

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**March 2015**

**OFFICE OF MANAGEMENT AND BUDGET  
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

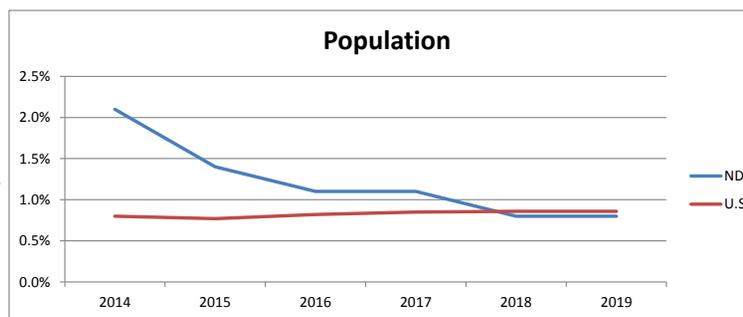
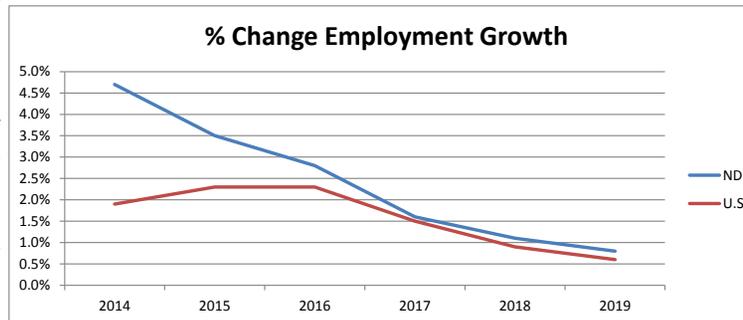
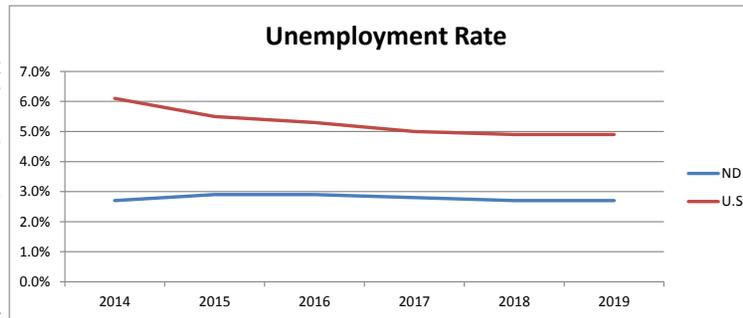
## MESSAGE FROM THE DIRECTOR

Moody's Analytics, in its February 2015 *Précis*, concluded that "North Dakota will remain a top performer thanks to a historic oil boom and prudent management of the state's economy." Extended low oil prices are the greatest downside risk to the Moody's forecast. Prices below \$50 per barrel are less profitable for most oil producers, but many ND producers are still above break-even. Lower prices will reduce profits and limit new production, leading to "weaker wage growth and a sharp decline in administrative service jobs outside the state's metro areas."

Moody's believes that "the state and its major industries are better-positioned than most other energy-producing states to cope with changing market fundamentals." While oil production may not expand during this period of low prices, the backlog of infrastructure required to support existing production will bolster the construction industry. If prices remain low enough to trigger reduced tax rates, state tax collections could drop by as much as \$4 billion. Simultaneously, "the trigger would also represent a near-term tax break to producers, helping them to remain more profitable and hopefully continue to increase production." Agriculture and the government sector will also help to stabilize the ND economy.

Moody's also reports favorably on the state's employment growth and unemployment rate trends. In December 2014, ND's employment growth rate was nearly 5.5 percent, which is an increase from the prior year and double the national average. Unemployment rates continue to be less than 3.0 percent. Additionally, the state's population continues to grow faster than the rest of the country throughout much of Moody's forecast period.

The following charts compare Moody's estimates for the U.S. and ND economies for three critical demographic factors:



## OIL ACTIVITY



### Statistical Information

	Jan 2015	Dec 2014	Nov 2014
Actual average price per barrel	\$35.99	\$47.00	\$64.36
Production (barrels/day)	1,190,490	1,227,483	1,188,258
Drilling permits	246	251	235
Producing wells	12,181	12,134	11,951
Rig count	160	181	188

### Tax Allocations (in Millions)

	Biennium to Date Feb 28, 2015
Political subs	\$577.9
Tribes	389.9
Legacy fund	1,639.7
General fund	300.0
Education funds	492.3
Resources trust fund	488.1
Oil and gas impact fund	240.0
Property tax relief fund	341.8
Other allocations	786.4
<b>Total</b>	<b>\$5,256.1</b>

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium February 2015

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2013 Leg. Forecast	Actual	Variance	Percent	May 2013 Leg. Forecast	Actual	Variance	Percent
Sales Tax	118,712,000	93,224,847	(25,487,153)	-21.5%	2,091,309,000	2,114,521,134	23,212,134	1.1%
Motor Vehicle Excise Tax	11,554,000	9,935,860	(1,618,140)	-14.0%	262,907,000	232,485,057	(30,421,943)	-11.6%
Individual Income Tax	8,161,000	55,610,545	47,449,545	581.4%	583,368,000	812,925,943	229,557,943	39.4%
Corporate Income Tax	6,204,000	2,864,293	(3,339,707)	-53.8%	260,027,000	332,974,272	72,947,272	28.1%
Insurance Premium Tax	4,412,970	10,231,860	5,818,890	131.9%	49,576,980	70,160,492	20,583,512	41.5%
Financial Institutions Tax		29,925	29,925	100.0%		(4,973,531)	(4,973,531)	-100.0%
Oil & Gas Production Tax*					146,071,108	146,071,108		0.0%
Oil Extraction Tax*					153,928,892	153,928,892		0.0%
Gaming Tax	514,220	499,468	(14,752)	-2.9%	7,073,260	6,133,794	(939,466)	-13.3%
Lottery					5,500,000	7,200,000	1,700,000	30.9%
Cigarette & Tobacco Tax	2,132,000	2,250,887	118,887	5.6%	48,698,000	50,739,919	2,041,919	4.2%
Wholesale Liquor Tax	625,000	610,462	(14,538)	-2.3%	15,799,000	15,651,419	(147,581)	-0.9%
Coal Conversion Tax	1,760,000	1,430,984	(329,016)	-18.7%	30,839,000	29,682,432	(1,156,568)	-3.8%
Mineral Leasing Fees	791,667	1,407,648	615,981	77.8%	15,833,340	37,032,432	21,199,092	133.9%
Departmental Collections	5,594,012	2,197,928	(3,396,084)	-60.7%	63,629,046	70,532,780	6,903,734	10.8%
Interest Income	681,960	248,275	(433,685)	-63.6%	20,376,730	12,799,401	(7,577,329)	-37.2%
State Mill & Elevator-Transfer					3,408,600	3,408,600		0.0%
Major Special Fund Transfers					861,790,000	861,790,000		0.0%
Other Transfers					1,555,190	1,734,744	179,554	11.5%
<b>Total Revenues and Transfers</b>	<b>161,142,829</b>	<b>180,542,982</b>	<b>19,400,153</b>	<b>12.0%</b>	<b>4,621,690,146</b>	<b>4,954,798,888</b>	<b>333,108,742</b>	<b>7.2%</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. The next \$341.8 million was deposited into the property tax relief fund. The second tier of \$100.0 million was reached in April 2014, two months earlier than anticipated. The general fund will not receive additional allocations this biennium.

Total production and extraction tax collections of \$195.3 million were distributed in February 2015. Through February, \$1.640 billion has been deposited into the legacy fund; for a total balance of \$3.071 billion.

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2013-15 Biennium February 2015

Revenues and Transfers	Fiscal Month				Biennium To Date			
	February 2013	February 2015	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	88,929,250	93,224,847	4,295,597	4.8%	1,857,191,275	2,114,521,134	257,329,859	13.9%
Motor Vehicle Excise Tax	9,308,588	9,935,860	627,272	6.7%	206,733,201	232,485,057	25,751,855	12.5%
Individual Income Tax	16,387,576	55,610,545	39,222,969	239.3%	721,004,823	812,925,943	91,921,120	12.7%
Corporate Income Tax	4,923,133	2,864,293	(2,058,840)	-41.8%	265,853,996	332,974,272	67,120,275	25.2%
Insurance Premium Tax	4,984,782	10,231,860	5,247,079	105.3%	56,000,913	70,160,492	14,159,580	25.3%
Financial Institutions Tax	144,141	29,925	(114,216)	-79.2%	3,071,724	(4,973,531)	(8,045,255)	-261.9%
Oil & Gas Production Tax*					163,458,104	146,071,108	(17,386,996)	-10.6%
Oil Extraction Tax*					136,541,896	153,928,892	17,386,996	12.7%
Gaming Tax	700,527	499,468	(201,059)	-28.7%	9,635,931	6,133,794	(3,502,137)	-36.3%
Lottery					7,000,000	7,200,000	200,000	2.9%
Cigarette & Tobacco Tax	1,967,822	2,250,887	283,066	14.4%	45,304,478	50,739,919	5,435,441	12.0%
Wholesale Liquor Tax	649,850	610,462	(39,388)	-6.1%	14,618,281	15,651,419	1,033,138	7.1%
Coal Conversion Tax	1,011,274	1,430,984	419,710	41.5%	30,115,850	29,682,432	(433,417)	-1.4%
Mineral Leasing Fees	1,829,094	1,407,648	(421,446)	-23.0%	35,157,018	37,032,432	1,875,414	5.3%
Departmental Collections	4,747,359	2,197,928	(2,549,431)	-53.7%	63,319,705	70,532,780	7,213,076	11.4%
Interest Income	338,803	248,275	(90,528)	-26.7%	10,157,129	12,799,401	2,642,272	26.0%
State Mill & Elevator-Transfer					3,822,989	3,408,600	(414,389)	-10.8%
Major Special Fund Transfers					600,000,000	861,790,000	261,790,000	43.6%
Other Transfers	(2,802)		2,802	-100.0%	1,495,560	1,734,744	239,184	16.0%
<b>Total Revenues and Transfers</b>	<b>135,919,396</b>	<b>180,542,982</b>	<b>44,623,586</b>	<b>32.8%</b>	<b>4,230,482,871</b>	<b>4,954,798,888</b>	<b>724,316,017</b>	<b>17.1%</b>

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## VARIANCES

February 2015 revenues of \$180.5 million were \$19.4 million, or 12.0 percent above forecast. Biennium-to-date revenues total \$4.95 billion, which is \$333.1 million, or 7.2 percent, higher than forecast. Significant monthly variances are as follows:

- **Sales tax** collections of \$93.2 million are \$25.5 million, or 21.5 percent, less than anticipated for the month. The variance appears to be the result of timing differences. Biennium to date collections total \$2.11 billion, which is 1.1 percent above forecast and 13.9 percent higher than the previous biennium
  - **Motor vehicle excise tax** collections of \$9.9 million were 14.0 percent, or \$1.6 million, below the forecast for the month. Biennium-to-date collections are 11.6 percent, or \$30.4 million, less than anticipated. While current biennium collections fall short of expectations, the collections do exceed the 2011-13 biennium by \$25.8 million, indicating the shortfall is attributable to monthly forecast assumptions, not a decline in motor vehicle sales.
  - **Individual income tax** biennium to date collections exceed the forecast by a wide margin-- \$229.6 million, or 39.4 percent. Strong withholding generated monthly general fund collections of \$55.6 million, which is nearly seven times the level anticipated. 2013-15 collections to date total \$812.9 million, which is 12.8 percent
- above the same time period in 2011-13.
- **Corporate income tax** collections for the current biennium total \$333.0 million, which exceeds the forecast by \$72.9 million, or 28.0 percent. Monthly collections based on estimated payments were \$2.9 million, which is \$3.3 million less than anticipated. Despite the significant rate reductions approved by the 2013 legislature, collections are 25.2 percent higher than during the same time period in the 2011-13 biennium.
  - **Insurance premium tax** collections of \$10.2 million exceed the forecast by \$5.8 million as a result of timing differences and increased insurance premium issuances. Collections for the current biennium-to-date total \$70.2 million, which is \$20.6 million, or 41.5 percent, higher than anticipated.
  - **Department collections** total \$2.2 million for the month, which is \$3.4 million below forecast. The early receipt of telecommunication taxes in January resulted in the month's variance. Biennium-to-date, departmental collections are \$70.5 million, which is \$6.9 million, or 10.8 percent, more than forecast.
  - **Oil and gas taxes** reached the \$300.0 million biennial cap in April 2014. No additional oil taxes will be deposited in the general fund during the 2013-15 biennium.