

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**November 2015**

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

### Revenue Forecast Update

October marks the third consecutive month that monthly revenue collections have fallen short of the revenue projection. Because of the continuing drop in the price of oil and its potential effect on general fund revenue collections, the Office of Management and Budget has initiated conversations with Moody's Analytics about an updated revenue forecast. A new revenue forecast would be the first step in dealing with a potential revenue shortfall for the biennium.

### Balance of Federal Payments

The Office of the New York State Comptroller issued a report on New York's balance of payments in the federal budget. Although the report focused on New York, it included statistics for all 50 states based on information received from the U.S. Office of Management and Budget, the Internal Revenue Service, the Bureau of Economic Analysis and

other federal agencies.

For years ND has been a receiving state – receiving more federal dollars than its citizens have contributed in federal taxes. However, with the strong economic growth in the state over the last few years, that trend has now reversed. In federal fiscal year 2013, ND joined 10 other states that contributed more tax revenue to the federal government than they received back in direct payments, grants and other federal spending; thus creating a negative balance of payments for these 11 states.

Based on the report, in federal fiscal year 2013 ND contributed an estimated \$8.21 billion in federal income, excise and other taxes. In return, ND received an estimated \$7.93 billion in federal spending for direct payments to Social Security and Medicare recipients, grant payments for Medicaid and other grant programs, military and other procurement and wages and salaries for federal government employees.

	50 States		North Dakota		
	Total (millions)	Per capita	Total (millions)	Per capita	Rank (per capita)
Federal Taxes Paid	\$2,629,867	\$8,319	\$8,212	\$11,352	5 <sup>th</sup>
Federal Spending in States	\$3,199,578	\$10,121	\$7,932	\$10,965	12 <sup>th</sup>
Balance of Payments	\$569,711	\$1,802	(\$280)	(\$387)	42 <sup>nd</sup>
Federal Spending per State Dollar	\$1.22		\$0.97		

### OIL ACTIVITY



#### Statistical Information

	Sept 2015	Aug 2015	July 2015
Actual average price per barrel	\$36.98	\$34.69	\$44.05
Production (barrels/day)	1,162,253	1,187,631	1,206,996
Drilling permits	154	153	233
Producing wells	13,025	13,031	12,965
Rig count	71	74	73

#### Tax Allocations (in Millions)

	Biennium to Date Oct 31, 2015
Political subs	\$ 88.5
Tribes	37.9
Legacy fund	134.1
General fund	125.7
Education funds	40.7
Resources trust fund	38.5
Oil and gas impact fund	9.5
Property tax relief fund	0.0
Other allocations	10.2
<b>Total</b>	<b>\$485.1</b>

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2015-17 Biennium**  
**October 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	123,341,000	85,614,961	(37,726,039)	-30.6%	475,004,000	361,875,829	(113,128,171)	-23.8%
Motor Vehicle Excise Tax	14,639,000	10,589,740	(4,049,260)	-27.7%	52,794,000	41,239,816	(11,554,184)	-21.9%
Individual Income Tax	34,242,000	37,454,389	3,212,389	9.4%	118,985,000	127,623,094	8,638,094	7.3%
Corporate Income Tax	19,491,000	6,459,116	(13,031,884)	-66.9%	19,491,000	16,261,398	(3,229,602)	-16.6%
Insurance Premium Tax	158,980	(538)	(159,518)	-100.3%	3,359,980	5,029,554	1,669,574	49.7%
Financial Institutions Tax		10,993	10,993	-100.0%		244,614	244,614	-100.0%
Oil & Gas Production Tax*	12,312,752	12,312,752		0.0%	52,160,899	52,160,900		0.0%
Oil Extraction Tax*	19,546,077	19,546,077		0.0%	73,501,438	73,501,439		0.0%
Gaming Tax	257,790	245,912	(11,878)	-4.6%	1,337,890	1,001,719	(336,171)	-25.1%
Lottery								
Cigarette & Tobacco Tax	2,583,000	2,583,532	532	0.0%	10,839,000	10,889,858	50,858	0.5%
Wholesale Liquor Tax	816,000	987,613	171,613	21.0%	3,144,000	3,279,014	135,014	4.3%
Coal Conversion Tax	1,643,000	1,996,030	353,030	21.5%	4,886,000	6,096,477	1,210,477	24.8%
Mineral Leasing Fees	819,488	2,953,609	2,134,121	260.4%	3,277,952	6,716,706	3,438,754	104.9%
Departmental Collections	1,856,580	2,049,085	192,505	10.4%	10,631,321	11,451,896	820,575	7.7%
Interest Income	265,200	221,082	(44,118)	-16.6%	816,930	845,112	28,182	3.4%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers	253,812	319,016	65,204	25.7%	507,624	572,828	65,204	12.8%
<b>Total Revenues and Transfers</b>	<b>232,225,680</b>	<b>183,343,369</b>	<b>(48,882,310)</b>	<b>-21.0%</b>	<b>1,487,737,035</b>	<b>1,375,790,252</b>	<b>(111,946,784)</b>	<b>-7.5%</b>

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	October <u>2013</u>	October <u>2015</u>	<u>Variance</u>	<u>Percent</u>	<u>2013-15</u>	<u>2015-17</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	111,622,316	85,614,961	(26,007,355)	-23.3%	437,700,448	361,875,829	(75,824,619)	-17.3%
Motor Vehicle Excise Tax	12,084,317	10,589,740	(1,494,577)	-12.4%	45,367,076	41,239,816	(4,127,260)	-9.1%
Individual Income Tax	68,518,370	37,454,389	(31,063,981)	-45.3%	183,863,016	127,623,094	(56,239,922)	-30.6%
Corporate Income Tax	16,040,533	6,459,116	(9,581,417)	-59.7%	49,107,640	16,261,398	(32,846,243)	-66.9%
Insurance Premium Tax	160,187	(538)	(160,725)	-100.3%	3,385,448	5,029,554	1,644,106	48.6%
Financial Institutions Tax	(2,985,808)	10,993	2,996,801	-100.4%	(3,170,387)	244,614	3,415,001	-107.7%
Oil & Gas Production Tax	28,634,529	12,312,752	(16,321,776)	-57.0%	96,933,188	52,160,900	(44,772,288)	-46.2%
Oil Extraction Tax	22,743,759	19,546,077	(3,197,682)	-14.1%	103,066,812	73,501,439	(29,565,374)	-28.7%
Gaming Tax	258,459	245,912	(12,547)	-4.9%	1,341,359	1,001,719	(339,640)	-25.3%
Lottery								
Cigarette & Tobacco Tax	2,682,344	2,583,532	(98,813)	-3.7%	10,656,197	10,889,858	233,661	2.2%
Wholesale Liquor Tax	769,706	987,613	217,907	28.3%	3,168,379	3,279,014	110,635	3.5%
Coal Conversion Tax	1,552,961	1,996,030	443,069	28.5%	4,120,233	6,096,477	1,976,244	48.0%
Mineral Leasing Fees	3,352,455	2,953,609	(398,846)	-11.9%	11,382,997	6,716,706	(4,666,292)	-41.0%
Departmental Collections	2,280,428	2,049,085	(231,343)	-10.1%	11,378,334	11,451,896	73,561	0.6%
Interest Income	251,574	221,082	(30,492)	-12.1%	772,626	845,112	72,486	9.4%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers	222,205	319,016	96,811	43.6%	615,941	572,828	(43,113)	-7.0%
<b>Total Revenues and Transfers</b>	<b>268,188,335</b>	<b>183,343,369</b>	<b>(84,844,966)</b>	<b>-31.6%</b>	<b>1,301,479,308</b>	<b>1,375,790,252</b>	<b>74,310,944</b>	<b>5.7%</b>

## VARIANCES

October 2015 revenues totaled \$183.3 million, which is \$48.9 million, or 21.0 percent below forecast. Biennium-to-date revenues of \$1.38 billion are \$111.9 million, or 7.5 percent, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 25.1 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$85.6 million were \$37.7 million, or 30.6 percent, less than anticipated for the month due in large part to low oil prices and reduced rig counts. Additionally, as oil company operations become more efficient, the need for taxable good and services decreases. Biennium-to-date revenues are 23.8 percent below forecast.
- **Motor vehicle excise tax** collections of \$10.6 million were 27.7 percent, or \$4.0 million, below the forecast for the month. Total revenues to date of \$41.2 million are 21.9 percent behind projections and 9.1 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 \$37.5 million were above the monthly projection by \$3.2 million, or 9.4 percent. Biennium to date collections of \$127.6 million exceed the forecast by \$8.6 million, or 7.3 percent. Tax rate reductions and above average set-aside for refund reserves resulted in collections that were 30.6 percent lower than the same four-month period in the 2013-15 biennium.
- **Mineral leasing fees** are received from the federal government for leasing mineral rights and extracting minerals on federal lands located within the state. These revenues are shared equally with the counties in which the minerals are located. Actual collections continue to exceed the forecast – by \$2.1 million for the month and by \$3.4 million for the biennium-to-date.
- **Oil and gas taxes** were \$11.2 million lower than the monthly forecast due to low oil prices. However, for 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. Monthly variances affect the time frame during which the general fund receives its share of oil taxes, but does not impact the total biennial collections.