

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**May 2016**

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

### May Oil Tax Revenues Exceed Expectations

Actual revenue numbers just released by the Tax Department show May oil tax revenues exceeding estimates by \$23.3 million. Oil tax revenue collections from February through April 2016 also exceeded estimates by \$10.5 million. The increase in actual revenues can be attributed to average oil production remaining above 1.1 million barrels per day and West Texas Intermediate (WTI) prices rebounding from the \$20's in February to \$48 per barrel today. North Dakota's price per barrel increased from an average of \$22 in February to almost \$30 in March.

Monthly oil tax revenue collections are generated from production from 2 months prior--February 2016 oil tax revenue collections are generated from December

2015 oil production. Daily oil production was estimated at 1.1 million barrels per day in December steadily decreasing to 1.02 million barrels per day in March. The revised forecast anticipates production to drop to 900,000 barrels per day by June 2017

The revised forecast anticipated the WTI price per barrel to range from \$30 beginning in January 2016 increasing to \$43 by June 2017. North Dakota's price per barrel is typically 15 percent below WTI prices. The revised forecast anticipates North Dakota prices to increase to \$37 per barrel by the end of the 2015-17 biennium. The table below shows the revised oil forecast for the remainder of the biennium:

	Actuals through May 2016	Estimates for Remainder of Biennium	Totals for 2015-17
Extraction tax revenue	\$633,368,111	\$615,213,600	\$1,248,581,711
Production Tax revenue	\$636,352,253	\$615,213,600	\$1,251,565,853
Total oil tax revenue	\$1,269,720,364	\$1,230,427,200	\$2,500,147,564
Average price per barrel	\$52.14 - \$29.95	\$26.00 - \$37.00	\$32.71
Average daily production (barrels)	1,211,328 - 1,109,092	1,010,000 - 900,000	1,050,400

### OIL ACTIVITY



#### Statistical Information

	Mar 2016	Feb 2016	Jan 2016
Actual average price per barrel	\$29.85	\$22.07	\$24.09
Production (barrels/day)	1,109,246	1,119,092	1,122,462
Drilling permits	55	70	78
Producing wells	13,024	13,017	13,141
Rig count	32	40	52

#### Tax Allocations (in Millions)

	Biennium to Date Apr 30, 2016
Political subs	\$ 213.7
Tribes	87.5
Legacy fund	324.9
General fund	200.0
Education funds	99.6
Resources trust fund	96.1
Oil and gas impact fund	23.6
Tax relief fund	101.6
Other allocations	23.5
<b>Total</b>	<b>\$1,170.5</b>



STATEMENT OF GENERAL FUND REVENUES AND FORECASTS  
Compared to the January 2016 Revised Forecast <sup>/1</sup>  
2015-17 Biennium  
April 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	84,107,000	57,185,245	(26,921,755)	-32.0%	866,773,000	790,416,582	(76,356,419)	-8.8%
Motor Vehicle Excise Tax	10,051,000	8,606,801	(1,444,199)	-14.4%	95,245,000	91,217,254	(4,027,747)	-4.2%
Individual Income Tax*	123,872,000	111,032,487	(12,839,513)	-10.4%	328,549,000	338,779,032	10,230,032	3.1%
Corporate Income Tax	20,697,000	27,278,791	6,581,791	31.8%	70,127,000	77,546,748	7,419,747	10.6%
Insurance Premium Tax	408,870	12,543	(396,327)	-96.9%	34,237,172	41,715,809	7,478,637	21.8%
Financial Institutions Tax		(1,342)	(1,342)	100.0%	244,614	323,933	79,319	-100.0%
Oil & Gas Production Tax**					83,379,176	83,379,177		0.0%
Oil Extraction Tax*					116,620,823	116,620,823		0.0%
Gaming Tax	261,690	224,654	(37,036)	-14.2%	2,701,178	2,712,169	10,991	0.4%
Lottery								
Cigarette & Tobacco Tax	2,434,000	2,345,336	(88,664)	-3.6%	25,140,051	24,427,236	(712,815)	-2.8%
Wholesale Liquor Tax	781,000	749,300	(31,700)	-4.1%	7,584,136	7,527,462	(56,673)	-0.7%
Coal Conversion Tax	1,561,000	1,660,247	99,247	6.4%	16,375,796	16,912,109	536,313	3.3%
Mineral Leasing Fees	819,488	561,373	(258,115)	-31.5%	11,620,388	12,010,056	389,667	3.4%
Departmental Collections	2,108,463	4,050,170	1,941,707	92.1%	33,199,101	34,522,990	1,323,890	4.0%
Interest Income	250,404	230,771	(19,633)	-7.8%	2,233,683	2,191,436	(42,247)	-1.9%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers	253,812	253,812		0.0%	1,080,452	1,090,369	9,917	0.9%
Total Revenues and Transfers	247,605,727	214,190,188	(33,415,539)	-13.5%	2,352,110,572	2,298,393,185	(53,717,388)	-2.3%

/1 The January 2016 revised revenue forecast includes legislative estimates through December 31, 2015.

\* The amount shown for April revenues includes \$20.5 million in ACH deposits dated April 30, which were credited to May revenues in PeopleSoft.

\*\* The general fund cap for oil and gas taxes contains two tiers. The first tier of \$200.0 million was reached in January 2016. Additional oil taxes will flow to the tax relief fund until that fund receives \$300 million, after which time the general fund will receive an additional \$100.0 million.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	April 2014	April 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	97,586,204	57,185,245	(40,400,959)	-41.4%	1,011,713,280	790,416,582	(221,296,699)	-21.9%
Motor Vehicle Excise Tax	12,702,780	8,606,801	(4,095,979)	-32.2%	112,681,197	91,217,254	(21,463,943)	-19.0%
Individual Income Tax	162,398,275	111,032,487	(51,365,788)	-31.6%	478,586,143	338,779,032	(139,807,111)	-29.2%
Corporate Income Tax	59,592,996	27,278,791	(32,314,205)	-54.2%	189,676,291	77,546,748	(112,129,543)	-59.1%
Insurance Premium Tax	411,965	12,543	(399,422)	-97.0%	31,249,617	41,715,809	10,466,192	33.5%
Financial Institutions Tax	14,395	(1,342)	(15,737)	-109.3%	(4,887,518)	323,933	5,211,451	-106.6%
Oil & Gas Production Tax*	33,304,172		(33,304,172)	100.0%	146,071,108	83,379,177	(62,691,931)	-42.9%
Oil Extraction Tax*	9,306,671		(9,306,671)	100.0%	153,928,892	116,620,823	(37,308,069)	-24.2%
Gaming Tax	262,370	224,654	(37,717)	-14.4%	2,938,367	2,712,169	(226,199)	-7.7%
Lottery								
Cigarette & Tobacco Tax	2,276,416	2,345,336	68,920	3.0%	24,566,511	24,427,236	(139,275)	-0.6%
Wholesale Liquor Tax	681,836	749,300	67,464	9.9%	7,579,208	7,527,462	(51,746)	-0.7%
Coal Conversion Tax	1,670,244	1,660,247	(9,997)	-0.6%	13,559,296	16,912,109	3,352,813	24.7%
Mineral Leasing Fees	3,233,345	561,373	(2,671,972)	-82.6%	15,416,617	12,010,056	(3,406,562)	-22.1%
Departmental Collections	2,931,170	4,050,170	1,119,000	38.2%	34,694,068	34,522,990	(171,077)	-0.5%
Interest Income	237,396	230,771	(6,625)	-2.8%	2,071,638	2,191,436	119,798	5.8%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers	222,170	253,812	31,642	14.2%	1,067,934	1,090,369	22,435	2.1%
Total Revenues and Transfers	386,832,404	214,190,188	(172,642,216)	-44.6%	2,562,702,649	2,298,393,185	(264,309,464)	-10.3%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS  
Compared to the Legislative Forecast  
2015-17 Biennium  
April 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	103,345,000	57,185,245	(46,159,755)	-44.7%	1,158,880,000	790,416,582	(368,463,418)	-31.8%
Motor Vehicle Excise Tax	12,554,000	8,606,801	(3,947,199)	-31.4%	128,141,000	91,217,254	(36,923,746)	-28.8%
Individual Income Tax	123,855,000	111,032,487	(12,822,513)	-10.4%	342,536,000	338,779,032	(3,756,968)	-1.1%
Corporate Income Tax	40,325,000	27,278,791	(13,046,209)	-32.4%	136,213,000	77,546,748	(58,666,252)	-43.1%
Insurance Premium Tax	408,870	12,543	(396,327)	-96.9%	31,014,610	41,715,809	10,701,199	34.5%
Financial Institutions Tax		(1,342)	(1,342)	100.0%		323,933	323,933	-100.0%
Oil & Gas Production Tax*					83,379,176	83,379,177		0.0%
Oil Extraction Tax*					116,620,823	116,620,823		0.0%
Gaming Tax	261,690	224,654	(37,036)	-14.2%	2,930,760	2,712,169	(218,591)	-7.5%
Lottery								
Cigarette & Tobacco Tax	2,434,000	2,345,336	(88,664)	-3.6%	25,253,000	24,427,236	(825,764)	-3.3%
Wholesale Liquor Tax	781,000	749,300	(31,700)	-4.1%	7,564,000	7,527,462	(36,538)	-0.5%
Coal Conversion Tax	1,561,000	1,660,247	99,247	6.4%	14,591,000	16,912,109	2,321,109	15.9%
Mineral Leasing Fees	819,488	561,373	(258,115)	-31.5%	8,194,880	12,010,056	3,815,176	46.6%
Departmental Collections	2,108,463	4,050,170	1,941,707	92.1%	32,043,340	34,522,990	2,479,650	7.7%
Interest Income	250,404	230,771	(19,633)	-7.8%	2,188,514	2,191,436	2,922	0.1%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		0.0%
Other Transfers	253,812	253,812		0.0%	1,015,248	1,090,369	75,121	7.4%
Total Revenues and Transfers	288,957,727	214,190,188	(74,767,539)	-25.9%	2,747,565,352	2,298,393,185	(449,172,167)	-16.3%



## VARIANCES

### (Compared to January 2016 Revised Forecast)

April 2016 revenues totaled \$214.2 million, which is \$33.4 million, or 13.5 percent below forecast. Biennium-to-date revenues of \$2.30 billion are \$53.7 million, or 2.3 percent, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 26.1 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$57.2 million were \$26.9 million, or 32.0 percent, less than anticipated for the month due in large part to low oil prices and reduced rig counts and low agriculture prices. Biennium-to-date revenues are 8.8 percent below forecast and 21.9 percent less than the same time period in the 2013-15 biennium.
- **Motor vehicle excise tax collections** of \$8.6 million were \$1.4 million, or 14.4 percent, less than the forecast for the month. Total revenues to date of \$91.2 million are 4.2 percent behind projections and 19.0 percent less than the same period in the 2013-15 biennium. It appears that this variance is related to low oil and agriculture prices.
- **Individual income tax** collections totaling \$111.0 million were \$12.8 million, or 10.4 percent, less than the monthly projection due to the weakened economy. Biennium to date collections of \$338.8 million are \$10.2 million, or 3.1 percent, above forecast. Tax rate reductions and above average set-aside for refund reserves resulted in collections that were 29.2 percent lower than the same time period in the 2013-15 biennium. **Note:** April revenues include \$20.5 million in ACH deposits dated April 30th which were credited to May revenues in PeopleSoft.
- **Corporate income tax** collections totaling \$27.3 million were \$6.6 million, or 31.8 percent, above forecast due to strong audit collections. Biennium to date collections are 10.6 percent above forecast and 59.1 percent less than the same time period in the 2013-15 biennium.
- **Departmental collections** totaling \$4.1 million were \$1.9 million, or 92.1 percent, above the monthly projections due to early receipt of telecommunications taxes. The biennium-to-date departmental collections are \$34.5 million, which is \$1.3 million, or 4.0 percent, above forecast.
- **Oil and gas taxes** collections reached \$200.0 million in January - the first tier of the biennial cap. The state share will be deposited in the tax relief fund until that fund reaches its cap of \$300.0 million, after which the general fund will receive an additional \$100.0 million.

<http://www.nd.gov/fiscal> or [www.nd.gov/omb](http://www.nd.gov/omb)

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