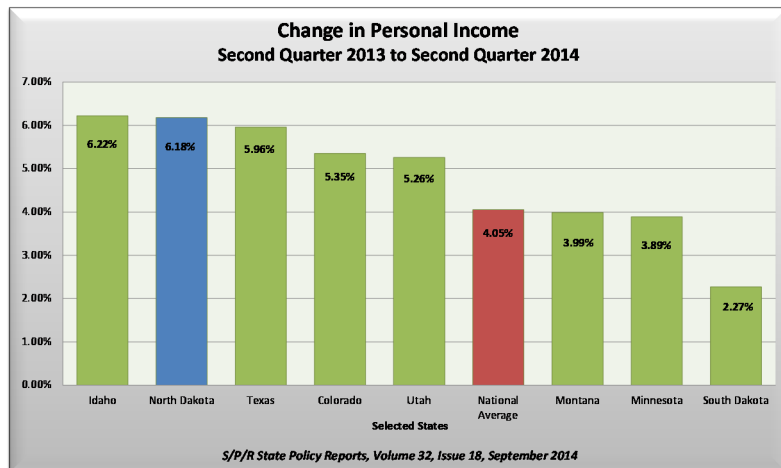
rule (and also the state that has moved most aggressively away from reliance on agriculture and towards natural resource production).”

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

“Between the second quarter of 2013 and the same period in 2014, personal income across the nation grew by 4.05 percent.” Idaho, mainly due to its farming and manufacturing industries, experienced 6.22 percent growth. In North Dakota, the only Midwestern state to exceed the national average, personal income grew by 6.18 percent during this time frame.

Nationally, the employment growth rate from August 2013 to August 2014 was 1.68 percent. North Dakota paced the nation with a 4.41 percent employment growth rate, more than two-and-one-half times 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 1.0 percent per year. Contrastingly, North Dakota’s population grew by 3.14 percent from July 1, 2012 to July 1, 2013.



OIL ACTIVITY



Statistical Information

	August 2014	July 2014	June 2014
Actual average price per barrel	\$83.18	\$90.02	\$92.94
Production (barrels/day)	1,132,331	1,114,421	1,092,519
Drilling permits	273	265	247
Producing wells	11,563	11,293	11,090
Rig count	193	192	190

Tax Allocations (in Millions)

	Biennium to Date Sept 30, 2014
Political subs	\$434.3
Tribes	282.6
Legacy fund	1,151.8
General fund	300.0
Education funds	367.2
Resources trust fund	363.0
Oil and gas impact fund	226.3
Property tax relief fund	341.8
Other allocations	436.5
Total	\$3,903.5

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium September 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	92,071,000	118,037,578	25,966,578	28.2%	1,488,626,000	1,545,310,388	56,684,388	3.8%
Motor Vehicle Excise Tax	14,657,000	12,214,590	(2,442,410)	-16.7%	198,787,000	175,423,983	(23,363,017)	-11.8%
Individual Income Tax	14,804,000	19,992,775	5,188,775	35.0%	447,023,000	625,052,317	178,029,317	39.8%
Corporate Income Tax		30,620,786	30,620,786	100.0%	185,092,000	271,757,699	86,665,699	46.8%
Insurance Premium Tax	39,910	1,106,881	1,066,971	2673.4%	37,830,960	47,190,274	9,359,314	24.7%
Financial Institutions Tax						(4,856,285)	(4,856,285)	-100.0%
Oil & Gas Production Tax*					146,071,108	146,071,108		
Oil Extraction Tax*					153,928,892	153,928,892		
Gaming Tax	46,960	36,607	(10,353)	-22.0%	5,174,040	4,469,893	(704,147)	-13.6%
Lottery					5,500,000	7,200,000	1,700,000	30.9%
Cigarette & Tobacco Tax	2,688,000	2,774,978	86,978	3.2%	36,671,000	37,955,115	1,284,115	3.5%
Wholesale Liquor Tax	777,000	732,036	(44,964)	-5.8%	11,833,000	11,666,491	(166,509)	-1.4%
Coal Conversion Tax	1,652,000	1,728,026	76,026	4.6%	22,818,000	22,358,938	(459,062)	-2.0%
Mineral Leasing Fees	791,667	2,714,044	1,922,377	242.8%	11,875,005	25,802,177	13,927,172	117.3%
Departmental Collections	4,495,318	7,568,572	3,073,254	68.4%	44,727,819	51,218,336	6,490,517	14.5%
Interest Income	898,330	291,519	(606,811)	-67.5%	16,795,540	11,502,573	(5,292,967)	-31.5%
State Mill & Elevator-Transfer					3,408,600	3,408,600		
Major Special Fund Transfers					341,790,000	341,790,000		
Other Transfers					1,110,850	1,290,404	179,554	16.2%
Total Revenues and Transfers	132,921,185	197,818,390	64,897,205	48.8%	3,159,062,814	3,478,540,902	319,478,088	10.1%

* 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 \$333.3 million were distributed in September 2014. Through September, \$1.15 billion has been deposited into the legacy fund; for a total of \$2.68 billion.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	September <u>2012</u>	September <u>2014</u>	Variance	Percent	<u>2011-13</u>	<u>2013-15</u>	Variance	Percent
Sales Tax	86,295,569	118,037,578	31,742,009	36.8%	1,340,005,245	1,545,310,388	205,305,143	15.3%
Motor Vehicle Excise Tax	10,009,216	12,214,590	2,205,374	22.0%	154,811,369	175,423,983	20,612,614	13.3%
Individual Income Tax	19,303,738	19,992,775	689,037	3.6%	518,965,633	625,052,317	106,086,683	20.4%
Corporate Income Tax	229,357	30,620,786	30,391,429	13251%	200,127,337	271,757,699	71,630,361	35.8%
Insurance Premium Tax	45,087	1,106,881	1,061,794	2355.0%	42,732,905	47,190,274	4,457,369	10.4%
Financial Institutions Tax	8,472		(8,472)	-100.0%	3,793,798	(4,856,285)	(8,650,083)	-228.0%
Oil & Gas Production Tax*					163,458,104	146,071,108	(17,386,996)	-10.6%
Oil Extraction Tax*					136,541,896	153,928,892	17,386,996	12.7%
Gaming Tax	63,975	36,607	(27,368)	-42.8%	7,048,621	4,469,893	(2,578,728)	-36.6%
Lottery					7,000,000	7,200,000	200,000	2.9%
Cigarette & Tobacco Tax	2,586,401	2,774,978	188,577	7.3%	34,078,200	37,955,115	3,876,915	11.4%
Wholesale Liquor Tax	766,031	732,036	(33,995)	-4.4%	10,881,973	11,666,491	784,518	7.2%
Coal Conversion Tax	1,663,953	1,728,026	64,072	3.9%	22,656,950	22,358,938	(298,012)	-1.3%
Mineral Leasing Fees	(3,224,715)	2,714,044	5,938,759	-184.2%	26,933,610	25,802,177	(1,131,434)	-4.2%
Departmental Collections	5,320,795	7,568,572	2,247,777	42.2%	44,592,671	51,218,336	6,625,664	14.9%
Interest Income	446,470	291,519	(154,951)	-34.7%	8,121,268	11,502,573	3,381,306	41.6%
State Mill & Elevator-Transfer					3,822,989	3,408,600	(414,389)	-10.8%
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	12,302		(12,302)	100.0%	1,060,940	1,290,404	229,464	21.6%
Total Revenues and Transfers	123,526,649	197,818,390	74,291,741	60.1%	3,021,633,510	3,478,540,902	456,907,393	15.1%

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VARIANCES

September 2014 revenues of \$197.8 million were \$64.9 million, or 48.8 percent above forecast. Biennium-to-date revenues total \$3.48 billion, which is \$319.5 million, or 10.1 percent, higher than forecast. Significant monthly variances are as follows:

- **Sales tax** collections of \$118.0 million are nearly \$26.0 million, or 28.2 percent, more than anticipated for the month. Most of the variance appears to be related to a timing difference. Biennium to date collections total \$1.55 billion, which is 3.8 percent above forecast and 15.3 percent higher than the previous biennium.
- **Motor vehicle excise tax** collections continue to fall short of the forecast. Actual collections of \$12.2 million were 16.7 percent, or \$2.4 million, below forecast for the month. Biennium-to-date collections are 11.8 percent, or \$23.4 million, less than anticipated. However, current biennium collections exceed the 2011-13 biennium by \$20.6 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 -- \$178.1 million, or 39.8 percent. Strong withholdings generated monthly collections of \$20.0 million, which were \$5.2 million, or 35.0 percent, higher than anticipated. 2013-15 collections to date total \$625.1 million, which is 20.4 percent above the same time period in 2011-13.
- **Corporate income tax** collections for the current biennium total \$271.8 million, which exceeds the forecast by \$86.7 million, or 46.8 percent. Monthly collections based on estimated payments were \$30.6 million, with another \$20.0 million transferred to the refund reserve. Despite the significant rate reductions approved by the 2013 legislature, collections are 35.8 percent higher than during the same time period in the 2011-13 biennium.
- **Insurance premium taxes** totaling \$1.1 million were received that had been anticipated in the prior month, resulting in a large variance. Biennium-to-date collections of \$47.2 million are 24.7 percent, or \$9.4 million, above expectations.
- **Mineral leasing fees** collections continue to exceed the forecast – by \$1.9 million for the month and by \$13.9 million for the biennium-to-date. These revenues are received from the federal government for leasing mineral rights and extracting minerals on federal lands located in the state. Timing of payments is determined entirely by the federal government activities, which can lead to monthly variances.
- **Department collections** total \$7.6 million for the month, which exceeds the forecast by \$3.1 million. More than \$2.7 million of the variance resulted from a larger than anticipated transfer from the insurance regulatory trust fund. The Insurance Commissioner deposits fees, fines, settlement collections and other miscellaneous revenue into the trust fund. The dollars are used for the administrative operations of the agency. Remaining funds in excess of \$1.0 million at the close of each biennium are transferred to the general fund. Biennium-to-date, departmental collections are \$51.2 million, which is \$6.6 million, or 14.9 percent, more than forecast.
- **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.

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