

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**December 2014**

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

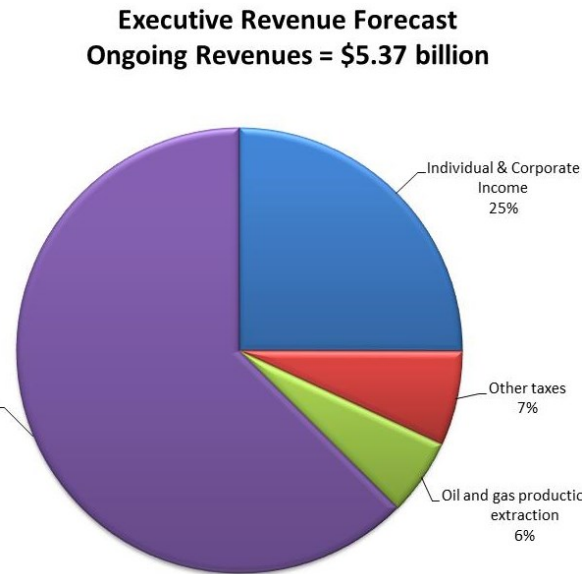
## MESSAGE FROM THE DIRECTOR

Earlier this month, the Governor released his recommended budget for the 2015-17 biennium. The general fund revenue forecast is a critical component of the recommended budget as it determines the level of funding available to support ongoing government programs as well as one-time projects.

The November executive revenue forecast projects ongoing 2013-15 revenues of \$4.90 billion, an increase of \$304.5 million, or 6.6 percent, from the original 2013-15 legislative forecast. For the 2015-17 biennium, ongoing general fund revenues are expected to grow to \$5.37 billion, an increase of \$469.2 million, or 4.8 percent per year from the revised 2013-15 forecast.

Sales tax and motor vehicle tax collections, which total \$3.36 billion, comprise 63.0 percent of the 2015-17 ongoing general fund revenues. Individual and corporate income taxes cover \$1.34 billion, or 25.0 percent, while \$366.7 million, or 7.0 percent, of ongoing revenues come from various taxes and fees, such those paid on cigarettes and tobacco and insurance premiums. Oil taxes make up the final \$300.0 million, or 6.0 percent, of ongoing general fund revenues.

The executive revenue forecast, which was prepared in November before the decline in oil prices, anticipated total oil revenues of \$8.32 billion for the 2015-17 biennium. The first 30 percent of oil revenues are constitutionally reserved in the Legacy Fund and are not available for use until 2017. As depicted in the table on this page, the remaining revenues are distributed to cities,



counties and tribes, or directed to special funds with restricted uses.

The Office of Management and Budget, with the help of economic consultants at Moody's Analytics and the expertise of the state's Advisory Council on Revenue Forecasting, will develop another revenue forecast in March 2015 for use by the Legislative Assembly in preparing the final 2015-17 budget. This forecast will include the most up-to-date revenue collections, as well as the impact of ever-changing oil prices. Both general fund and oil revenue allocations could potentially change when the legislative revenue forecast is finalized in March 2015.

## OIL ACTIVITY



### Statistical Information

|                                 | Oct 2014  | Sept 2014 | August 2014 |
|---------------------------------|-----------|-----------|-------------|
| Actual average price per barrel | \$71.97   | \$80.31   | \$83.18     |
| Production (barrels/day)        | 1,182,174 | 1,186,228 | 1,132,331   |
| Drilling permits                | 328       | 261       | 273         |
| Producing wells                 | 11,892    | 11,758    | 11,563      |
| Rig count                       | 191       | 193       | 193         |

### Tax Allocations (in Millions)

|                          | Biennium to Date Nov 31, 2014 |
|--------------------------|-------------------------------|
| Political subs           | \$503.8                       |
| Tribes                   | 330.0                         |
| Legacy fund              | 1,372.3                       |
| General fund             | 300.0                         |
| Education funds          | 424.7                         |
| Resources trust fund     | 420.5                         |
| Oil and gas impact fund  | 240.0                         |
| Property tax relief fund | 341.8                         |
| Other allocations        | 588.4                         |
| <b>Total</b>             | <b>\$4,521.5</b>              |

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

| Revenues and Transfers              | Fiscal Month                     |                    |                     |                | Biennium To Date                 |                      |                    |                |
|-------------------------------------|----------------------------------|--------------------|---------------------|----------------|----------------------------------|----------------------|--------------------|----------------|
|                                     | May 2013<br><u>Leg. Forecast</u> | <u>Actual</u>      | <u>Variance</u>     | <u>Percent</u> | May 2013<br><u>Leg. Forecast</u> | <u>Actual</u>        | <u>Variance</u>    | <u>Percent</u> |
| Sales Tax                           | 126,100,000                      | 107,372,318        | (18,727,682)        | -14.9%         | 1,746,156,000                    | 1,786,916,382        | 40,760,382         | 2.3%           |
| Motor Vehicle Excise Tax            | 11,815,000                       | 9,953,371          | (1,861,629)         | -15.8%         | 225,293,000                      | 197,916,588          | (27,376,412)       | -12.2%         |
| Individual Income Tax               | 14,156,000                       | 9,507,178          | (4,648,822)         | -32.8%         | 498,083,000                      | 701,687,002          | 203,604,002        | 40.9%          |
| Corporate Income Tax                | 3,242,000                        | 7,673,989          | 4,431,989           | 136.7%         | 198,285,000                      | 289,413,536          | 91,128,536         | 46.0%          |
| Insurance Premium Tax               | 6,259,590                        | 7,448,957          | 1,189,367           | 19.0%          | 44,367,310                       | 55,233,851           | 10,866,541         | 24.5%          |
| Financial Institutions Tax          |                                  | (166,090)          | (166,090)           | -100.0%        |                                  | (5,022,323)          | (5,022,323)        | -100.0%        |
| Oil & Gas Production Tax*           |                                  |                    |                     |                | 146,071,108                      | 146,071,108          | 0                  | 0.0%           |
| Oil Extraction Tax*                 |                                  |                    |                     |                | 153,928,892                      | 153,928,892          | (0)                | 0.0%           |
| Gaming Tax                          | 512,780                          | 535,170            | 22,390              | 4.4%           | 6,056,740                        | 5,294,399            | (762,341)          | -12.6%         |
| Lottery                             |                                  |                    |                     |                | 5,500,000                        | 7,200,000            | 1,700,000          | 30.9%          |
| Cigarette & Tobacco Tax             | 2,418,000                        | 2,800,457          | 382,457             | 15.8%          | 41,570,000                       | 43,626,766           | 2,056,766          | 4.9%           |
| Wholesale Liquor Tax                | 795,000                          | 873,692            | 78,692              | 9.9%           | 13,480,000                       | 13,345,910           | (134,090)          | -1.0%          |
| Coal Conversion Tax                 | 1,503,000                        | 1,355,874          | (147,126)           | -9.8%          | 25,974,000                       | 25,276,926           | (697,074)          | -2.7%          |
| Mineral Leasing Fees                | 791,667                          | 1,992,495          | 1,200,828           | 151.7%         | 13,458,339                       | 31,899,518           | 18,441,179         | 137.0%         |
| Departmental Collections            | 2,205,431                        | 2,489,302          | 283,871             | 12.9%          | 48,841,687                       | 56,254,733           | 7,413,046          | 15.2%          |
| Interest Income                     | 717,250                          | 304,519            | (412,731)           | -57.5%         | 18,269,860                       | 12,082,757           | (6,187,103)        | -33.9%         |
| State Mill & Elevator-Transfer      |                                  |                    |                     |                | 3,408,600                        | 3,408,600            | 0                  | 0.0%           |
| Major Special Fund Transfers        |                                  |                    |                     |                | 341,790,000                      | 341,790,000          | 0                  | 0.0%           |
| Other Transfers                     |                                  |                    |                     |                | 1,333,020                        | 1,512,574            | 179,554            | 13.5%          |
| <b>Total Revenues and Transfers</b> | <b>170,515,718</b>               | <b>152,141,231</b> | <b>(18,374,487)</b> | <b>-10.8%</b>  | <b>3,531,866,556</b>             | <b>3,867,837,217</b> | <b>335,970,661</b> | <b>9.5%</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 \$303.3 million were distributed in November 2014. Through October, \$1.37 billion has been deposited into the legacy fund; for a total balance of \$2.77 billion.

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

| Revenues and Transfers              | Fiscal Month       |                    |                   |             | Biennium To Date     |                      |                    |              |
|-------------------------------------|--------------------|--------------------|-------------------|-------------|----------------------|----------------------|--------------------|--------------|
|                                     | November 2012      | November 2014      | Variance          | Percent     | 2011-13              | 2013-15              | Variance           | Percent      |
| Sales Tax                           | 99,827,690         | 107,372,318        | 7,544,628         | 7.6%        | 1,562,850,122        | 1,786,916,382        | 224,066,260        | 14.3%        |
| Motor Vehicle Excise Tax            | 9,846,133          | 9,953,371          | 107,237           | 1.1%        | 176,447,146          | 197,916,588          | 21,469,442         | 12.2%        |
| Individual Income Tax               | 10,026,167         | 9,507,178          | (518,989)         | -5.2%       | 592,345,912          | 701,687,002          | 109,341,090        | 18.5%        |
| Corporate Income Tax                | 3,735,129          | 7,673,989          | 3,938,860         | 105.5%      | 212,672,423          | 289,413,536          | 76,741,114         | 36.1%        |
| Insurance Premium Tax               | 7,070,677          | 7,448,957          | 378,280           | 5.3%        | 50,116,199           | 55,233,851           | 5,117,652          | 10.2%        |
| Financial Institutions Tax          | (2,815)            | (166,090)          | (163,275)         | 5800.2%     | 3,684,296            | (5,022,323)          | (8,706,619)        | -236.3%      |
| 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                          | 698,556            | 535,170            | (163,385)         | -23.4%      | 8,251,125            | 5,294,399            | (2,956,726)        | -35.8%       |
| Lottery                             |                    |                    |                   |             | 7,000,000            | 7,200,000            | 200,000            | 2.9%         |
| Cigarette & Tobacco Tax             | 2,587,665          | 2,800,457          | 212,791           | 8.2%        | 38,914,382           | 43,626,766           | 4,712,384          | 12.1%        |
| Wholesale Liquor Tax                | 860,023            | 873,692            | 13,669            | 1.6%        | 12,464,291           | 13,345,910           | 881,619            | 7.1%         |
| Coal Conversion Tax                 | 1,585,289          | 1,355,874          | (229,415)         | -14.5%      | 26,057,917           | 25,276,926           | (780,992)          | -3.0%        |
| Mineral Leasing Fees                | 2,202,686          | 1,992,495          | (210,191)         | -9.5%       | 31,760,257           | 31,899,518           | 139,261            | 0.4%         |
| Departmental Collections            | 2,018,724          | 2,489,302          | 470,578           | 23.3%       | 48,796,839           | 56,254,733           | 7,457,894          | 15.3%        |
| Interest Income                     | 444,408            | 304,519            | (139,889)         | -31.5%      | 9,034,222            | 12,082,757           | 3,048,535          | 33.7%        |
| State Mill & Elevator-Transfer      |                    |                    |                   |             | 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                     | 7,155              |                    | (7,155)           | -100.0%     | 1,253,720            | 1,512,574            | 258,854            | 20.6%        |
| <b>Total Revenues and Transfers</b> | <b>140,907,488</b> | <b>152,141,231</b> | <b>11,233,744</b> | <b>8.0%</b> | <b>3,380,471,840</b> | <b>3,867,837,217</b> | <b>487,365,377</b> | <b>14.4%</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 \$303.3 million were distributed in November 2014. Through October, \$1.37 billion has been deposited into the legacy fund; for a total balance of \$2.77 billion.

## VARIANCES

November 2014 revenues of \$152.1 million were \$18.4 million, or 10.8 percent below forecast. Biennium-to-date revenues total \$3.87 billion, which is \$336.0 million, or 9.5 percent, higher than forecast. Significant monthly variances are as follows:

- **Sales tax** collections of \$107.4 million are \$18.7 million, or 14.9 percent, less than anticipated for the month. The variance appears to be a timing difference as a result of the Thanksgiving holiday. Biennium to date collections total \$1.79 billion, which is 2.3 percent above forecast and 14.3 percent higher than the previous biennium.
- **Motor vehicle excise tax** collections continue to fall short of the forecast. Actual collections of about \$10.0 million were 15.8 percent, or \$1.9 million, below forecast for the month. Biennium-to-date collections are 12.2 percent, or \$27.4 million, less than anticipated. However, current biennium collections exceed the 2011-13 biennium by \$21.5 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 -- \$203.6 million, or 40.9 percent. Tax collections of nearly \$5.0 million were set aside in a refund reserve account in anticipation of large refunds beginning in January 2015. As a result, monthly general fund collections of \$9.5 million were \$4.5 million, or 32.8 percent, less than anticipated. 2013-15 collections to date total \$701.7 million, which is 18.5 percent above the same time period in 2011-13.
- **Corporate income tax** collections for the current biennium total \$289.4 million, which exceeds the forecast by \$91.1 million, or 46.0 percent. Monthly collections based on estimated payments were \$7.7 million, which is more than twice the projected amount. Despite the significant rate reductions approved by the 2013 legislature, collections are 36.1 percent higher than during the same time period in the 2011-13 biennium.
- **Insurance premium taxes** collections of \$7.4 million exceeded the monthly forecast by \$1.2 million, or 19.0 percent. Biennium-to-date collections of \$55.2 million are 24.5 percent, or \$10.9 million, above expectations.
- **Mineral leasing fees** collections continue to exceed the forecast -- by \$1.2 million for the month and by \$18.4 million for the biennium-to-date. These revenues are received from the federal government for leasing mineral rights and extracting minerals on federal lands located in the state. Timing of payments is determined entirely by the federal government activities, which can lead to monthly variances.
- **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.