

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**September 2015**

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

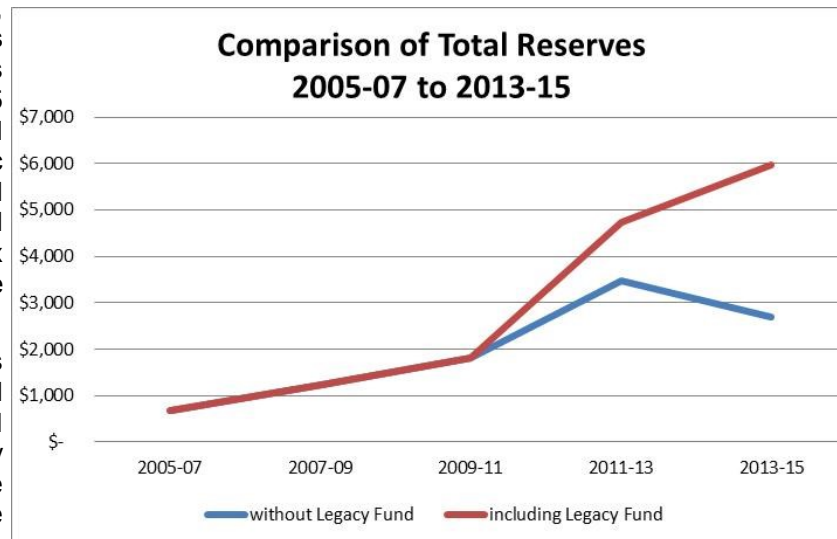
The 2013-15 biennium ended with both the general fund revenues and the unobligated fund balance exceeding projections. 2013-15 revenues of \$5.8 billion were nearly 6 percent ahead of the original legislative forecast. At the close of the 2015 legislative session, the ending general fund balance was expected to be \$598.7 million. The actual 2013-15 biennium-end balance was \$729.5 million, a difference of \$130.8 million.

In addition to the ending general fund balance, North Dakota has several constitutional and/or statutory reserve accounts to support the state government operations in the event of an economic turnaround. Three funds are available to cover general operational expenses. First, the budget stabilization fund is available if actual biennial revenues are expected to be more than 2.5 percent less than the original legislative estimate. The strategic investment and improvements fund and tax relief fund are appropriated biennially by the legislature for tax relief efforts and other one-time state projects.

Another two constitutional funds can be utilized in a more limited fashion. The foundation aid stabilization fund can be used only for state school aid payments in the event of a general fund revenue

shortfall. Finally, the legacy fund, which is accessible after June 30, 2017, can be appropriated with a 2/3 vote of the legislature for legislatively-determined purposes.

The state has seen remarkable growth in these reserve accounts since the end of the 2005-07 biennium. As of June 30, 2015, state reserve funds, excluding the legacy fund, totaled \$2.69 billion, more than four times the 2005-07 level of \$667.8 million. Including the \$3.28 billion legacy fund, reserve levels sit at \$5.98 billion, nearly nine times the 2005-07 level. The following chart depicts the growth in total state reserves since the end of the 2005-07 biennium:



## OIL ACTIVITY



### Statistical Information

	July 2015	June 2015	May 2015
Actual average price per barrel	\$44.05	\$52.14	\$50.09
Production (barrels/day)	1,201,920	1,211,328	1,202,615
Drilling permits	233	192	150
Producing wells	12,940	12,868	12,679
Rig count	73	78	83

### Tax Allocations (in Millions)

	Biennium to Date Aug 31, 2015
Political subs	\$ 21.2
Tribes	14.3
Legacy fund	52.4
General fund	66.5
Education funds	15.8
Resources trust fund	15.0
Oil and gas impact fund	0.0
Property tax relief fund	0.0
Other allocations	3.9
<b>Total</b>	<b>\$189.1</b>

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS  
Compared to the Legislative Forecast  
2015-17 Biennium  
August 2015**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2015 Leg. Forecast	Actual	Variance	Percent	May 2015 Leg. Forecast	Actual	Variance	Percent
Sales Tax	134,061,000	89,911,576	(44,149,424)	-32.9%	246,557,000	194,440,629	(52,116,371)	-21.1%
Motor Vehicle Excise Tax	12,782,000	10,199,245	(2,582,755)	-20.2%	25,186,000	20,807,844	(4,378,156)	-17.4%
Individual Income Tax	14,997,000	7,729,714	(7,267,286)	-48.5%	66,608,000	74,248,606	7,640,606	11.5%
Corporate Income Tax		882,998	882,998	100.0%		1,791,522	1,791,522	100.0%
Insurance Premium Tax	20,090	4,749,067	4,728,977	23539.0%	209,110	4,749,067	4,539,957	2171.1%
Financial Institutions Tax						26,670	26,670	100.0%
Oil & Gas Production Tax *	38,066,844	38,066,844			38,066,844	38,066,844		
Oil Extraction Tax *	28,386,465	28,386,465			28,386,465	28,386,465		
Gaming Tax	835,250	435,546	(399,704)	-47.9%	1,061,170	706,601	(354,569)	-33.4%
Lottery								
Cigarette & Tobacco Tax	2,741,000	2,716,838	(24,162)	-0.9%	5,457,000	5,517,218	60,218	1.1%
Wholesale Liquor Tax	752,000	764,815	12,815	1.7%	1,580,000	1,757,471	177,471	11.2%
Coal Conversion Tax	1,596,000	2,106,291	510,291	32.0%	1,596,000	2,106,291	510,291	32.0%
Mineral Leasing Fees	819,488	1,316,814	497,326	60.7%	1,638,976	2,101,408	462,432	28.2%
Departmental Collections	1,585,396	1,882,386	296,990	18.7%	3,236,641	3,032,635	(204,006)	-6.3%
Interest Income	189,743	236,199	46,456	24.5%	282,698	380,351	97,653	34.5%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers					253,812	253,812		
<b>Total Revenues and Transfers</b>	<b>236,832,276</b>	<b>189,384,797</b>	<b>(47,447,479)</b>	<b>-20.0%</b>	<b>1,077,119,716</b>	<b>1,035,373,433</b>	<b>(41,746,283)</b>	<b>-3.9%</b>

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
*Compared to the Previous Biennium Revenues*  
**2015-17 Biennium**  
**August 2015**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	August 2013	August 2015	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	90,573,474	89,911,576	(661,898)	-0.7%	212,587,278	194,440,629	(18,146,649)	-8.5%
Motor Vehicle Excise Tax	11,790,401	10,199,245	(1,591,156)	-13.5%	23,166,593	20,807,844	(2,358,749)	-10.2%
Individual Income Tax	13,019,982	7,729,714	(5,290,268)	-40.6%	81,279,096	74,248,606	(7,030,490)	-8.6%
Corporate Income Tax	614,357	882,998	268,641	43.7%	980,985	1,791,522	810,537	82.6%
Insurance Premium Tax	20,244	4,749,067	4,728,822	23359%	210,700	4,749,067	4,538,366	2153.9%
Financial Institutions Tax	10,000		(10,000)	-100.0%	7,696	26,670	18,974	246.5%
Oil & Gas Production Tax	57,914,205	38,066,844	(19,847,361)	-34.3%	57,914,205	38,066,844	(19,847,361)	-34.3%
Oil Extraction Tax	36,412,088	28,386,465	(8,025,623)	-22.0%	36,412,088	28,386,465	(8,025,623)	-22.0%
Gaming Tax	837,417	435,546	(401,872)	-48.0%	1,063,925	706,601	(357,323)	-33.6%
Lottery								
Cigarette & Tobacco Tax	2,876,986	2,716,838	(160,147)	-5.6%	5,218,655	5,517,218	298,562	5.7%
Wholesale Liquor Tax	821,257	764,815	(56,442)	-6.9%	1,667,681	1,757,471	89,790	5.4%
Coal Conversion Tax	1,164,013	2,106,291	942,279	81.0%	1,164,013	2,106,291	942,279	81.0%
Mineral Leasing Fees	910,535	1,316,814	406,279	44.6%	2,452,464	2,101,408	(351,057)	-14.3%
Departmental Collections	2,152,233	1,882,386	(269,847)	-12.5%	3,272,557	3,032,635	(239,922)	-7.3%
Interest Income	179,273	236,199	56,926	31.8%	265,806	380,351	114,545	43.1%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers	(59)		59	-100.0%	388,632	253,812	(134,820)	-34.7%
<b>Total Revenues and Transfers</b>	<b>219,296,407</b>	<b>189,384,797</b>	<b>(29,911,610)</b>	<b>-13.6%</b>	<b>769,842,375</b>	<b>1,035,373,433</b>	<b>265,531,058</b>	<b>34.5%</b>

## VARIANCES

August 2015 revenues totaled \$189.4 million, which is \$47.4 million, or 20.0 percent below forecast. Biennium-to-date revenues of \$1.03 billion are \$41.7 million, or 3.9 percent, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 11.6 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$89.9 million were \$44.1 million, or 32.9 percent, less than anticipated for the month due in large part to low oil prices. Additionally, as oil company operations become more efficient, the need for taxable good and services decreases. Biennium-to-date revenues are 21.1 percent below forecast.
- **Motor vehicle excise tax** collections of \$10.2 million were 20.2 percent, or \$2.6 million, below the forecast for the month. Total revenues to date of \$20.8 million are 17.4 percent behind projections and 10.2 percent less than the same period in the 2013-15 biennium. It appears that this variance is related to low oil prices and more efficient oil production operations.
- **Individual income tax** collections totaling \$7.7 million fell below the monthly projection

by \$7.3 million, or 48.5 percent. However, biennium to date collections of \$74.3 million, exceed the forecast by \$7.6 million, or 11.5 percent. Tax rate reductions and above average set-aside for refund reserves resulted in collections that were 8.6 percent lower than the same two-month period in the 2013-15 biennium.

- **Insurance premium tax** collections of \$4.7 million were originally projected to be received in September resulting in a large variance for the month.
- **Oil and gas taxes** exceed the monthly forecast by \$10.2 million due to higher than anticipated oil prices and production resulting in no extraction tax reduction through a trigger. Although actual collections exceed the monthly forecast, for the 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 \$300.0 million. So, exceeding the forecast in a single month only accelerates the time frame during which the general fund will receive its share of oil taxes, but does not increase the general fund share above the statutory cap.