

North Dakota REV-E-NEWS



Pam Sharp, Director

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OFFICE OF MANAGEMENT AND BUDGET

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MESSAGE FROM THE DIRECTOR

North Dakota's business cycle is now in recovery. According to Moody's Analytics' October 2017 *Précis* North Dakota is rebounding from the energy bust "in earnest." Job growth has matched the national level over the last few months, an indicator that has not been met in over two years. Moody's notes that growth in private service jobs, reflective of consumer gains from higher incomes in goods-producing industries, is "an encouraging sign that the state has definitely turned a corner."

Moody's stated that natural resources and mining employment is up more than 30 percent from a year ago, the fastest pace of growth in the industry in five years. This rapid growth is attributable to increases in oil production and smaller transportation discounts on North Dakota crude oil as a result of new pipeline capacity via the Dakota Access Pipeline. The North Dakota Pipeline Authority has estimated the discount has been reduced by as much as \$2 per barrel.

One restriction noted by Moody's to the growth of jobs in North Dakota and employment in the oil industry could be the state's available labor force. The state's low unemployment rate, one of the lowest in the nation, is not only

indicative of an abundance of jobs available but also of an undersized labor force. If North Dakota is to continue job growth it must also attract workers to the state.

Moody's also notes that farm income declines have finally begun to reverse. The impact of drought conditions throughout the summer may not be as severe as previously thought but state income numbers released over the next few months will tell the real story. Moody's anticipates a slow but steady recovery among North Dakota farmers over the next several years.

Moody's concluded by saying "North Dakota's rebound will not match the sky-high growth rates of the oil boom. Look for it to be only an average performer in terms of job growth throughout the forecast. More activity in the Bakken Shale and recovering farm income will help top-line growth, but without stronger labor force gains to take advantage of the rising employment opportunities, the pace of growth will be limited."

Moody's October 2017 *Précis* includes the following economic indicators:

Indicator	2016	2017	2018	2019	2020	2021
Gross State Product (C09\$ bil)	47.6	48.2	50.1	51.5	52.2	53.7
Total Employment (ths)	435	439	447	451	452	455
Unemployment Rate	3.2	2.5	2.2	2.3	2.6	2.7
Personal Income Growth	-1.4	0.6	4.9	4.8	3.5	3.7
Population (ths)	758	756	761	767	772	777
Single-Family Permits	2,359	2,429	3,650	3,868	3,779	3,337
FHFA House Price (1980Q1=100)	358	369	376	379	381	386

OIL ACTIVITY Statistical Information



	Sept 2017	Aug 2017	July 2017
Actual average price per barrel	\$44.98	\$42.85	\$40.98
Production (barrels/day)	1,107,104	1,089,318	1,048,099
Drilling permits	104	101	146
Producing wells	14,190	14,089	13,992
Rig count	56	56	58

Tax Allocations (in Millions)

	Biennium to Date Oct 31, 2017
Political Subs	\$ 74.5
Tribes	36.8
Legacy Fund	102.5
General Fund	81.9
Education Funds	28.5
Resources Trust Fund	27.5
Oil and Gas Impact Fund	17.3
Tax Relief Fund	0.0
Other Allocations	9.4
Total	\$378.4

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2017-19 Biennium October 2017

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2017 Leg. Forecast	Actual	Variance	Percent	May 2017 Leg. Forecast	Actual	Variance	Percent
Sales Tax	102,841,000	84,106,594	(18,734,406)	-18.2%	296,450,000	297,660,252	1,210,252	0.4%
Motor Vehicle Excise Tax	9,962,000	9,819,600	(142,400)	-1.4%	39,165,000	39,281,208	116,208	0.3%
Individual Income Tax	40,645,000	42,839,736	2,194,736	5.4%	122,224,000	121,775,144	(448,856)	-0.4%
Corporate Income Tax	4,244,000	2,634,410	(1,609,590)	-37.9%	4,244,000	3,728,331	(515,669)	-12.2%
Insurance Premium Tax	306,799	303,216	(3,583)	-1.2%	5,854,397	6,393,642	539,245	9.2%
Oil & Gas Production Tax	14,035,114	14,035,114			28,463,489	28,463,489		
Oil Extraction Tax	19,908,760	19,908,760			53,410,607	53,410,607		
Gaming Tax	260,912	355,672	94,760	36.3%	1,078,719	1,022,347	(56,372)	-5.2%
Lottery								
Cigarette & Tobacco Tax	2,288,000	2,072,994	(215,006)	-9.4%	9,601,000	9,665,557	64,557	0.7%
Wholesale Liquor Tax	812,173	658,645	(153,528)	-18.9%	2,991,730	3,075,334	83,604	2.8%
Coal Conversion Tax	1,673,000	1,867,903	194,903	11.6%	5,034,000	5,161,100	127,100	2.5%
Mineral Leasing Fees	3,154,354	2,677,435	(476,919)	-15.1%	7,273,451	6,229,011	(1,044,441)	-14.4%
Departmental Collections	6,083,951	2,466,518	(3,617,433)	-59.5%	11,410,360	14,214,140	2,803,780	24.6%
Interest Income	182,000	172,796	(9,204)	-5.1%	813,000	639,493	(173,507)	-21.3%
State Mill & Elevator-Transfer								
Bank of North Dakota - Transfer	70,000,000	70,000,000			70,000,000	70,000,000		
Legacy Fund - Transfer								
Tax Relief Fund - Transfer					183,000,000	183,000,000		
SIIF - Transfer					124,000,000	124,000,000		
Gas Tax administration	252,015	252,015			504,030	504,030		
Miscellaneous	390,625	406,634	16,009	4.1%	30,256,250	30,557,689	301,439	1.0%
Total Revenues and Transfers	277,039,703	254,578,043	(22,461,660)	-8.1%	995,774,032	998,781,373	3,007,340	0.3%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2017-19 Biennium October 2017

Revenues and Transfers	Fiscal Month				Biennium To Date			
	October 2015	October 2017	Variance	Percent	2015-17	2017-19	Variance	Percent
Sales Tax	85,614,961	84,106,594	(1,508,367)	-1.8%	361,875,829	297,660,252	(64,215,577)	-17.7%
Motor Vehicle Excise Tax	10,589,740	9,819,600	(770,140)	-7.3%	41,239,816	39,281,208	(1,958,608)	-4.7%
Individual Income Tax	37,454,389	42,839,736	5,385,347	14.4%	127,623,094	121,775,144	(5,847,950)	-4.6%
Corporate Income Tax	6,459,116	2,634,410	(3,824,706)	-59.2%	16,261,398	3,728,331	(12,533,067)	-77.1%
Insurance Premium Tax	(538)	303,216	303,754	-56450.4%	5,029,554	6,393,642	1,364,088	27.1%
Financial Institutions Tax	10,993		(10,993)	-100.0%	244,614		(244,614)	-100.0%
Oil & Gas Production Tax	12,312,752	14,035,114	1,722,362	14.0%	52,160,900	28,463,489	(23,697,411)	-45.4%
Oil Extraction Tax	19,546,077	19,908,760	362,682	1.9%	73,501,439	53,410,607	(20,090,832)	-27.3%
Gaming Tax	245,912	355,672	109,760	44.6%	1,001,719	1,022,347	20,628	2.1%
Lottery								
Cigarette & Tobacco Tax	2,583,532	2,072,994	(510,538)	-19.8%	10,889,858	9,665,557	(1,224,301)	-11.2%
Wholesale Liquor Tax	987,613	658,645	(328,968)	-33.3%	3,279,014	3,075,334	(203,680)	-6.2%
Coal Conversion Tax	1,996,030	1,867,903	(128,128)	-6.4%	6,096,477	5,161,100	(935,377)	-15.3%
Mineral Leasing Fees	2,953,609	2,677,435	(276,174)	-9.4%	6,716,706	6,229,011	(487,695)	-7.3%
Departmental Collections	2,049,085	2,466,518	417,434	20.4%	11,451,896	14,214,140	2,762,244	24.1%
Interest Income	221,082	172,796	(48,286)	-21.8%	845,112	639,493	(205,618)	-24.3%
State Mill & Elevator-Transfer								
Major Special Fund Transfers		70,000,000			657,000,000	377,000,000	(280,000,000)	-42.6%
Other Transfers	319,016	658,649	339,633	106.5%	572,828	31,061,719	30,488,891	5322.5%
Total Revenues and Transfers	183,343,369	254,578,043	1,234,674	0.7%	1,375,790,252	998,781,373	(377,008,879)	-27.4%

VARIANCES (Compared to 2017 Legislative Forecast)

October 2017 revenues totaled \$254.6 million, which is \$22.5 million, or 8.1 percent below forecast. Biennium-to-date revenues of \$998.8 million are \$3.0 million, or 0.3 percent, more than projected. When transfers from major special funds are excluded, 2017-19 revenues to date are tracking 13.5 percent behind the same time period in the 2015-17 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$84.1 million were \$18.7 million, or 18.2 percent, lower than anticipated for the month. Biennium-to-date revenues are \$1.2 million, or 0.4 percent, higher than forecast. In a year over year comparison, biennium-to-date revenues are \$64.2 million, or 17.7 percent, less than the same four month time period in Fiscal Year 2016 but only \$4.8 million, or 1.6 percent, less than the same four month time period in Fiscal Year 2017.
- **Individual income tax** collections of \$42.8 million were \$2.2 million, or 5.4 percent above forecast, due to higher than expected estimated payments and withholding. Biennium-to-date collections of \$121.8 million are \$449,000, or .04 percent lower than forecast and \$5.8 million, or 4.6 percent, less than the same time period in the 2015-17 biennium.
- **Corporate income tax** collections of \$2.6 million were \$1.6 million, or 37.9 percent below forecast due to weaker than expected estimated payments. Biennium-to-date collections of \$3.7 million are \$516,000, or 12.2 percent lower than forecast and \$12.5 million, or 77.1 percent less than the same time period in the 2015-17 biennium.
- **Departmental collections** totaling \$2.5 million were \$3.6 million lower than anticipated due to receipt of a statutorily required transfer from the insurance regulatory trust fund in the prior month rather than the current month.
- **Oil and gas taxes** were \$1.7 million higher than the monthly forecast. However, 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 \$400.0 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.