

North Dakota REV-E-NEWS



Pam Sharp, Director

May 2015

**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

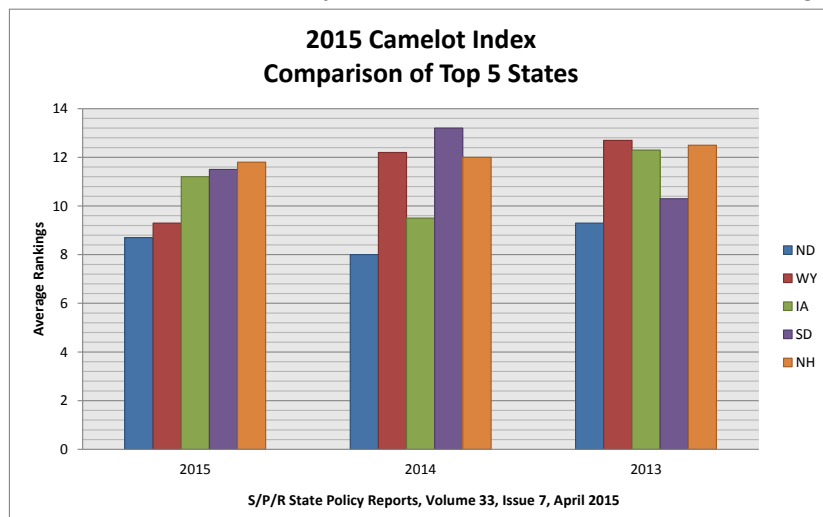
State Policy Reports recently released the 2015 Camelot Index. Developed by *Reports* founding editor Hal Hovey, the Camelot Index, ranks states by six components: economic vitality, healthy population, crime levels, educated population, healthy society, and prudent government. Combined, these factors measure 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 fourth consecutive year, North Dakota claimed the #1 overall rank, with a score of 8.7. Wyoming, Iowa, South Dakota and New Hampshire fill out the 2015 top 5 rankings, with scores between 9.3 and 11.8. The lowest ranked state was Louisiana with 43.8 points.

North Dakota ranked first in two of the six index components: economy and education. North Dakota maintained its position at the top of the Healthy Economy index due to its population growth and high retail wages, which

have been bolstered by “strong job growth, a low unemployment rate and attendant labor shortages.” 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. The state also ranked high in the healthy people (11), crime (10), healthy society (6) and prudent government (23) components.



OIL ACTIVITY



Statistical Information

| | Mar 2015 | Feb 2015 | Jan 2015 |
|---------------------------------|-----------|-----------|-----------|
| Actual average price per barrel | \$37.01 | \$39.52 | \$35.99 |
| Production (barrels/day) | 1,190,583 | 1,178,082 | 1,191,198 |
| Drilling permits | 190 | 197 | 246 |
| Producing wells | 12,439 | 12,199 | 12,197 |
| Rig count | 108 | 133 | 160 |

Tax Allocations (in Millions)

| | Biennium to Date April 31, 2015 |
|--------------------------|---------------------------------|
| Political subs | \$608.8 |
| Tribes | 409.8 |
| Legacy fund | 1,717.7 |
| General fund | 300.0 |
| Education funds | 518.2 |
| Resources trust fund | 514.0 |
| Oil and gas impact fund | 240.0 |
| Property tax relief fund | 341.8 |
| Other allocations | 885.6 |
| Total | \$5,535.9 |

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

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|---------------------------|--------------------|-------------------|--------------|---------------------------|----------------------|--------------------|-------------|
| | May 2013 Leg. Forecast | Actual | Variance | Percent | May 2013 Leg. Forecast | Actual | Variance | Percent |
| Sales Tax | 103,520,000 | 98,920,401 | (4,599,599) | -4.4% | 2,270,212,000 | 2,306,961,401 | 36,749,401 | 1.6% |
| Motor Vehicle Excise Tax | 14,783,000 | 11,597,380 | (3,185,620) | -21.5% | 292,002,000 | 254,623,265 | (37,378,735) | -12.8% |
| Individual Income Tax | 149,434,000 | 189,467,930 | 40,033,930 | 26.8% | 751,426,000 | 1,033,299,247 | 281,873,247 | 37.5% |
| Corporate Income Tax | 52,258,000 | 50,934,067 | (1,323,933) | -2.5% | 329,448,000 | 402,722,938 | 73,274,938 | 22.2% |
| Insurance Premium Tax | 335,300 | 279,159 | (56,141) | -16.7% | 63,333,630 | 79,020,469 | 15,686,839 | 24.8% |
| 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 | 386,510 | 380,569 | (5,941) | -1.5% | 7,474,920 | 6,555,677 | (919,243) | -12.3% |
| Lottery | | | | | 5,500,000 | 7,200,000 | 1,700,000 | 30.9% |
| Cigarette & Tobacco Tax | 2,338,000 | 2,389,840 | 51,840 | 2.2% | 52,995,000 | 55,292,752 | 2,297,752 | 4.3% |
| Wholesale Liquor Tax | 812,000 | 789,223 | (22,777) | -2.8% | 17,294,000 | 17,084,452 | (209,548) | -1.2% |
| Coal Conversion Tax | 1,544,000 | 1,961,233 | 417,233 | 27.0% | 34,304,000 | 33,874,106 | (429,894) | -1.3% |
| Mineral Leasing Fees | 791,667 | 2,043,698 | 1,252,031 | 158.2% | 17,416,674 | 39,950,000 | 22,533,326 | 129.4% |
| Departmental Collections | 2,691,193 | 3,777,299 | 1,086,106 | 40.4% | 69,283,721 | 78,403,308 | 9,119,587 | 13.2% |
| Interest Income | 673,000 | 275,686 | (397,314) | -59.0% | 21,739,230 | 13,327,202 | (8,412,028) | -38.7% |
| State Mill & Elevator-Transfer | | | | | 3,408,600 | 3,408,600 | | |
| Major Special Fund Transfers | | | | | 861,790,000 | 861,790,000 | | |
| Other Transfers | 222,170 | 246,020 | 23,850 | 10.7% | 1,777,360 | 1,987,999 | 210,639 | 11.9% |
| Total Revenues and Transfers | 329,788,840 | 363,062,506 | 33,273,666 | 10.1% | 5,099,405,135 | 5,490,527,884 | 391,122,749 | 7.7% |

* 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 \$139.6 million were distributed in April 2015. Through April, \$1.72 billion has been deposited into the legacy fund; for a total balance of \$3.232 billion.

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

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|--------------------|--------------------|---------------------|---------------|----------------------|----------------------|--------------------|--------------|
| | April 2013 | April 2015 | Variance | Percent | 2011-13 | 2013-15 | Variance | Percent |
| Sales Tax | 102,601,971 | 98,920,401 | (3,681,571) | -3.6% | 2,019,890,143 | 2,306,961,401 | 287,071,257 | 14.2% |
| Motor Vehicle Excise Tax | 11,232,734 | 11,597,380 | 364,646 | 3.2% | 228,430,491 | 254,623,265 | 26,192,774 | 11.5% |
| Individual Income Tax | 242,930,036 | 189,467,930 | (53,462,106) | -22.0% | 994,082,960 | 1,033,299,247 | 39,216,288 | 3.9% |
| Corporate Income Tax | 57,711,501 | 50,934,067 | (6,777,434) | -11.7% | 340,894,077 | 402,722,938 | 61,828,862 | 18.1% |
| Insurance Premium Tax | 378,747 | 279,159 | (99,588) | -26.3% | 71,540,087 | 79,020,469 | 7,480,382 | 10.5% |
| Financial Institutions Tax | 4,264,140 | 0 | (4,264,140) | -100.0% | 9,341,704 | (4,973,531) | (14,315,235) | -153.2% |
| 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 | 526,548 | 380,569 | (145,979) | -27.7% | 10,183,114 | 6,555,677 | (3,627,438) | -35.6% |
| Lottery | | | | | 7,000,000 | 7,200,000 | 200,000 | 2.9% |
| Cigarette & Tobacco Tax | 1,936,216 | 2,389,840 | 453,625 | 23.4% | 49,098,292 | 55,292,752 | 6,194,459 | 12.6% |
| Wholesale Liquor Tax | 711,060 | 789,223 | 78,163 | 11.0% | 15,973,983 | 17,084,452 | 1,110,469 | 7.0% |
| Coal Conversion Tax | 1,347,600 | 1,961,233 | 613,633 | 45.5% | 32,990,381 | 33,874,106 | 883,725 | 2.7% |
| Mineral Leasing Fees | 6,958,570 | 2,043,698 | (4,914,872) | -70.6% | 39,804,518 | 39,950,000 | 145,483 | 0.4% |
| Departmental Collections | 4,578,076 | 3,777,299 | (800,776) | -17.5% | 69,663,288 | 78,403,308 | 8,740,019 | 12.5% |
| Interest Income | 312,602 | 275,686 | (36,916) | -11.8% | 10,801,513 | 13,327,202 | 2,525,688 | 23.4% |
| 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 | 193,134 | 246,020 | 52,886 | 27.4% | 1,688,693 | 1,987,999 | 299,305 | 17.7% |
| Total Revenues and Transfers | 435,682,937 | 363,062,506 | (72,620,431) | -16.7% | 4,805,206,235 | 5,490,527,884 | 685,321,649 | 14.3% |

* 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 \$139.6 million were distributed in April 2015. Through April, \$1.72 billion has been deposited into the legacy fund; for a total balance of \$3.232 billion.

VARIANCES

- April 2015 revenues of \$363.1 million were \$33.3 million, or 10.1 percent above forecast. Biennium-to-date revenues total \$5.49 billion, which is \$391.1 million, or 7.7 percent, higher than forecast. Significant monthly variances are as follows:

- **Sales tax** collections of \$98.9 million are \$4.6 million, or 4.4 percent, less than anticipated for the month. Even with this monthly variance, overall collections show continuing growth in sales. Biennium to date collections total \$2.31 billion, which is 1.6 percent above forecast and 14.2 percent higher than the previous biennium.
- **Motor vehicle excise tax** collections of \$11.6 million were 21.5 percent, or \$3.2 million, below the forecast for the month. Biennium-to-date collections are 12.8 percent, or \$37.4 million, less than anticipated. While current biennium collections fall short of expectations, the collections do exceed the 2011-13 biennium by \$26.2 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 -- \$281.9 million, or 37.5 percent. A strong filing season and strong withholding resulted in monthly general fund collections of \$189.5 million, which is 26.8 percent more than anticipated. 2013-15 collections to date total \$1.03 billion, which is 3.9 percent above the same time period in 2011-13.
- **Corporate income tax** collections for the current biennium total \$402.7 million, which exceeds the forecast by \$73.3 million, or 22.2 percent. Monthly collections based on estimated payments were \$50.9 million, which is \$1.3 million less than projected. Despite the significant rate reductions approved by the 2013 legislature, collections are 18.1 percent higher than during the same time period in the 2011-13 biennium.
- **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.