

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**July 2014**

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

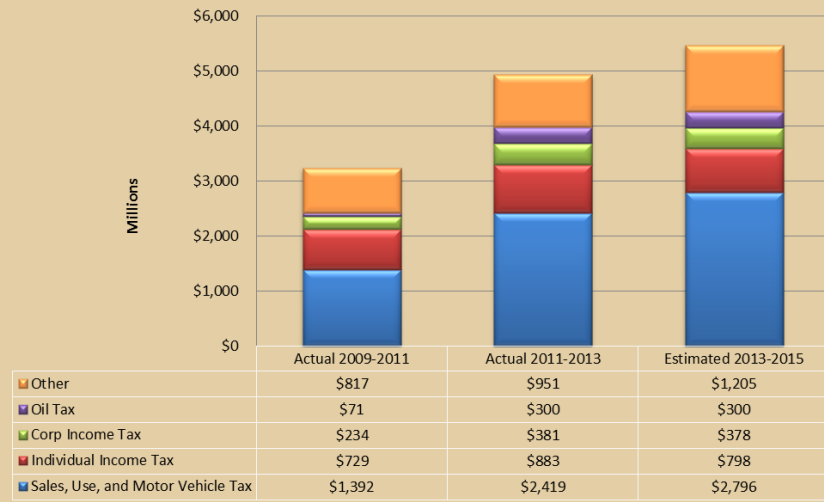
Governor Jack Dalrymple recently issued his budget guidelines to state government agencies for the 2015-2017 biennium. His announcement, which is the official start of the state budget process, directed agencies to develop a hold-even baseline budget with an option for additional resources essential to the needs of a growing state. The governor will present his recommended budget to the 64<sup>th</sup> Legislative Assembly during the organizational session in December 2014.

The foundation of the State's budget is the general fund revenue forecast, which determines the level of funding available to support ongoing state programs and one-time projects. Major sources of general fund revenue include sales, use, and motor vehicle taxes (51.1%), individual income tax (14.6%), corporate income tax (6.9%) and oil taxes (5.5%). Additional sources include insurance premium tax, cigarette and tobacco tax, departmental collections and miscellaneous transfers. General fund revenues have increased from \$3.24 billion in the 2009 – 2011 biennium to \$5.48 billion in 2013 – 2015. Accurate analysis and forecasting of each revenue source is critical to ensure the long term financial stability of the state and its citizens.

The 2015 – 2017 biennial revenue forecast, which includes fiscal years 2015, 2016, and 2017, is being developed in conjunction with the Tax Department and economic consultants at Moody's Analytics. Essential to

the process is the expertise provided by the Advisory Council on Revenue Forecasting. The council consists of representatives from the state's agriculture, energy, retail services, banking, and motor vehicle industries, as well as several state agencies and legislative leaders. Collectively, the council's expertise and insight shapes the overall direction of the revenue forecast.

**Comparison of General Fund Revenue by Major Source  
2009-2011 through 2013-2015**



A preliminary forecast for the 2015 – 2017 biennium will be available in September 2014. The forecast will be finalized in November 2014 and serve as the basis for the Governor's budget recommendation. This forecast will be updated in February 2015 and used by the Legislative Assembly for official legislative budget.

## OIL ACTIVITY



### Statistical Information

	May 2014	Apr 2014	Mar 2014
Actual average price per barrel	\$90.83	\$89.89	\$90.29
Production (barrels/day)	1,039,635	1,003,256	977,178
Drilling permits	234	233	250
Producing wells	10,892	10,665	10,457
Rig count	189	188	193

## Tax Allocations (in Millions)

	Biennium to Date June 30, 2014
Political subs	\$315.4
Tribes	\$213.2
Legacy fund	814.8
General fund	300.0
Education funds	275.1
Resources trust fund	270.9
Oil and gas impact fund	165.2
Property tax relief fund	341.8
Other allocations	233.9
<b>Total</b>	<b>\$2,930.30</b>

*These figures do not include July apply-backs.*

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2013-15 Biennium June 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	71,624,000	109,316,948	37,692,948	52.6%	1,149,083,000	1,212,460,100	63,377,100	5.5%
Motor Vehicle Excise Tax	14,427,000	12,006,884	(2,420,116)	-16.8%	155,665,000	137,941,959	(17,723,041)	-11.4%
Individual Income Tax	21,739,000	25,545,844	3,806,844	17.5%	382,875,000	514,432,202	131,557,202	34.4%
Corporate Income Tax	42,210,000	46,283,023	4,073,023	9.6%	185,092,000	239,404,247	54,312,247	29.3%
Insurance Premium Tax	3,165,720	936,562	(2,229,158)	-70.4%	34,551,480	42,791,945	8,240,465	23.8%
Financial Institutions Tax		220	220	0.0%		(4,871,446)	(4,871,446)	-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	108,410	47,864	(60,546)	-55.8%	4,273,950	3,597,035	(676,915)	-15.8%
Lottery	5,500,000	7,200,000	1,700,000	30.9%	5,500,000	7,200,000	1,700,000	30.9%
Cigarette & Tobacco Tax	2,475,000	2,609,613	134,613	5.4%	28,743,000	29,522,292	779,292	2.7%
Wholesale Liquor Tax	968,000	817,541	(150,459)	-15.5%	9,417,000	9,220,018	(196,982)	-2.1%
Coal Conversion Tax	3,323,000	3,629,218	306,218	9.2%	19,583,000	19,222,236	(360,764)	-1.8%
Mineral Leasing Fees	791,667	1,505,030	713,363	90.1%	9,500,004	18,948,058	9,448,054	99.5%
Departmental Collections	3,200,566	3,665,464	464,898	14.5%	36,832,998	40,369,034	3,536,036	9.6%
Interest Income	9,360,470	8,510,504	(849,966)	-9.1%	14,833,370	10,846,912	(3,986,458)	-26.9%
State Mill & Elevator-Transfer	3,408,600	3,408,600	0	0.0%	3,408,600	3,408,600		0.0%
Major Special Fund Transfers					341,790,000	341,790,000		0.0%
Other Transfers		300	300	100.0%	888,680	1,068,234	179,554	20.2%
<b>Total Revenues and Transfers</b>	<b>182,301,433</b>	<b>225,483,614</b>	<b>43,182,181</b>	<b>23.7%</b>	<b>2,682,037,082</b>	<b>2,927,351,426</b>	<b>245,314,344</b>	<b>9.1%</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 \$285.8 million were distributed in June 2014. Through June, \$814.8 million has been deposited into the legacy fund; for a total of \$2.3 billion.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	June 2012	June 2014	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	78,819,952	109,316,948	30,496,996	38.7%	1,031,442,016	1,212,460,100	181,018,084	17.6%
Motor Vehicle Excise Tax	10,659,589	12,006,884	1,347,295	12.6%	122,173,505	137,941,959	15,768,454	12.9%
Individual Income Tax	25,819,818	25,545,844	(273,974)	-1.1%	429,996,013	514,432,202	84,436,189	19.6%
Corporate Income Tax	39,120,120	46,283,023	7,162,903	18.3%	198,746,771	239,404,247	40,657,476	20.5%
Insurance Premium Tax	3,575,915	936,562	(2,639,352)	-73.8%	39,028,484	42,791,945	3,763,461	9.6%
Financial Institutions Tax	(25,016)	220	25,236	-100.9%	3,783,160	(4,871,446)	(8,654,606)	-228.8%
Oil & Gas Production Tax*	46,702,210		(46,702,210)	100.0%	146,501,416	146,071,108	(430,308)	-0.3%
Oil Extraction Tax*	12,349,519		(12,349,519)	100.0%	112,550,313	153,928,892	41,378,579	36.8%
Gaming Tax	147,685	47,864	(99,821)	-67.6%	5,822,421	3,597,035	(2,225,386)	-38.2%
Lottery	7,000,000	7,200,000	200,000	2.9%	7,000,000	7,200,000	200,000	2.9%
Cigarette & Tobacco Tax	2,559,434	2,609,613	50,179	2.0%	26,608,013	29,522,292	2,914,278	11.0%
Wholesale Liquor Tax	785,370	817,541	32,171	4.1%	8,463,477	9,220,018	756,541	8.9%
Coal Conversion Tax	3,226,273	3,629,218	402,944	12.5%	19,498,126	19,222,236	(275,890)	-1.4%
Mineral Leasing Fees	(1,435,852)	1,505,030	2,940,881	204.8%	26,281,711	18,948,058	(7,333,653)	-27.9%
Departmental Collections	3,261,824	3,665,464	403,640	12.4%	35,611,017	40,369,034	4,758,017	13.4%
Interest Income	1,885,468	8,510,504	6,625,036	351.4%	7,083,358	10,846,912	3,763,554	53.1%
State Mill & Elevator-Transfer	3,822,989	3,408,600	(414,389)	-10.8%	3,822,989	3,408,600	(414,389)	-10.8%
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	97,526	300	(97,226)	100.0%	863,013	1,068,234	205,221	23.8%
<b>Total Revenues and Transfers</b>	<b>238,372,824</b>	<b>225,483,614</b>	<b>(12,889,210)</b>	<b>-5.4%</b>	<b>2,520,275,804</b>	<b>2,927,351,426</b>	<b>407,075,622</b>	<b>16.2%</b>

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Total production and extraction tax collections of \$285.8 million were distributed in June 2014. Through June, \$814.8 million has been deposited into the legacy fund; for a total of \$2.3 billion.

## VARIANCES

June 2014 revenues of \$225.5 million were \$43.2 million, or 23.7 percent above forecast. Biennium-to-date revenues total \$2.93 billion, which is \$245.3 million, or 9.1 percent higher than forecast. Significant variances are as follows:

- **Sales tax** collections for the biennium total \$1.2 billion, which is 5.5 percent above forecast. Sales tax collections are currently 17.6 percent above the previous biennium and are anticipated to remain strong.
- **Motor vehicle excise tax** collections continue to fall short of the forecast. Actual collections of \$12.0 million were \$2.4 million, or 16.8 percent, below forecast for the month. Biennium-to-date collections are 11.4 percent, or \$17.7 million, less than anticipated. However, current biennium collections exceed the 2011-13 biennium by \$15.7 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 -- \$131.5 million, or 34.4 percent. Collections for the month of \$25.5 million were 17.5 percent higher than anticipated. Driving factors behind the increased collections include the state's economic and population growth, as well as the new withholding on royalties.
- **Corporate income tax** collections were \$4.1 million more than anticipated for the month. The biennium to date variance is now \$54.3 million, or 29.3 percent above the forecast. Despite the significant rate reductions approved by the 2013 legislature, collections through June 2014 total \$239.4 million, which is 20.5 percent higher than during the same time period in the 2011-13 biennium.
- **Insurance premium tax** collections fell short for the month by \$2.2 million; however, biennium to date premium tax collections total \$42.8 million, or 23.8 percent above projections. The monthly variance is the result of companies paying taxes in May 2014 that were previously paid in June.
- **Lottery** transfers totaled \$7.2 million in June, which was \$1.7 million, or 30.9 percent, greater than projected. Net proceeds from lottery operations are transferred annually to the general fund, after accounting for necessary reserves and legislative appropriations.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in April. No additional oil taxes will be deposited in the general fund during the 2013-15 biennium.