

North Dakota REV-E-NEWS



Pam Sharp, Director

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

MESSAGE FROM THE DIRECTOR

North Dakota continues to rank 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.

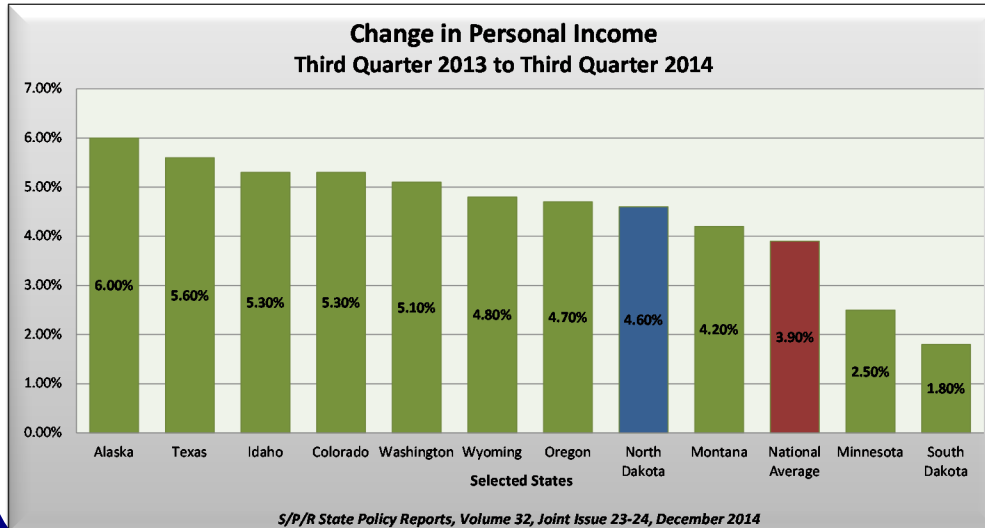
North Dakota exceeded the national average by 1.7 percent, followed by Texas at 1.56 percent, and Washington at 0.89 percent. Only seventeen other states were ranked above the national average, with the remaining states below average. "Regional trends are apparent. States atop the list are located primarily in the West and South, while those in the bottom are concentrated in the Midwest and South." North Dakota, with its increasing reliance on natural resources in addition to agriculture, continues to be an exception to the Midwestern region's downward trend.

North Dakota ranked first in both the employment and population growth categories, but fell to eighth in personal income growth.

"Between the third quarter of 2013, and the same period in 2014, personal income across the nation grew by 3.9%, slower than the 4.1% growth it registered between the second quarters of the two years." Four of the 10 highest ranked states cite mining as a source of income growth. Alaska ranked first with 6.0 percent growth, followed by Texas at 5.6 percent. Wyoming's 4.8 percent personal income growth was the sixth highest, and North Dakota ranked eighth with 4.6 percent.

Nationally, the employment growth rate from November 2013 to November 2014 was 1.8 percent. North Dakota paced the nation with a 4.8 percent employment growth rate, more than double the national average. Texas was the second ranked state at 3.9 percent.

The Index's final component, population change, again saw North Dakota leading the way. Based upon population estimates released in July 2014, the national population increased by 0.75 percent. Contrastingly, North Dakota's population grew by 2.16 percent from July 1, 2013 to July 1, 2014. Nineteen states and the District of Columbia saw increases at or above the national average during this time period, while six states' populations decreased.



OIL ACTIVITY



Statistical Information

	Nov 2014	Oct 2014	Sept 2014
Actual average price per barrel	\$64.36	\$71.97	\$80.31
Production (barrels/day)	1,187,206	1,183,515	1,186,228
Drilling permits	235	328	261
Producing wells	11,942	11,903	11,758
Rig count	188	191	193

Tax Allocations (in Millions)

	Biennium to Date Dec 31, 2014
Political subs	\$532.3
Tribes	355.7
Legacy fund	1,475.2
General fund	300.0
Education funds	450.4
Resources trust fund	446.2
Oil and gas impact fund	240.0
Property tax relief fund	341.8
Other allocations	665.1
Total	\$4,806.7

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium December 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	95,197,000	118,694,604	23,497,604	24.7%	1,841,353,000	1,905,610,986	64,257,986	3.5%
Motor Vehicle Excise Tax	12,015,000	12,443,027	428,027	3.6%	237,308,000	210,359,615	(26,948,385)	-11.4%
Individual Income Tax	13,739,000	4,457,575	(9,281,425)	-67.6%	511,822,000	706,144,577	194,322,577	38.0%
Corporate Income Tax	45,168,000	24,647,000	(20,521,000)	-45.4%	243,453,000	314,060,536	70,607,536	29.0%
Insurance Premium Tax	752,860	4,573,261	3,820,401	507.5%	45,120,170	59,807,111	14,686,941	32.6%
Financial Institutions Tax						(5,022,323)	(5,022,323)	-100.0%
Oil & Gas Production Tax*					146,071,108	146,071,108		
Oil Extraction Tax*					153,928,892	153,928,892		
Gaming Tax	36,800	(7,005)	(43,805)	-119.0%	6,093,540	5,287,394	(806,146)	-13.2%
Lottery					5,500,000	7,200,000	1,700,000	30.9%
Cigarette & Tobacco Tax	2,447,000	2,429,092	(17,908)	-0.7%	44,017,000	46,055,858	2,038,858	4.6%
Wholesale Liquor Tax	862,000	733,090	(128,910)	-15.0%	14,342,000	14,078,999	(263,001)	-1.8%
Coal Conversion Tax	1,519,000	1,501,813	(17,187)	-1.1%	27,493,000	26,778,739	(714,261)	-2.6%
Mineral Leasing Fees	791,667	1,600,090	808,423	102.1%	14,250,006	33,499,608	19,249,602	135.1%
Departmental Collections	2,641,367	3,521,856	880,489	33.3%	51,483,054	59,776,589	8,293,535	16.1%
Interest Income	698,230	239,662	(458,568)	-65.7%	18,968,090	12,322,419	(6,645,671)	-35.0%
State Mill & Elevator-Transfer					3,408,600	3,408,600		
Major Special Fund Transfers					341,790,000	341,790,000		
Other Transfers		22,911	22,911	100.0%	1,333,020	1,535,485	202,465	15.2%
Total Revenues and Transfers	175,867,924	174,856,975	(1,010,949)	-0.6%	3,707,734,480	4,042,694,193	334,959,713	9.0%

* 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 \$285.2 million were distributed in December 2014. Through December, \$1.48 billion has been deposited into the legacy fund; for a total balance of \$2.91 billion.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	December 2012	December 2014	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	95,446,484	118,694,604	23,248,120	24.4%	1,658,296,606	1,905,610,986	247,314,379	14.9%
Motor Vehicle Excise Tax	8,953,023	12,443,027	3,490,004	39.0%	185,400,169	210,359,615	24,959,446	13.5%
Individual Income Tax	25,315,063	4,457,575	(20,857,489)	-82.4%	617,660,976	706,144,577	88,483,601	14.3%
Corporate Income Tax	35,509,474	24,647,000	(10,862,474)	-30.6%	248,181,897	314,060,536	65,878,639	26.5%
Insurance Premium Tax	850,416	4,573,261	3,722,845	437.8%	50,966,614	59,807,111	8,840,497	17.3%
Financial Institutions Tax	54,181		(54,181)	-100.0%	3,738,477	(5,022,323)	(8,760,800)	-234.3%
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	50,127	(7,005)	(57,132)	-114.0%	8,301,253	5,287,394	(3,013,859)	-36.3%
Lottery					7,000,000	7,200,000	200,000	2.9%
Cigarette & Tobacco Tax	2,239,029	2,429,092	190,063	8.5%	41,153,411	46,055,858	4,902,446	11.9%
Wholesale Liquor Tax	707,396	733,090	25,694	3.6%	13,171,686	14,078,999	907,313	6.9%
Coal Conversion Tax	1,622,274	1,501,813	(120,461)	-7.4%	27,680,191	26,778,739	(901,452)	-3.3%
Mineral Leasing Fees	(320,455)	1,600,090	1,920,545	-599.3%	31,439,802	33,499,608	2,059,806	6.6%
Departmental Collections	2,626,232	3,521,856	895,623	34.1%	51,423,071	59,776,589	8,353,517	16.2%
Interest Income	378,191	239,662	(138,529)	-36.6%	9,412,413	12,322,419	2,910,006	30.9%
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	2,100	22,911	20,811	991.0%	1,255,820	1,535,485	279,665	22.3%
Total Revenues and Transfers	173,433,536	174,856,975	1,423,439	0.8%	3,553,905,376	4,042,694,193	488,788,816	13.8%

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VARIANCES

December 2014 revenues of \$174.9 million were \$1.0 million, or 0.6 percent below forecast. Biennium-to-date revenues total \$4.04 billion, which is \$335.0 million, or 9.0 percent, higher than forecast. Significant monthly variances are as follows:

- **Sales tax** collections of \$118.7 million are \$23.5 million, or 24.7 percent, more than anticipated for the month. The variance appears result of timing differences and the impact of the holiday season. Biennium to date collections total \$1.91 billion, which is 3.5 percent above forecast and 14.9 percent higher than the previous biennium.
- **Motor vehicle excise tax** collections of \$12.4 million were 3.6 percent, or \$428,000, above the forecast for the month. However, biennium-to-date collections are 11.4 percent, or \$27.0 million, less than anticipated. While current biennium collections fall short of expectations, the collections do exceed the 2011-13 biennium by \$24.9 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 -- \$194.3 million, or 38.0 percent. In December, tax collections of nearly \$10.0 million were set aside in a refund reserve account in anticipation of large refunds beginning in January 2015. As a result, monthly general fund collections of \$4.5 million were \$9.3 million, or 67.6 percent, less than anticipated. 2013-15 collections to date total \$706.1 million, which is 14.3 percent above the same time period in 2011-13.
- **Corporate income tax** collections for the current biennium total \$314.1 million, which exceeds the forecast by \$70.6 million, or 29.0 percent. Monthly collections based on estimated payments were \$24.6 million, which is \$20.5 million less than anticipated. Additionally, \$12.0 million was deposited into the refund reserve account. Despite the significant rate reductions approved by the 2013 legislature, collections are 26.5 percent higher than during the same time period in the 2011-13 biennium.
- **Insurance premium taxes** collections of \$4.6 million exceeded the monthly forecast by \$3.8 million, as a result of timing differences. Biennium-to-date collections of \$59.8 million are 32.6 percent, or \$14.7 million, above expectations.
- **Mineral leasing fees** collections continue to exceed the forecast – nearly million for the month and by \$19.2 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.
- **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.