

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**December 2017**

**OFFICE OF MANAGEMENT AND BUDGET  
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## MESSAGE FROM THE DIRECTOR

### ECONOMIC INDICATORS

#### National

Consumer Prices - The 12-month percent change in the non-seasonally adjusted consumer price index (CPI), as reported by the Bureau of Labor Statistics, was 2.0% in October 2017, compared to 1.6% in the 12-month period ending October 2016. According to *Moody's Analytics*, the CPI is expected to change by 2.0% during 2017. Projections indicate the rate will increase by an average of 2.1% for 2018, and 2.8% in 2019 before decreasing to 2.7% in 2020 and 2.4% in 2021.

Money Markets - The average yield on a three-month Treasury bill is currently 1.0%. *Moody's* expects three month T-bill rates to stay at 1.0% throughout 2017 before increasing to 1.7% in 2018 and 3.0% or more in 2019, 2020 and 2021. *Moody's* predicts that the prime rate will average 4.10% for 2017 and 5.02% for 2018. Their forecast provides for steady increases in the ensuing years, to 6.53% in 2019, and 6.82% in 2020, before dropping slightly to 6.46% in 2021.

Personal Income - Personal income, as reported by *Moody's* in inflation-adjusted 2009 dollars, grew by 1.2% during 2016. *Moody's* predicts personal income growth will average 1.5% during 2017, 1.9% in 2018 and 2.1% in 2019. They predict lower annual growth rates of 1.6% in 2020 and 1.7% in 2021.

Commodity Prices - Agricultural prices decreased by an average of 9.2% during 2016, the result of a

2.3% reduction in crop prices and a 16.6% decrease in livestock prices. The *Moody's* outlook provides for a 6.6% increase in 2017, 1.5% in 2018, 3.2% in 2019 and 4.6% in 2020. 2021 will see a very modest growth of only 0.8%. The outlook for West Texas Intermediate crude, the benchmark oil forecast for *Moody's Analytics*, is for the average price per barrel to increase from \$43.40 in 2016 to \$49.50 in 2017. *Moody's* predicts the price of oil to hit \$51.60 in 2018 and then continue to increase from \$52.80 per barrel in 2019 to \$55.80 per barrel in 2021.

#### Local

Unemployment - North Dakota's non-seasonally adjusted unemployment rate in October 2017 was 1.7%. The national average unemployment rate decreased from 4.1% in September to 3.9% in October.

Employment Growth - Nationally, according to State Policy Reports (S/P/R), the employment growth rate from August 2016 to August 2017 was 1.6%. North Dakota's employment growth rate increased by 1.3% during that same time period.

Personal Income - S/P/R reported that between the second quarters of 2016 and 2017, North Dakota's personal income fell by 0.5%. The national average during the same period grew by 2.9%.

Mortgage Rates - Mortgage rates remain low. Thirty-year fixed rate mortgages are available locally for 3.7%. Fifteen-year fixed rates are around 3.1%.

### OIL ACTIVITY Statistical Information



	Oct 2017	Sept 2017	Aug 2017
Actual average price per barrel	\$47.86	\$44.98	\$42.85
Production (barrels/day)	1,185,499	1,107,345	1,089,318
Drilling permits	147	104	101
Producing wells	14,250	14,199	14,089
Rig count	56	56	56

### Tax Allocations (in Millions)

	Biennium to Date Nov 30, 2017
Political Subs	\$ 96.9
Tribes	49.9
Legacy Fund	140.0
General Fund	115.9
Education Funds	39.1
Resources Trust Fund	37.8
Oil and Gas Impact Fund	24.7
Tax Relief Fund	0.0
Other Allocations	12.2
<b>Total</b>	<b>\$516.5</b>

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2017 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	May 2017 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	62,541,000	68,737,632	6,196,632	9.9%	358,991,000	366,397,884	7,406,884	2.1%
Motor Vehicle Excise Tax	8,012,000	8,100,369	88,369	1.1%	47,177,000	47,381,577	204,577	0.4%
Individual Income Tax	16,137,000	8,017,398	(8,119,602)	-50.3%	138,361,000	129,792,542	(8,568,458)	-6.2%
Corporate Income Tax	1,584,000	3,066,120	1,482,120	93.6%	5,828,000	6,794,450	966,450	16.6%
Insurance Premium Tax	9,478,980	11,566,408	2,087,428	22.0%	15,333,377	17,960,050	2,626,673	17.1%
Oil & Gas Production Tax*	13,894,118	13,894,118			42,357,606	42,357,606		
Oil Extraction Tax*	20,147,006	20,147,006			73,557,613	73,557,613		
Gaming Tax	613,058	451,787	(161,271)	-26.3%	1,691,777	1,474,134	(217,643)	-12.9%
Lottery								
Cigarette & Tobacco Tax	2,231,000	2,405,475	174,475	7.8%	11,832,000	12,071,032	239,032	2.0%
Wholesale Liquor Tax	688,981	720,624	31,643	4.6%	3,680,711	3,795,958	115,247	3.1%
Coal Conversion Tax	1,641,000	1,835,487	194,487	11.9%	6,675,000	6,996,587	321,587	4.8%
Mineral Leasing Fees	1,178,946	1,580,931	401,985	34.1%	8,452,397	7,809,942	(642,455)	-7.6%
Departmental Collections	2,383,201	2,722,408	339,207	14.2%	13,793,561	16,936,548	3,142,987	22.8%
Interest Income	191,000	175,160	(15,840)	-8.3%	1,004,000	814,653	(189,347)	-18.9%
State Mill & Elevator-Transfer								
Bank of North Dakota - Transfer					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					504,030	504,030		
Miscellaneous	390,625	271,004	(119,621)	-30.6%	30,646,875	30,828,693	181,818	0.6%
<b>Total Revenues and Transfers</b>	<b>141,111,914</b>	<b>143,691,927</b>	<b>2,580,012</b>	<b>1.8%</b>	<b>1,136,885,947</b>	<b>1,142,473,299</b>	<b>5,587,353</b>	<b>0.5%</b>

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	November <u>2015</u>	November <u>2017</u>	<u>Variance</u>	<u>Percent</u>	<u>2015-17</u>	<u>2017-19</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	91,321,625	68,737,632	(22,583,993)	-24.7%	453,197,454	366,397,884	(86,799,570)	-19.2%
Motor Vehicle Excise Tax	7,979,629	8,100,369	120,740	1.5%	49,219,445	47,381,577	(1,837,868)	-3.7%
Individual Income Tax	25,990,466	8,017,398	(17,973,068)	-69.2%	153,613,560	129,792,542	(23,821,018)	-15.5%
Corporate Income Tax	548,850	3,066,120	2,517,270	458.6%	16,810,248	6,794,450	(10,015,797)	-59.6%
Insurance Premium Tax	8,435,141	11,566,408	3,131,267	37.1%	13,464,695	17,960,050	4,495,355	33.4%
Financial Institutions Tax					244,614		(244,614)	-100.0%
Oil & Gas Production Tax*	12,291,835	13,894,118	1,602,282		64,452,735	42,357,606	(22,095,128)	-34.3%
Oil Extraction Tax*	19,977,072	20,147,006	169,934		93,478,510	73,557,613	(19,920,898)	-21.3%
Gaming Tax	568,058	451,787	(116,271)	-20.5%	1,569,777	1,474,134	(95,643)	-6.1%
Lottery								
Cigarette & Tobacco Tax	2,558,276	2,405,475	(152,802)	-6.0%	13,448,134	12,071,032	(1,377,103)	-10.2%
Wholesale Liquor Tax	761,813	720,624	(41,188)	-5.4%	4,040,827	3,795,958	(244,868)	-6.1%
Coal Conversion Tax	1,809,626	1,835,487	25,861	1.4%	7,906,103	6,996,587	(909,516)	-11.5%
Mineral Leasing Fees	1,025,946	1,580,931	554,985	54.1%	7,742,652	7,809,942	67,290	0.9%
Departmental Collections	2,698,343	2,722,408	24,065	0.9%	14,150,238	16,936,548	2,786,310	19.7%
Interest Income	285,354	175,160	(110,194)	-38.6%	1,130,466	814,653	(315,813)	-27.9%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	377,000,000	(280,000,000)	-42.6%
Other Transfers		271,004	271,004		572,828	31,332,723	30,759,895	5369.8%
<b>Total Revenues and Transfers</b>	<b>176,252,034</b>	<b>143,691,927</b>	<b>(32,560,107)</b>	<b>-18.5%</b>	<b>1,552,042,286</b>	<b>1,142,473,299</b>	<b>(409,568,986)</b>	<b>-26.4%</b>

## VARIANCES (Compared to 2017 Legislative Forecast)

November 2017 revenues totaled \$143.7 million, which is \$2.6 million, or 1.8 percent above forecast. Biennium-to-date revenues of \$1.14 billion are \$5.6 million, or 0.5 percent, more than projected. When transfers from major special funds are excluded, 2017-19 revenues to date are tracking 14.5 percent behind the same time period in the 2015-17 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$68.7 million were \$6.2 million, or 9.9 percent, higher than anticipated for the month. Biennium-to-date revenues are \$7.4 million, or 2.1 percent, higher than forecast. In a year over year comparison, biennium-to-date revenues are \$86.8 million, or 19.2 percent, less than the same five month time period in Fiscal Year 2016 but only \$2.0 million, or 0.6 percent, less than the same five month time period in Fiscal Year 2017.
- **Individual income tax** collections of \$8.0 million were \$8.1 million, or 50.3 percent below forecast, due to lower than expected estimated payments and withholding. Biennium-to-date collections of \$129.8 million are \$8.6 million, or 6.2 percent lower than forecast and \$23.8 million, or 15.5 percent, less than

the same time period in the 2015-17 biennium.

- **Corporate income tax** collections of \$3.1 million were \$1.5 million, or 93.6 percent above forecast due to higher than expected estimated payments. Biennium-to-date collections of \$6.8 million are \$966,450, or 16.6 percent higher than forecast and \$10.0 million, or 59.6 percent less than the same time period in the 2015-17 biennium.
- **Insurance premium tax** collections totaling \$11.6 million were \$2.1 million, or 22.0 percent, above the monthly projection, due to higher than anticipated payments. Biennium to date collections are \$2.6 million, or 17.1 percent, higher than forecast and \$4.5 million, or 33.4 percent, more than the same time period in the 2015-17 biennium.
- **Oil and gas taxes** were \$2.9 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.