

North Dakota REV-E-NEWS



Pam Sharp, Director

June 2016

**OFFICE OF MANAGEMENT AND BUDGET
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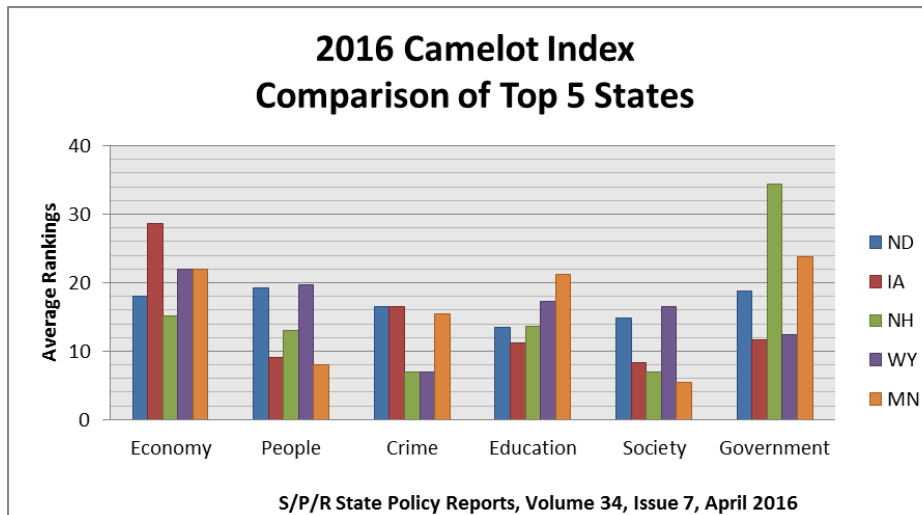
MESSAGE FROM THE DIRECTOR

State Policy Reports recently released the 2016 Camelot Index. Developed by *Reports* founding editor Hal Hovey, the Camelot Index ranks states by six components: economic vitality, healthy people, education, crime, healthy society, and prudent government. When combined, these components measure the overall quality of life within a state. Each index component contains multiple variables that are measured and ranked, with the desired result receiving the #1 ranking. Categorical rankings are averaged to determine the overall state score. If a state were ranked best in every component, the state would have score of 1. The state ranked last would have a score of 50.

For the first time in five years, North Dakota conceded the top spot and fell to 4th overall with an average score of 11.3. Iowa, New Hampshire and Wyoming claimed the top three spots with scores ranging from 9.7 to 11.2. Minnesota finished out the top five states with a score of 12.7. Louisiana was the lowest ranked state with 44.5 points.

After ranking first in education and economy in 2015, North Dakota's highest rank in 2016 was third in the education component. North Dakota dropped from first to eleventh in the economy

component primarily due to its fall in employment. With relative increases in both its violent and property crime rates, North Dakota dropped from tenth to thirteenth in the crime component. "This is a downside of the remarkable growth the state has experienced in recent years." North Dakota only dropped one place in the healthy society component, coming in seventh. North Dakota's biggest drop in ranking came in the healthy people component, falling six places to seventeenth. One area of improvement for North Dakota was in the prudent government component. A new measurement variable, capital investment, was used in 2016 which may have helped North Dakota move from twenty-third to seventeenth.



OIL ACTIVITY



Statistical Information

	Apr 2016	Mar 2016	Feb 2016
Actual average price per barrel	\$33.61	\$29.85	\$22.07
Production (barrels/day)	1,041,007	1,111,421	1,119,092
Drilling permits	66	56	70
Producing wells	13,050	13,052	13,017
Rig count	29	32	40

Tax Allocations (in Millions)

	Biennium to Date May 31, 2016
Political subs	\$ 233.1
Tribes	94.1
Legacy fund	352.7
General fund	200.0
Education funds	107.5
Resources trust fund	103.9
Oil and gas impact fund	25.6
Tax relief fund	127.2
Other allocations	25.5
Total	\$1,269.6

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the January 2016 Revised Forecast ^{/1}
2015-17 Biennium
May 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	100,890,000	73,373,210	(27,516,790)	-27.3%	967,663,000	863,789,792	(103,873,208)	-10.7%	
Motor Vehicle Excise Tax	11,098,000	7,879,385	(3,218,615)	-29.0%	106,343,000	99,096,639	(7,246,362)	-6.8%	
Individual Income Tax**	6,449,000	(1,424,944)	(7,873,944)	-122.1%	334,998,000	337,354,088	2,356,088	0.7%	
Corporate Income Tax	2,727,000	4,154,428	1,427,428	52.3%	72,854,000	81,701,176	8,847,175	12.1%	
Insurance Premium Tax	10,526,010	11,286,150	760,140	7.2%	44,763,182	53,001,959	8,238,777	18.4%	
Financial Institutions Tax		212	212			244,614	324,145	79,531	32.5%
Oil & Gas Production Tax*					83,379,176	83,379,177			
Oil Extraction Tax*					116,620,823	116,620,823			
Gaming Tax	609,220	621,268	12,048	2.0%	3,310,398	3,333,437	23,039	0.7%	
Lottery									
Cigarette & Tobacco Tax	2,543,000	2,110,287	(432,713)	-17.0%	27,683,051	26,537,523	(1,145,528)	-4.1%	
Wholesale Liquor Tax	815,000	730,861	(84,139)	-10.3%	8,399,136	8,258,323	(140,812)	-1.7%	
Coal Conversion Tax	1,816,000	1,719,693	(96,307)	-5.3%	18,191,796	18,631,802	440,006	2.4%	
Mineral Leasing Fees	819,488	663,299	(156,189)	-19.1%	12,439,876	12,673,355	233,479	1.9%	
Departmental Collections	1,791,224	2,615,775	824,551	46.0%	34,990,325	37,138,765	2,148,440	6.1%	
Interest Income	278,973	235,343	(43,630)	-15.6%	2,512,656	2,426,779	(85,877)	-3.4%	
State Mill & Elevator-Transfer									
Major Special Fund Transfers					657,000,000	657,000,000			
Other Transfers		785	785		1,080,452	1,091,154	10,702	1.0%	
Total Revenues and Transfers	140,362,915	103,965,753	(36,397,162)	-25.9%	2,492,473,487	2,402,358,938	(90,114,550)	-3.6%	

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

* 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 \$300.0 million, after which time the general fund will receive an additional \$100.0 million.

** May revenues reflect a reduction of \$20.5 million for ACH deposits dated April 30th which were credited to May revenues in PeopleSoft but shown in the April Statement of General Fund Revenues and Forecasts.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2014	May 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	91,429,872	73,373,210	(18,056,661)	-19.7%	1,103,143,152	863,789,792	(239,353,360)	-21.7%
Motor Vehicle Excise Tax	13,253,877	7,879,385	(5,374,492)	-40.6%	125,935,074	99,096,639	(26,838,436)	-21.3%
Individual Income Tax	10,300,216	(1,424,944)	(11,725,160)	-113.8%	488,886,359	337,354,088	(151,532,271)	-31.0%
Corporate Income Tax	3,444,934	4,154,428	709,495	20.6%	193,121,225	81,701,176	(111,420,049)	-57.7%
Insurance Premium Tax	10,605,766	11,286,150	680,384	6.4%	41,855,383	53,001,959	11,146,576	26.6%
Financial Institutions Tax	15,852	212	(15,640)	-98.7%	(4,871,666)	324,145	5,195,811	-106.7%
Oil & Gas Production Tax					146,071,108	83,379,177	(62,691,931)	-42.9%
Oil Extraction Tax					153,928,892	116,620,823	(37,308,069)	-24.2%
Gaming Tax	610,803	621,268	10,465	1.7%	3,549,170	3,333,437	(215,734)	-6.1%
Lottery								
Cigarette & Tobacco Tax	2,346,168	2,110,287	(235,881)	-10.1%	26,912,679	26,537,523	(375,155)	-1.4%
Wholesale Liquor Tax	823,269	730,861	(92,408)	-11.2%	8,402,477	8,258,323	(144,154)	-1.7%
Coal Conversion Tax	2,033,722	1,719,693	(314,029)	-15.4%	15,593,018	18,631,802	3,038,785	19.5%
Mineral Leasing Fees	2,026,411	663,299	(1,363,112)	-67.3%	17,443,028	12,673,355	(4,769,673)	-27.3%
Departmental Collections	2,009,503	2,615,775	606,272	30.2%	36,703,570	37,138,765	435,195	1.2%
Interest Income	264,771	235,343	(29,428)	-11.1%	2,336,409	2,426,779	90,370	3.9%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers		785	785	-100.0%	1,067,934	1,091,154	23,220	2.2%
Total Revenues and Transfers	139,165,163	103,965,753	(35,199,410)	-25.3%	2,701,867,811	2,402,358,938	(299,508,874)	-11.1%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2015-17 Biennium
May 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	130,511,000	73,373,210	(57,137,790)	-43.8%	1,289,391,000	863,789,792	(425,601,208)	-33.0%
Motor Vehicle Excise Tax	13,861,000	7,879,385	(5,981,615)	-43.2%	142,002,000	99,096,639	(42,905,361)	-30.2%
Individual Income Tax	7,839,000	(1,424,944)	(9,263,944)	-118.2%	350,375,000	337,354,088	(13,020,912)	-3.7%
Corporate Income Tax	4,578,000	4,154,428	(423,572)	-9.3%	140,791,000	81,701,176	(59,089,824)	-42.0%
Insurance Premium Tax	10,526,010	11,286,150	760,140	7.2%	41,540,620	53,001,959	11,461,339	27.6%
Financial Institutions Tax		212	212			324,145	324,145	-100.0%
Oil & Gas Production Tax*					83,379,176	83,379,177		
Oil Extraction Tax*					116,620,823	116,620,823		
Gaming Tax	609,220	621,268	12,048	2.0%	3,539,980	3,333,436	(206,544)	-5.8%
Lottery								
Cigarette & Tobacco Tax	2,543,000	2,110,287	(432,713)	-17.0%	27,796,000	26,537,523	(1,258,477)	-4.5%
Wholesale Liquor Tax	815,000	730,861	(84,139)	-10.3%	8,379,000	8,258,323	(120,677)	-1.4%
Coal Conversion Tax	1,816,000	1,719,693	(96,307)	-5.3%	16,407,000	18,631,802	2,224,802	13.6%
Mineral Leasing Fees	819,488	663,299	(156,189)	-19.1%	9,014,368	12,673,355	3,658,987	40.6%
Departmental Collections	1,791,224	2,615,775	824,551	46.0%	33,834,564	37,138,765	3,304,201	9.8%
Interest Income	278,973	235,343	(43,630)	-15.6%	2,467,487	2,426,779	(40,708)	-1.6%
State Mill & Elevator-Transfer								
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers		785	785		1,015,248	1,091,154	75,906	7.5%
Total Revenues and Transfers	175,987,915	103,965,753	(72,022,162)	-40.9%	2,923,553,267	2,402,358,938	(521,194,329)	-17.8%

VARIANCES (Compared to January 2016 Revised Forecast)

May 2016 revenues totaled \$103.9 million, which is \$36.4 million, or 25.9 percent below forecast. Biennium-to-date revenues of \$2.40 billion are \$90.1 million, or 3.6 percent, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 26.0 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$73.4 million were \$27.5 million, or 27.3 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 10.7 percent below forecast and 21.7 percent less than the same time period in the 2013-15 biennium.
 - **Motor vehicle excise tax collections** of \$7.9 million were \$3.2 million, or 29.0 percent, less than the forecast for the month. Total revenues to date of \$99.1 million are 6.8 percent behind projections and 21.3 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 were \$7.9 million, or 122.1 percent, less than the monthly projection due to increased transfers to the refund fund. Biennium to date collections of \$337.4 million are \$2.4 million, or .7 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.
 - **Corporate income tax** collections totaling \$4.2 million were \$1.4 million, or 52.3 percent, above forecast due to strong audit collections. Biennium to date collections are 12.1 percent above forecast and 57.7 percent less than the same time period in the 2013-15 biennium.
 - **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 million, after which the general fund will receive an additional \$100.0 million.