

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

How does North Dakota rank among all states in economic competitiveness? Very well according to the American Legislative Exchange Council's 9th edition of *Rich States, Poor States*. The report is a state economic competitive index which ranks states in two categories – economic outlook and economic performance.

Economic outlook is a forward-looking measure of a state's performance in 15 equally weighted variables including sales, property and other tax burdens, income tax rates, state minimum wage, number of public employees, debt service, and average workers' compensation costs. For 2016 North Dakota ranked 3rd overall in this category with the top ranking in estate and inheritance tax levied, state minimum wage, average workers' compensation costs, and right-to-work state (option to join or support a union). Its lowest ranking, 47th, was in sales tax burden per \$1,000 of personal income. The full report can be seen at <https://www.alec.org/publication/rich-states-poor-states/>.

American Legislative Exchange Council's Economic Outlook Ranking for 2016

Top Ten States		Bottom Ten States	
1. Utah	6. Indiana	41. Oregon	46. California
2. North Carolina	7. Tennessee	42. Hawaii	47. Connecticut
3. North Dakota	8. Florida	43. Illinois	48. New Jersey
4. Wyoming	9. Wisconsin	44. Delaware	49. Vermont
5. Arizona	10. Oklahoma	45. Minnesota	50. New York

Economic performance is a measure of a state's past performance, from 2004 to 2014, in gross domestic product, absolute domestic migration and non-farm payroll employment. North Dakota ranked 4th overall in this category with top rankings in gross domestic product and non-farm payroll employment and a rank of 21st in absolute domestic migration.

American Legislative Exchange Council's Economic Performance Ranking, 2004-2014

Top Ten States		Bottom Ten States	
1. Texas	6. Colorado	41. Wisconsin	46. Illinois
2. Washington	7. Wyoming	42. Mississippi	47. New Jersey
3. Utah	8. North Carolina	43. Missouri	48. Rhode Island
4. North Dakota	9. Oregon	44. Maine	49. Ohio
5. Oklahoma	10. Montana	45. Connecticut	50. Michigan

OIL ACTIVITY

Statistical Information



	Feb 2016	Jan 2016	Dec 2015
Actual average price per barrel	\$22.07	\$24.09	\$29.95
Production (barrels/day)	1,118,333	1,122,462	1,152,696
Drilling permits	70	78	95
Producing wells	13,012	13,141	13,128
Rig count	40	52	64

Tax Allocations (in Millions)

	Biennium to Date Mar 31, 2016
Political subs	\$ 197.3
Tribes	83.1
Legacy fund	304.4
General fund	200.0
Education funds	94.0
Resources trust fund	90.5
Oil and gas impact fund	23.5
Tax relief fund	82.9
Other allocations	22.2
Total	\$1,097.9

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the January 2016 Revised Forecast ^{/1}
2015-17 Biennium
March 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	January 2016 Rev. Forecast	Actual	Variance	Percent	January 2016 Rev. Forecast /1	Actual	Variance	Percent
Sales Tax	65,059,000	52,041,771	(13,017,229)	-20.0%	782,666,000	733,231,336	(49,434,664)	-6.3%
Motor Vehicle Excise Tax	9,705,000	8,611,318	(1,093,682)	-11.3%	85,194,000	82,610,453	(2,583,547)	-3.0%
Individual Income Tax	7,527,000	12,657,890	5,130,890	68.2%	204,677,000	227,746,545	23,069,545	11.3%
Corporate Income Tax	12,573,000	12,034,627	(538,373)	-4.3%	49,430,000	50,267,956	837,956	1.7%
Insurance Premium Tax	6,226,480	5,533,457	(693,023)	-11.1%	33,828,302	41,703,266	7,874,963	23.3%
Financial Institutions Tax		71,912	71,912	100.0%	244,614	325,275	80,661	33.0%
Oil & Gas Production Tax*					83,379,176	83,379,177		0.0%
Oil Extraction Tax*					116,620,823	116,620,823		0.0%
Gaming Tax	26,910	29,907	2,997	11.1%	2,439,488	2,487,515	48,028	2.0%
Lottery								
Cigarette & Tobacco Tax	2,040,000	2,105,785	65,785	3.2%	22,706,051	22,081,900	(624,151)	-2.7%
Wholesale Liquor Tax	656,000	653,336	(2,664)	-0.4%	6,803,136	6,778,162	(24,973)	-0.4%
Coal Conversion Tax	1,747,000	1,847,811	100,811	5.8%	14,814,796	15,251,862	437,066	3.0%
Mineral Leasing Fees	819,488	743,093	(76,395)	-9.3%	10,800,900	11,448,683	647,782	6.0%
Departmental Collections	6,006,200	2,208,160	(3,798,040)	-63.2%	31,090,638	30,472,820	(617,817)	-2.0%
Interest Income	213,690	240,303	26,613	12.5%	1,983,279	1,960,665	(22,615)	-1.1%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers					826,640	836,557	9,917	1.2%
Total Revenues and Transfers	112,599,768	98,779,370	(13,820,398)	-12.3%	2,104,504,845	2,084,202,996	(20,301,849)	-1.0%

/1 The January 2016 revised revenue forecast includes legislative estimates through December 31, 2015

* The general fund cap for oil and gas taxes contains two tiers. The first tier of \$200.0 million was reached in January 2016. Additional oil taxes will flow to the tax relief fund until that fund receives \$300 million, after which time the general fund will receive an additional \$100.0 million.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2015-17 Biennium
March 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	March 2014	March 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	79,507,510	52,041,771	(27,465,738)	-34.5%	914,127,077	733,231,336	(180,895,740)	-19.8%
Motor Vehicle Excise Tax	11,113,373	8,611,318	(2,502,055)	-22.5%	99,978,418	82,610,453	(17,367,965)	-17.4%
Individual Income Tax	10,425,363	12,657,890	2,232,527	21.4%	316,187,868	227,746,545	(88,441,323)	-28.0%
Corporate Income Tax	28,604,315	12,034,627	(16,569,688)	-57.9%	130,083,295	50,267,956	(79,815,339)	-61.4%
Insurance Premium Tax	6,273,655	5,533,457	(740,198)	-11.8%	30,837,652	41,703,266	10,865,614	35.2%
Financial Institutions Tax	16	71,912	71,896	100.0%	(4,901,914)	325,275	5,227,189	-106.6%
Oil & Gas Production Tax*	15,833,749		(15,833,749)	100.0%	112,766,937	83,379,177	(29,387,760)	-26.1%
Oil Extraction Tax*	41,555,409		(41,555,409)	100.0%	144,622,221	116,620,823	(28,001,398)	-19.4%
Gaming Tax	26,977	29,907	2,929	10.9%	2,675,997	2,487,515	(188,482)	-7.0%
Lottery								
Cigarette & Tobacco Tax	2,099,073	2,105,785	6,712	0.3%	22,290,095	22,081,900	(208,195)	-0.9%
Wholesale Liquor Tax	687,010	653,336	(33,674)	-4.9%	6,897,372	6,778,162	(119,210)	-1.7%
Coal Conversion Tax	1,611,817	1,847,811	235,993	14.6%	11,889,051	15,251,862	3,362,811	28.3%
Mineral Leasing Fees	2,137,938	743,093	(1,394,844)	65.2%	12,183,273	11,448,683	(734,590)	-6.0%
Departmental Collections	4,097,257	2,208,160	(1,889,096)	-46.1%	31,762,897	30,472,820	(1,290,077)	-4.1%
Interest Income	202,218	240,303	38,085	18.8%	1,834,241	1,960,665	126,423	6.9%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers					845,764	836,557	(9,207)	-1.1%
Total Revenues and Transfers	204,175,679	98,779,370	(105,396,308)	-51.6%	2,175,870,244	2,084,202,996	(91,667,248)	-4.2%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2015-17 Biennium
March 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2015 Leg. Forecast	Actual	Variance	Percent	May 2015 Leg. Forecast	Actual	Variance	Percent
Sales Tax	79,119,000	52,041,771	(27,077,229)	-34.2%	1,055,535,000	733,231,336	(322,303,664)	-30.5%
Motor Vehicle Excise Tax	13,992,000	8,611,318	(5,380,682)	-38.5%	115,587,000	82,610,453	(32,976,547)	-28.5%
Individual Income Tax	9,216,000	12,657,890	3,441,890	37.3%	218,681,000	227,746,545	9,065,545	4.1%
Corporate Income Tax	26,493,000	12,034,627	(14,458,373)	-54.6%	95,888,000	50,267,956	(45,620,044)	-47.6%
Insurance Premium Tax	6,226,480	5,533,457	(693,023)	-11.1%	30,605,740	41,703,266	11,097,526	36.3%
Financial Institutions Tax		71,912	71,912	100.0%		325,275	325,275	-100.0%
Oil & Gas Production Tax*					83,379,176	83,379,177		0.0%
Oil Extraction Tax*					116,620,823	116,620,823		0.0%
Gaming Tax	26,910	29,907	2,997	11.1%	2,669,070	2,487,515	(181,555)	-6.8%
Lottery								
Cigarette & Tobacco Tax	2,040,000	2,105,785	65,785	3.2%	22,819,000	22,081,900	(737,100)	-3.2%
Wholesale Liquor Tax	656,000	653,336	(2,664)	-0.4%	6,783,000	6,778,162	(4,838)	-0.1%
Coal Conversion Tax	1,747,000	1,847,811	100,811	5.8%	13,030,000	15,251,862	2,221,862	17.1%
Mineral Leasing Fees	819,488	743,093	(76,395)	-9.3%	7,375,392	11,448,683	4,073,291	55.2%
Departmental Collections	6,006,200	2,208,160	(3,798,040)	-63.2%	29,934,877	30,472,820	537,943	1.8%
Interest Income	213,690	240,303	26,613	12.5%	1,938,110	1,960,665	22,555	1.2%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers					761,436	836,557	75,121	9.9%
Total Revenues and Transfers	146,555,768	98,779,370	(47,776,398)	-32.6%	2,458,607,625	2,084,202,996	(374,404,629)	-15.2%

VARIANCES

(Compared to January 2016 Revised Forecast)

March 2016 revenues totaled \$98.8 million, which is \$13.8 million, or 12.3 percent below forecast. Biennium-to-date revenues of \$2.08 billion are \$20.3 million, or 1.0 percent, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 22.2 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$52.0 million were \$13.0 million, or 20.0 percent, 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 6.3 percent below forecast.
- **Motor vehicle excise tax collections** of \$8.6 million were \$1.1 million, or 11.3 percent, less than the forecast for the month. Total revenues to date of \$82.6 million are 3.0 percent behind projections and 17.4 percent 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 \$12.7 million exceeded the monthly projection by \$5.1 million, or 68.2 percent due to a strong start to the filing season and strong estimated payments. Biennium to date collections of \$227.7 million are \$23.1 million, or 11.3 percent, above the forecast. Tax rate reductions and above average set-aside for refund reserves resulted in collections that were 28.0 percent lower than the same nine-month period in the 2013-15 biennium.
- **Departmental collections** totaling \$2.2 million were \$3.8 million, or 63.2 percent, less than the monthly projection. The early receipt of telecommunications tax in January and February resulted in the month's variance. Biennium-to-date departmental collections are \$30.5 million, which is \$617,817, or 2.0 percent, less than forecast.
- **Oil and gas taxes** collections reached \$200.0 million in January - the first tier of the biennial cap. The state share will be deposited in the tax relief fund until that fund reaches its cap of \$300 million, after which the general fund will receive an additional \$100.0 million.

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600 EAST BOULEVARD AVE — DEPT. 110
BISMARCK, ND 58505-0400
<http://www.nd.gov/fiscal> or www.nd.gov/omb