

North Dakota REV-E-NEWS



Pam Sharp, Director

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OFFICE OF MANAGEMENT AND BUDGET

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MESSAGE FROM THE DIRECTOR

After several months of lower revenue collections than expected, Moody's Analytics and the Office of Management and Budget have completed a revised revenue forecast. The revised forecast projects general fund revenues to total \$4.6 billion for the 2015-17 biennium, \$1.07 billion less than was projected at the end of the 2015 legislative session. The effect of the revision on the four major tax types (sales and use, motor vehicle excise, individual income, and corporate income) is shown in the table below:

Tax Type	2015 Legislative Forecast	January 2016 Revised Forecast	Increase (Decrease) from 2015 Forecast
Sales and use tax	\$2,868,026,560	\$2,124,321,000	(\$743,705,560)
Motor vehicle excise tax	314,324,000	230,737,000	(83,587,000)
Individual income tax	763,276,000	708,999,000	(54,277,000)
Corporate income tax	371,422,000	169,176,000	(202,246,000)
Other revenues and transfers	1,321,459,632	1,331,080,850	9,621,218
Total Revenues and Transfers	\$5,638,508,192	\$4,564,313,850	(\$1,074,194,342)

The forecast for oil and gas tax revenues was also revised. The general fund and the tax relief fund will each continue to receive \$300 million; however, other funds will receive less revenue than anticipated at the end of the 2015 legislative session:

Allocation	2015 Legislative Forecast	January 2016 Revised Forecast	Increase (Decrease) from 2015 Forecast
Political subdivisions	\$630,487,015	\$478,072,790	(\$152,414,225)
Three Affiliated Tribes	265,075,756	188,328,172	(76,747,584)
Legacy fund	950,597,208	683,387,883	(267,209,325)
Education funds	268,459,276	213,365,306	(55,093,970)
Resources trust fund	268,459,277	213,365,307	(55,093,970)
Oil and gas impact fund	140,000,000	28,619,538	(111,380,462)
North Dakota heritage fund	27,015,471	13,398,878	(13,616,593)
Strategic investment and improvements fund	203,051,700	30,725,900	(172,325,800)
Other allocations	680,587,414	617,024,545	(63,562,869)
Total Revenues and Transfers	\$3,433,733,116	\$2,466,288,319	(\$967,444,797)

OIL ACTIVITY

Statistical Information



	Dec 2015	Nov 2015	Oct 2015
Actual average price per barrel	\$29.95	\$36.20	\$39.09
Production (barrels/day)	1,152,280	1,181,787	1,171,119
Drilling permits	95	125	152
Producing wells	13,119	13,100	13,190
Rig count	64	64	65

Tax Allocations (in Millions)

	Biennium to Date Jan 31, 2016
Political subs	\$ 160.4
Tribes	68.7
Legacy fund	249.7
General fund	200.0
Education funds	77.3
Resources trust fund	73.9
Oil and gas impact fund	21.0
Property tax relief fund	31.5
Other allocations	18.6
Total	\$901.1

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the January 2016 Revised Forecast ^{/1}
2015-17 Biennium
January 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	January 2016 Rev. Forecast	Actual	Variance	Percent	January 2016 Rev. Forecast /1	Actual	Variance	Percent
Sales Tax	87,526,003	85,878,746	(1,647,257)	-1.9%	607,365,000	605,717,743	(1,647,257)	-0.3%
Motor Vehicle Excise Tax	9,524,393	8,444,901	(1,079,492)	-11.3%	67,654,000	66,574,508	(1,079,492)	-1.6%
Individual Income Tax	29,816,817	28,679,893	(1,136,924)	-3.8%	189,667,000	188,530,076	(1,136,924)	-0.6%
Corporate Income Tax	17,245,015	17,129,577	(115,438)	-0.7%	34,957,000	34,841,562	(115,438)	-0.3%
Insurance Premium Tax	60,130	172,970	112,840	187.7%	17,783,482	17,896,322	112,840	0.6%
Financial Institutions Tax		8,749	8,749	100.0%	244,614	253,363	8,749	-100.0%
Oil & Gas Production Tax*	4,469,070	4,469,070			83,379,176	83,379,177		0.0%
Oil Extraction Tax*					116,620,823	116,620,823		0.0%
Gaming Tax	295,960	297,657	1,697	0.6%	1,911,108	1,912,804	1,697	0.1%
Lottery								
Cigarette & Tobacco Tax	2,654,000	2,263,155	(390,845)	-14.7%	18,446,051	18,055,206	(390,845)	-2.1%
Wholesale Liquor Tax	799,000	858,440	59,440	7.4%	5,547,136	5,606,576	59,440	1.1%
Coal Conversion Tax	1,585,000	1,848,697	263,697	16.6%	11,365,796	11,629,493	263,697	2.3%
Mineral Leasing Fees	819,488	1,155,844	336,356	41.0%	9,161,924	9,498,281	336,356	3.7%
Departmental Collections	6,454,341	8,661,397	2,207,056	34.2%	23,033,555	25,240,611	2,207,056	9.6%
Interest Income	227,434	183,160	(44,274)	-19.5%	1,554,144	1,509,871	(44,274)	-2.8%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers	253,812	263,739	9,927	3.9%	826,640	836,567	9,927	1.2%
Total Revenues and Transfers	161,730,463	160,315,995	(1,414,469)	-0.9%	1,846,517,451	1,845,102,983	(1,414,468)	-0.1%

/1 The January 2016 revised revenue forecast includes actual revenues through December 31, 2015, and revised estimates for the remainder of the biennium.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2015-17 Biennium
January 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	January 2014	January 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	108,742,236	85,878,746	(22,863,490)	-21.0%	747,178,525	605,717,743	(141,460,782)	-18.9%
Motor Vehicle Excise Tax	12,513,785	8,444,901	(4,068,884)	-32.5%	79,104,025	66,574,508	(12,529,516)	-15.8%
Individual Income Tax	93,322,461	28,679,893	(64,642,568)	-69.3%	301,581,690	188,530,076	(113,051,614)	-37.5%
Corporate Income Tax	7,871,836	17,129,577	9,257,741	117.6%	98,554,460	34,841,562	(63,712,898)	-64.6%
Insurance Premium Tax	60,590	172,970	112,379	185.5%	14,671,263	17,896,322	3,225,058	22.0%
Financial Institutions Tax	3,706	8,749	5,043	136.1%	(4,917,623)	253,363	5,170,986	-105.2%
Oil & Gas Production Tax*		4,469,070			96,933,188	83,379,177	(13,554,011)	-14.0%
Oil Extraction Tax*					103,066,812	116,620,823	13,554,011	13.2%
Gaming Tax	296,731	297,657	925	0.3%	2,146,246	1,912,804	(233,442)	-10.9%
Lottery								
Cigarette & Tobacco Tax	2,422,740	2,263,155	(159,586)	-6.6%	18,045,151	18,055,206	10,055	0.1%
Wholesale Liquor Tax	873,368	858,440	(14,928)	-1.7%	5,576,715	5,606,576	29,861	0.5%
Coal Conversion Tax	1,499,230	1,848,697	349,466	23.3%	8,745,806	11,629,493	2,883,686	33.0%
Mineral Leasing Fees	1,181,087	1,155,844	(25,243)	-2.1%	9,014,364	9,498,281	483,917	5.4%
Departmental Collections	7,976,409	8,661,397	684,988	8.6%	25,125,814	25,240,611	114,797	0.5%
Interest Income	215,387	183,160	(32,227)	-15.0%	1,428,123	1,509,871	81,747	5.7%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers	222,170	263,739	41,569	18.7%	845,764	836,567	(9,197)	-1.1%
Total Revenues and Transfers	237,201,737	160,315,995	(81,354,812)	-34.3%	1,848,890,323	1,845,102,983	(3,787,340)	-0.2%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2015-17 Biennium
January 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2015 Leg. Forecast	Actual	Variance	Percent	May 2015 Leg. Forecast	Actual	Variance	Percent
Sales Tax	118,916,000	85,878,746	(33,037,254)	-27.8%	832,273,000	605,717,743	(226,555,257)	-27.2%
Motor Vehicle Excise Tax	13,731,000	8,444,901	(5,286,099)	-38.5%	90,299,000	66,574,508	(23,724,492)	-26.3%
Individual Income Tax	62,558,000	28,679,893	(33,878,107)	-54.2%	200,049,000	188,530,076	(11,518,924)	-5.8%
Corporate Income Tax	12,997,000	17,129,577	4,132,577	31.8%	66,200,000	34,841,562	(31,358,438)	-47.4%
Insurance Premium Tax	60,130	172,970	112,840	187.7%	14,560,920	17,896,322	3,335,402	22.9%
Financial Institutions Tax		8,749	8,749	100.0%		253,363	253,363	-100.0%
Oil & Gas Production Tax*	4,469,070	4,469,070			83,379,176	83,379,177		0.0%
Oil Extraction Tax*					116,620,823	116,620,823		0.0%
Gaming Tax	295,960	297,657	1,697	0.6%	2,140,690	1,912,804	(227,886)	-10.6%
Lottery								
Cigarette & Tobacco Tax	2,654,000	2,263,155	(390,845)	-14.7%	18,559,000	18,055,206	(503,794)	-2.7%
Wholesale Liquor Tax	799,000	858,440	59,440	7.4%	5,527,000	5,606,576	79,576	1.4%
Coal Conversion Tax	1,585,000	1,848,697	263,697	16.6%	9,581,000	11,629,493	2,048,493	21.4%
Mineral Leasing Fees	819,488	1,155,844	336,356	41.0%	5,736,416	9,498,281	3,761,865	65.6%
Departmental Collections	6,454,341	8,661,397	2,207,056	34.2%	21,877,794	25,240,611	3,362,817	15.4%
Interest Income	227,434	183,160	(44,274)	-19.5%	1,508,975	1,509,871	896	0.1%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers	253,812	263,739	9,927	3.9%	761,436	836,567	75,131	9.9%
Total Revenues and Transfers	225,820,235	160,315,995	(65,504,241)	-29.0%	2,126,074,231	1,845,102,983	(280,971,248)	-13.2%

VARIANCES (compared to January 2016 revised forecast)

January 2016 revenues totaled \$160.3 million, which is \$1.4 million, or 0.9 percent below forecast.

Biennium-to-date revenues of \$1.85 billion are \$1.4 million, or 0.1 percent, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 21.2 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$85.9 million were \$1.6 million, or 1.9 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 goods and services decreases. Biennium-to-date revenues are 0.3 percent below forecast.
- **Motor vehicle excise tax** collections of \$8.4 million were 11.3 percent, or \$1.1 million, below the forecast for the month. Total revenues to date of \$66.6 million are 1.6 percent behind projections

and 15.8 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 \$28.7 million were below the monthly projection by \$1.1 million, or 3.8 percent due to additional transfers to refund reserves. Biennium to date collections of \$188.5 million are \$1.1 million, or 0.6 percent, below the forecast. Tax rate reductions and above average set-aside for refund reserves resulted in collections that were 37.5 percent lower than the same seven-month period in the 2013-15 biennium.
- **Departmental collections** were \$2.2 million higher than the monthly forecast due mostly to timing differences. Telecommunication tax collections reached the \$8.4 million annual distribution to counties and local taxing districts earlier than anticipated. As a result, \$1.3 million was deposited in the general fund.

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