

North Dakota REV-E-NEWS



Pam Sharp, Director

April 2015

**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

State Personal Income 2014

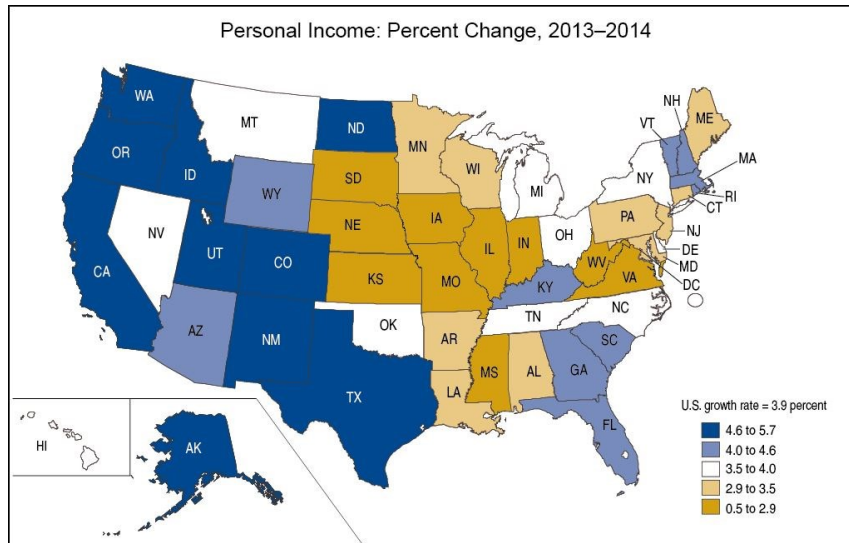
Average state personal income growth accelerated to 3.9 percent in 2014 from 2.0 percent in 2013, according to estimates released by the U.S. Bureau of Economic Analysis. Growth of state personal income – the sum of net earnings by place of residence, property income, and personal current transfer receipts – ranged from 0.5 percent in Nebraska to 5.7 percent in Alaska and Oregon, with 45 states growing faster in 2014 than in 2013. North Dakota's personal income growth in 2014 was 5.6 percent.

Net earnings, a component of personal income, grew 4.0 percent in 2014, up from 1.8 percent in 2013. The percent change in net earnings ranged from -0.8 percent in Nebraska, to 6.5 percent in North Dakota. Mining and construction earnings in North Dakota grew 19.9 percent and 13.4 percent respectively, while earnings in all other industries grew 4.8 percent. Mining and

construction accounted for 45.9 percent of total earnings growth in North Dakota.

Fourth Quarter Personal Income

North Dakota's personal income in the fourth quarter grew by 1.3 percent, and ranked second in the nation behind Texas, which grew by 1.5 percent. Nationally, state personal income grew 1.0 percent on average in the fourth quarter of 2014, the same average growth rate as the third quarter.



U.S. Bureau of Economic Analysis

OIL ACTIVITY



Statistical Information

	Feb 2015	Jan 2015	Dec 2014
Actual average price per barrel	\$39.52	\$35.99	\$47.00
Production (barrels/day)	1,177,094	1,191,198	1,227,483
Drilling permits	197	246	251
Producing wells	12,198	12,197	12,134
Rig count	133	160	181

Tax Allocations (in Millions)

	Biennium to Date Mar 31, 2015
Political subs	\$593.4
Tribes	399.3
Legacy fund	1,679.0
General fund	300.0
Education funds	505.4
Resources trust fund	501.2
Oil and gas impact fund	240.0
Property tax relief fund	341.8
Other allocations	836.2
Total	\$5,396.3

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium March 2015

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	75,383,000	93,519,866	18,136,866	24.1%	2,166,692,000	2,208,041,000	41,349,000	1.9%
Motor Vehicle Excise Tax	14,312,000	10,540,829	(3,771,171)	-26.3%	277,219,000	243,025,886	(34,193,114)	-12.3%
Individual Income Tax	18,624,000	30,905,374	12,281,374	65.9%	601,992,000	843,831,317	241,839,317	40.2%
Corporate Income Tax	17,163,000	18,814,599	1,651,599	9.6%	277,190,000	351,788,871	74,598,871	26.9%
Insurance Premium Tax	13,421,350	8,580,817	(4,840,533)	-36.1%	62,998,330	78,741,310	15,742,980	25.0%
Financial Institutions Tax						(4,973,531)	(4,973,531)	-100.0%
Oil & Gas Production Tax*					146,071,108	146,071,108		
Oil Extraction Tax*					153,928,892	153,928,892		
Gaming Tax	15,150	41,314	26,164	172.7%	7,088,410	6,175,108	(913,302)	-12.9%
Lottery					5,500,000	7,200,000	1,700,000	30.9%
Cigarette & Tobacco Tax	1,959,000	2,162,992	203,992	10.4%	50,657,000	52,902,911	2,245,911	4.4%
Wholesale Liquor Tax	683,000	643,809	(39,191)	-5.7%	16,482,000	16,295,229	(186,771)	-1.1%
Coal Conversion Tax	1,921,000	2,230,441	309,441	16.1%	32,760,000	31,912,873	(847,127)	-2.6%
Mineral Leasing Fees	791,667	873,870	82,203	10.4%	16,625,007	37,906,302	21,281,295	128.0%
Departmental Collections	2,963,482	4,093,228	1,129,746	38.1%	66,592,528	74,626,008	8,033,480	12.1%
Interest Income	689,500	252,115	(437,385)	-63.4%	21,066,230	13,051,516	(8,014,714)	-38.0%
State Mill & Elevator-Transfer					3,408,600	3,408,600		
Major Special Fund Transfers					861,790,000	861,790,000		
Other Transfers		7,234	7,234		1,555,190	1,741,978	186,788	12.0%
Total Revenues and Transfers	147,926,149	172,666,490	24,740,341	16.7%	4,769,616,295	5,127,465,378	357,849,083	7.5%

* 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 \$140.2 million were distributed in March 2015. Through March, \$1.679 billion has been deposited into the legacy fund; for a total balance of \$3.193 billion.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2013-15 Biennium March 2015

Revenues and Transfers	Fiscal Month				Biennium To Date			
	March 2013	March 2015	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	60,096,897	93,519,866	33,422,968	55.6%	1,917,288,172	2,208,041,000	290,752,828	15.2%
Motor Vehicle Excise Tax	10,464,556	10,540,829	76,273	0.7%	217,197,757	243,025,886	25,828,128	11.9%
Individual Income Tax	30,148,101	30,905,374	757,273	2.5%	751,152,924	843,831,317	92,678,393	12.3%
Corporate Income Tax	17,328,579	18,814,599	1,486,020	8.6%	283,182,575	351,788,871	68,606,296	24.2%
Insurance Premium Tax	15,160,427	8,580,817	(6,579,609)	-43.4%	71,161,339	78,741,310	7,579,970	10.7%
Financial Institutions Tax	2,005,840		(2,005,840)	-100.0%	5,077,564	(4,973,531)	(10,051,095)	-198.0%
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	20,636	41,314	20,678	100.2%	9,656,566	6,175,108	(3,481,459)	-36.1%
Lottery					7,000,000	7,200,000	200,000	2.9%
Cigarette & Tobacco Tax	1,857,599	2,162,992	305,393	16.4%	47,162,077	52,902,911	5,740,834	12.2%
Wholesale Liquor Tax	644,642	643,809	(832)	-0.1%	15,262,923	16,295,229	1,032,306	6.8%
Coal Conversion Tax	1,526,932	2,230,441	703,509	46.1%	31,642,781	31,912,873	270,092	0.9%
Mineral Leasing Fees	(2,311,071)	873,870	3,184,941	-137.8%	32,845,947	37,906,302	5,060,355	15.4%
Departmental Collections	1,765,508	4,093,228	2,327,720	131.8%	65,085,212	74,626,008	9,540,796	14.7%
Interest Income	331,783	252,115	(79,668)	-24.0%	10,488,912	13,051,516	2,562,604	24.4%
State Mill & Elevator-Transfer					3,822,989	3,408,600	(414,389)	-10.8%
Major Special Fund Transfers					600,000,000	861,790,000	261,790,000	43.6%
Other Transfers	(1)	7,234	7,235	-851191.8%	1,495,559	1,741,978	246,420	16.5%
Total Revenues and Transfers	139,040,427	172,666,490	33,626,063	24.2%	4,369,523,298	5,127,465,378	757,942,080	17.3%

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VARIANCES

March 2015 revenues of \$172.7 million were \$24.7 million, or 16.7 percent above forecast. Biennium-to-date revenues total \$5.13 billion, which is \$357.8 million, or 7.5 percent, higher than forecast. Significant monthly variances are as follows:

- **Sales tax** collections of \$93.5 million are \$18.1 million, or 24.1 percent, more than anticipated for the month. The variance results from overall increasing sales and recovery of timing shortfalls from the previous month. Biennium to date collections total \$2.21 billion, which is 1.9 percent above forecast and 15.2 percent higher than the previous biennium.
- **Motor vehicle excise tax** collections of \$10.5 million were 26.3 percent, or \$3.8 million, below the forecast for the month. Biennium-to-date collections are 12.3 percent, or \$34.2 million, less than anticipated. While current biennium collections fall short of expectations, the collections do exceed the 2011-13 biennium by \$25.8 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 -- \$241.8 million, or 40.2 percent.

A strong filing season and strong withholding resulted in monthly general fund collections of \$30.9 million, which is 65.9 percent more than anticipated. 2013-15 collections to date total \$843.8 million, which is 12.3 percent above the same time period in 2011-13.

- **Corporate income tax** collections for the current biennium total \$351.8 million, which exceeds the forecast by \$74.6 million, or 26.9 percent. Monthly collections based on estimated payments were \$18.8 million, which is \$1.6 million higher than projected. Despite the significant rate reductions approved by the 2013 legislature, collections are 24.2 percent higher than during the same time period in the 2011-13 biennium.
- **Insurance premium tax** collections of \$8.6 million were \$4.8 million less than anticipated as a result of timing differences. Collections for the current biennium-to-date total \$78.7 million, which is \$15.7 million, or 25 percent, higher than anticipated.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in April 2014. No additional oil taxes will be deposited in the general fund during the 2013-15 biennium.