

North Dakota REV-E-NEWS



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January 2016

**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

Each quarter the 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. Just one year ago North Dakota ranked at the top of the S/P/R "Index of State Economic Momentum" with an index of 1.7%. However, like most other states with a strong natural resource sector, North Dakota's ranking has declined. North Dakota now ranks at the bottom with an index of -3.38%.

North Dakota ranked first in the population growth category and maintained the lowest unemployment rate among the states but fell to the bottom in the personal income and employment growth categories.

"Between the third quarter of 2014, and the same period in 2015, personal income across the nation grew by 4.6%, accelerating from the 4.1% growth it registered between the second quarters of the two years." The Bureau of Economic Analysis cited the mining industry as the sole source of industry weakness and identified North Dakota, Wyoming, Oklahoma, West Virginia, Alaska, Louisiana, and Texas as the states most affected by it.

Nationally, the employment growth rate slowed from 1.8% in November 2014 to 1.7% in November 2015. During the same time period North Dakota slipped from a 4.8% employment growth rate to a -2.9% growth rate. Again, the slowdown in the natural resources sector is cited as the cause for the decline.

The Index's final component, population

change, again saw North Dakota leading the way. Based upon population estimates released in July 2015, the national population increased by 0.79%. Contrastingly, North Dakota's population grew by 2.28% from July 1, 2014 to July 1, 2015. Eighteen other states and the District of Columbia also saw increases at or above the national average during this time period, while seven states had population decreases.

North Dakota continues to maintain the lowest unemployment rate among the states at 2.7% in November 2015. The unemployment rate, while not a component in calculating the Index of State Economic Momentum, is important in determining a state's economic condition. Nationally, the unemployment rate fell from 5.1% in August 2015 to 5.0% in November 2015. In November, 28 states had unemployment rates equal to or lower than the national average while 21 states and the District of Columbia had higher rates. "For the first time in a long time, no state reported a rate greater than 7%."

Index of State Economic Momentum, December 2015			
Top Ranking		Bottom Ranking	
Utah	1.49	Oklahoma	-1.49
Nevada	1.05	Louisiana	-1.54
Washington	1.04	Wyoming	-2.07
Florida	1.01	West Virginia	-2.16
California	0.95	North Dakota	-3.38

OIL ACTIVITY



Statistical Information

	Nov 2015	Oct 2015	Sept 2015
Actual average price per barrel	\$36.20	\$39.09	\$36.98
Production (barrels/day)	1,176,314	1,171,119	1,162,159
Drilling permits	125	152	154
Producing wells	13,077	13,190	13,036
Rig count	64	65	71

Tax Allocations (in Millions)

	Biennium to Date Dec 31, 2015
Political subs	\$ 137.1
Tribes	57.9
Legacy fund	211.2
General fund	195.5
Education funds	65.1
Resources trust fund	61.5
Oil and gas impact fund	17.3
Property tax relief fund	0.0
Other allocations	16.3
Total	\$761.9

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2015-17 Biennium
December 2015

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2015 Leg. Forecast	Actual	Variance	Percent	May 2015 Leg. Forecast	Actual	Variance	Percent
Sales Tax	96,801,000	66,641,543	(30,159,457)	-31.2%	713,357,000	519,838,997	(193,518,003)	-27.1%
Motor Vehicle Excise Tax	12,000,000	8,910,163	(3,089,837)	-25.7%	76,568,000	58,129,607	(18,438,393)	-24.1%
Individual Income Tax	11,151,000	6,236,624	(4,914,376)	-44.1%	137,491,000	159,850,183	22,359,183	16.3%
Corporate Income Tax	28,445,000	901,738	(27,543,262)	-96.8%	53,203,000	17,711,985	(35,491,015)	-66.7%
Insurance Premium Tax	1,272,840	4,258,657	2,985,817	234.6%	14,500,790	17,723,352	3,222,562	22.2%
Financial Institutions Tax					0	244,614	244,614	100.0%
Oil & Gas Production Tax*	14,457,372	14,457,372			78,910,106	78,910,106		
Oil Extraction Tax*	23,142,313	23,142,313			116,620,823	116,620,823		
Gaming Tax	16,450	45,371	28,921	175.8%	1,844,730	1,615,148	(229,582)	-12.4%
Lottery								
Cigarette & Tobacco Tax	2,548,000	2,343,917	(204,083)	-8.0%	15,905,000	15,792,051	(112,949)	-0.7%
Wholesale Liquor Tax	824,000	707,309	(116,691)	-14.2%	4,728,000	4,748,136	20,136	0.4%
Coal Conversion Tax	1,604,000	1,874,693	270,693	16.9%	7,996,000	9,780,796	1,784,796	22.3%
Mineral Leasing Fees	819,488	599,784	(219,704)	-26.8%	4,916,928	8,342,436	3,425,508	69.7%
Departmental Collections	2,615,398	2,428,975	(186,423)	-7.1%	15,423,453	16,579,214	1,155,761	7.5%
Interest Income	242,601	196,244	(46,357)	-19.1%	1,281,541	1,326,710	45,169	3.5%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers					507,624	572,828	65,204	12.8%
Total Revenues and Transfers	195,939,462	132,744,702	(63,194,759)	-32.3%	1,900,253,996	1,684,786,988	(215,467,008)	-11.3%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2015-17 Biennium
December 2015

Revenues and Transfers	Fiscal Month				Biennium To Date			
	December <u>2013</u>	December <u>2015</u>	<u>Variance</u>	<u>Percent</u>	<u>2013-15</u>	<u>2015-17</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	107,773,679	66,641,543	(41,132,136)	-38.2%	638,436,289	519,838,997	(118,597,292)	-18.6%
Motor Vehicle Excise Tax	10,916,729	8,910,163	(2,006,566)	-18.4%	66,590,240	58,129,607	(8,460,633)	-12.7%
Individual Income Tax	13,262,177	6,236,624	(7,025,553)	-53.0%	208,259,230	159,850,183	(48,409,046)	-23.2%
Corporate Income Tax	35,587,991	901,738	(34,686,253)	-97.5%	90,682,624	17,711,985	(72,970,638)	-80.5%
Insurance Premium Tax	1,282,483	4,258,657	2,976,174	232.1%	14,610,673	17,723,352	3,112,679	21.3%
Financial Institutions Tax	(1,728,405)		1,728,405	-100.0%	(4,921,329)	244,614	5,165,943	-105.0%
Oil & Gas Production Tax*		14,457,372	14,457,372	100.0%	96,933,188	78,910,106	(18,023,081)	-18.6%
Oil Extraction Tax*		23,142,313	23,142,313	100.0%	103,066,812	116,620,823	13,554,011	13.2%
Gaming Tax	16,491	45,371	28,880	175.1%	1,849,515	1,615,148	(234,367)	-12.7%
Lottery		0						
Cigarette & Tobacco Tax	2,311,955	2,343,917	31,962	1.4%	15,622,410	15,792,051	169,641	1.1%
Wholesale Liquor Tax	690,627	707,309	16,682	2.4%	4,703,347	4,748,136	44,789	1.0%
Coal Conversion Tax	1,586,341	1,874,693	288,352	18.2%	7,246,576	9,780,796	2,534,220	35.0%
Mineral Leasing Fees	(4,975,054)	599,784	5,574,838	-112.1%	7,833,276	8,342,436	509,160	6.5%
Departmental Collections	3,190,681	2,428,975	(761,706)	-23.9%	17,149,405	16,579,214	(570,191)	-3.3%
Interest Income	229,920	196,244	(33,676)	-14.6%	1,212,736	1,326,710	113,974	9.4%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers					623,594	572,828	(50,766)	-8.1%
Total Revenues and Transfers	170,145,615	132,744,702	(37,400,913)	-22.0%	1,611,688,586	1,684,786,988	73,098,401	4.5%

VARIANCES

December 2015 revenues totaled \$132.7 million, which is \$63.2 million, or 32.3% below forecast. Biennium-to-date revenues of \$1.68 billion are \$215.5 million, or 11.3%, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 19.1% behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$66.6 million were \$30.2 million, or 31.2%, less than anticipated for the month due in large part to low oil prices and reduced rig counts. Additionally, as oil company operations become more efficient, the need for taxable goods and services decreases. Biennium-to-date revenues are 27.1% below forecast.
- **Motor vehicle excise tax** collections of \$8.9 million were 25.7%, or \$3.1 million, below the forecast for the month. Total revenues to date of \$58.1 million are 24.1% behind projections and 12.7% less than the same period in the 2013-15 biennium. It appears that this variance is related to low oil prices and more efficient oil production operations.
- **Individual income tax** collections totaling \$6.2 million were below the monthly projection by \$4.9 million, or 44.1% due to additional transfers to refund reserves. Biennium to date collections of \$159.9 million exceed the forecast by \$22.4 million, or 16.3%. Tax rate reductions and above average set-aside for refund reserves resulted in collections that were 23.2% lower than the same six-month period in the 2013-15 biennium.
- **Corporate income tax** collections of \$901,738 were 96.8%, or \$27.5 million, below the forecast for the month due to additional transfers to refund reserves to facilitate pending refunds. Total revenues to date of \$17.7 million are 66.7% behind projections and 80.5% less than the same period in the 2013-15 biennium.
- **Oil and gas taxes** were \$9.3 million higher than the monthly forecast. For purposes of this report, oil tax forecast amounts are shown as being equal to actual collections. For the biennium in total, the general fund share of oil taxes is limited to no more than \$300.0 million. Monthly variances affect the time frame during which the general fund receives its share of oil taxes, but does not impact the total biennial collections.