

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**February 2014**

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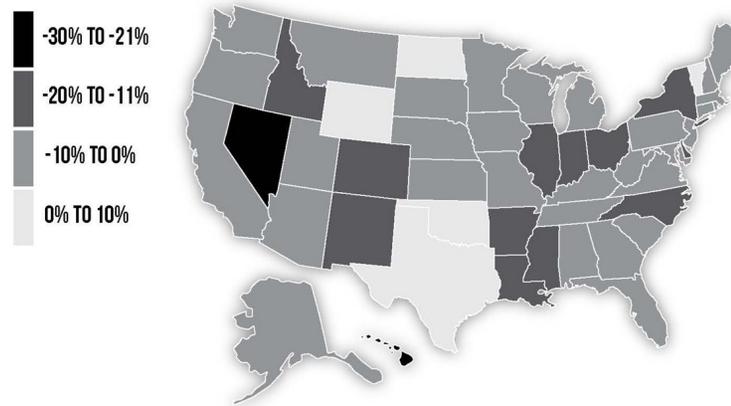
## MESSAGE FROM THE DIRECTOR

The Council of State Governments (CSG) recently released the results of its study of state median household income between 2007 and 2012. Nationally, median household income, when adjusted for inflation, has decreased from \$55,627 in 2007 to \$51,017 in 2012, a drop of 8.3 percent. During this time frame, “all but five states—North Dakota, Oklahoma, Texas, Vermont and Wyoming—saw median household income decline. Nevada and Hawaii saw the median income drop the most over this period, both by more than 20 percent.” North Dakota’s median income rose by 6.7 percent, which was followed closely by Wyoming and Rhode Island, at 6.5 and 5.9 percent, respectively. Texas and Oklahoma each increased by less than 2.0 percent.

CSG’s Midwest Region includes the states of Illinois, Indiana, Iowa, Kansas, Michigan, Minnesota, Nebraska, Ohio, South Dakota, Wisconsin, and North Dakota. Minnesota has the

highest median income in the region at \$61,795; North Dakota ranked second at \$55,766. The lowest income in the region was Ohio (\$44,375). On average, the region’s median income declined by 6.4 percent, from \$55,165 to \$51,635, between 2007 and 2012. Experiencing the largest decreases in the region were Ohio (-18.4 percent), Indiana (-12.2 percent) and Illinois (-11.0 percent).

### PERCENT CHANGE IN STATE MEDIAN HOUSEHOLD INCOME, 2007-2012, INFLATION-ADJUSTED DOLLARS



## OIL ACTIVITY



### Statistical Information

	Dec 2013	Nov 2013	Oct 2013
Actual average price per barrel	\$82.65	\$79.27	\$88.27
Production (barrels/day)	923,200	976,500	945,200
Drilling permits	227	232	267
Producing wells	10,015	10,042	9,923
Rig count	190	184	183

### Tax Allocations (in Millions)

	Biennium to Date Jan 31, 2014
Political subs and tribes	\$296.2
Legacy fund	442.2
General fund	200.0
Education funds	148.9
Resources trust fund	145.2
Oil and gas impact fund	81.1
Property tax relief fund	252.4
Other allocations	23.7
<b>Total</b>	<b>\$1,589.7</b>

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2013-15 Biennium**  
**January 2014**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2013 Leg. Forecast	Actual	Variance	Percent	May 2013 Leg. Forecast	Actual	Variance	Percent
Sales Tax	121,386,000	108,742,236	(12,643,764)	-10.4%	718,853,000	747,178,525	28,325,525	3.9%
Motor Vehicle Excise Tax	13,038,000	12,513,785	(524,215)	-4.0%	87,802,000	79,104,025	(8,697,975)	-9.9%
Individual Income Tax	59,897,000	93,322,461	33,425,461	55.8%	204,421,000	301,581,690	97,160,690	47.5%
Corporate Income Tax	12,462,000	7,871,836	(4,590,164)	-36.8%	64,893,000	98,554,460	33,661,460	51.9%
Insurance Premium Tax	54,830	60,590	5,760	10.5%	13,521,760	14,671,263	1,149,503	8.5%
Financial Institutions Tax		3,706	3,706	100.0%		(4,917,623)	(4,917,623)	-100.0%
Oil & Gas Production Tax*					96,933,188	96,933,188		0.0%
Oil Extraction Tax*					103,066,812	103,066,812		0.0%
Gaming Tax	425,210	296,731	(128,479)	-30.2%	2,627,820	2,146,246	(481,574)	-18.3%
Lottery								
Cigarette & Tobacco Tax	2,508,000	2,422,740	(85,260)	-3.4%	17,538,000	18,045,151	507,151	2.9%
Wholesale Liquor Tax	806,000	873,368	67,368	8.4%	5,573,000	5,576,715	3,715	0.1%
Coal Conversion Tax	1,585,000	1,499,230	(85,770)	-5.4%	9,491,000	8,745,806	(745,194)	-7.9%
Mineral Leasing Fees	791,667	1,181,087	389,420	49.2%	5,541,669	9,014,364	3,472,695	62.7%
Departmental Collections	6,427,921	7,976,409	1,548,488	24.1%	21,363,513	25,125,814	3,762,301	17.6%
Interest Income	523,140	215,387	(307,753)	-58.8%	3,546,730	1,428,123	(2,118,607)	-59.7%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	341,790,000		0.0%
Other Transfers	222,170	222,170		0.0%	666,510	845,764	179,254	26.9%
<b>Total Revenues and Transfers</b>	<b>220,126,938</b>	<b>237,201,737</b>	<b>17,074,799</b>	<b>7.8%</b>	<b>1,697,629,002</b>	<b>1,848,890,323</b>	<b>151,261,321</b>	<b>8.9%</b>

\* The general fund cap for oil and gas taxes contains two tiers. The first tier of \$200.0 million was reached in October 2013. Additional oil taxes will flow to the property tax relief fund until that fund receives \$341.8 million, after which time the general fund will receive an additional \$100.0 million. Total production and extraction tax collections were \$251.3 million in January 2014. Monthly allocations to the property tax relief fund were \$74.3 million; allocations to the legacy fund were \$69.9 million.

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2013-15 Biennium January 2014

Revenues and Transfers	Fiscal Month				Biennium To Date			
	January <u>2012</u>	January <u>2014</u>	<u>Variance</u>	<u>Percent</u>	<u>2011-13</u>	<u>2013-15</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	117,554,970	108,742,236	(8,812,735)	-7.5%	613,305,712	747,178,525	133,872,813	21.8%
Motor Vehicle Excise Tax	11,248,409	12,513,785	1,265,376	11.2%	67,548,909	79,104,025	11,555,115	17.1%
Individual Income Tax	67,120,198	93,322,461	26,202,262	39.0%	212,003,156	301,581,690	89,578,534	42.3%
Corporate Income Tax	6,479,402	7,871,836	1,392,434	21.5%	61,238,452	98,554,460	37,316,008	60.9%
Insurance Premium Tax	61,930	60,590	(1,340)	-2.2%	15,273,835	14,671,263	(602,571)	-3.9%
Financial Institutions Tax	1,356	3,706	2,350	173.3%	(310,365)	(4,917,623)	(4,607,258)	1484.5%
Oil & Gas Production Tax*					99,799,206	96,933,188	(2,866,018)	-2.9%
Oil Extraction Tax*					100,200,794	103,066,812	2,866,018	2.9%
Gaming Tax	579,271	296,731	(282,539)	-48.8%	3,579,887	2,146,246	(1,433,641)	-40.0%
Lottery								
Cigarette & Tobacco Tax	2,200,422	2,422,740	222,319	10.1%	15,784,257	18,045,151	2,260,893	14.3%
Wholesale Liquor Tax	758,559	873,368	114,810	15.1%	4,986,183	5,576,715	590,532	11.8%
Coal Conversion Tax	1,533,601	1,499,230	(34,370)	-2.2%	10,252,233	8,745,806	(1,506,427)	-14.7%
Mineral Leasing Fees	2,057,006	1,181,087	(875,919)	-42.6%	26,648,241	9,014,364	(17,633,878)	-66.2%
Departmental Collections	7,284,355	7,976,409	692,054	9.5%	21,217,534	25,125,814	3,908,280	18.4%
Interest Income	498,135	215,387	(282,748)	-56.8%	3,371,719	1,428,123	(1,943,596)	-57.6%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	188,968	222,170	33,202	17.6%	569,602	845,764	276,162	48.5%
<b>Total Revenues and Transfers</b>	<b>217,566,582</b>	<b>237,201,737</b>	<b>19,635,155</b>	<b>9.0%</b>	<b>1,550,469,357</b>	<b>1,848,890,323</b>	<b>298,420,966</b>	<b>19.2%</b>

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## VARIANCES

January 2014 revenues total \$237.2 million, which is \$17.1 million more than forecast. Revenues for the biennium-to-date are \$1.85 billion, or 8.9 percent higher than forecast. Significant variances are as follows:

- **Sales tax** collections for the biennium to date total \$747.2 million, or 3.9 percent above forecast. Monthly collections of \$108.7 million were 10.4 percent less than anticipated due to timing differences.
- **Motor vehicle excise tax** collections again fell slightly short of the forecast. Actual collections of \$12.5 million were \$524,000, or 4.0 percent, below forecast for the month. The biennium-to-date variance is -\$8.7 million. However, current biennium collections exceed the 2011-13 biennium by \$11.6 million, indicating the shortfall is attributable to monthly forecast assumptions, not a decline in motor vehicle sales.
- **Individual income tax** collections exceeded the monthly forecast by 33.4 million, or 55.8 percent. Biennium to date collections now exceed the forecast by a wide margin -- \$97.2 million, or 47.5 percent. The variance is due to strong withholding and estimated payments.
- **Corporate income tax** collections were \$4.6 million less than projected for the month, bringing

the biennium to date variance to \$33.7 million. Despite the significant rate reductions approved by the 2013 legislature, collections through January 2014 were \$37.3 million higher than during the same time period in the 2011-13 biennium. The monthly variance reflects a correction of estimated payments by corporations throughout 2013.

- **Oil and gas taxes** exceed the monthly forecast by \$41.6 million due to higher than anticipated oil prices and production. During October, the general fund reached \$200.0 million -- the first tier of the biennial cap. The state share will be deposited in the property tax relief fund until that fund reaches its cap of \$341.8 million, after which the general fund will receive an additional \$100.0 million.
- **Departmental collections** exceeded the \$6.4 million monthly forecast by \$1.5 million, or 24.1 percent, due mostly to timing differences. Telecommunication tax collections reached the \$8.4 million annual distribution to counties and local taxing districts earlier than anticipated. As a result, \$861,000 was deposited in the general fund. Additionally, enforcement activity in oil impacted areas of the state resulted in fine collections of more than \$455,000 in January.