

North Dakota REV-E-NEWS



Pam Sharp, Director

July 2016

OFFICE OF MANAGEMENT AND BUDGET

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MESSAGE FROM THE DIRECTOR

June marks the end of fiscal year 2016 and the half-way point in the 2015-17 biennium. Although a revised revenue forecast was completed in January 2016, revenues continued to fall short of expectations finishing the year 3.7 percent behind January 2016 estimates. Moody's Analytics and the Office of Management and Budget have completed the July 2016 revised forecast for the 2015-17 biennium.

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	January 2016 Forecast	July 2016 Forecast	Increase (Decrease) from 2015 Forecast
Sales and use tax	\$2,124,321,000	\$1,863,517,574	(\$260,803,426)
Motor Vehicle excise tax	230,737,000	\$201,543,785	(29,193,215)
Individual income tax	708,999,000	\$690,525,749	(18,473,251)
Corporate income tax	169,176,000	\$158,713,800	(10,462,200)
Other revenues and transfers	1,331,080,850	1,341,283,677	10,202,827
Total Revenues and Transfers	\$4,564,313,850	\$4,255,584,585	(\$308,729,265)

The forecast for oil and gas tax revenues for the 2015-17 biennium was also revised. The general fund and the tax relief fund will each continue to receive \$300 million. The effect of the revision on the other funds is shown in the table below:

Allocation	January 2016 Forecast	July 2016 Forecast	Increase (Decrease) from 2015 Forecast
Political subdivisions	\$478,072,790	\$525,157,833	\$47,085,043
Three Affiliated Tribes	188,328,172	201,090,904	12,762,732
Legacy fund	683,387,883	810,675,615	127,287,732
Education funds	213,365,306	246,896,592	33,531,286
Resources trust fund	213,365,307	246,896,594	33,531,287
Oil and gas impact fund	28,619,538	74,423,771	45,804,233
North Dakota heritage fund	13,398,878	19,615,262	6,216,384
Strategic investment and improvements fund	30,725,900	130,669,636	99,943,736
Other allocations	617,024,545	647,917,280	30,892,735
Total Revenues and Transfers	\$2,466,288,319	\$2,903,343,487	\$437,055,168

OIL ACTIVITY

Statistical Information



	May 2016	Apr 2016	Mar 2016
Actual average price per barrel	\$38.50	\$33.61	\$29.85
Production (barrels/day)	1,047,364	1,041,981	1,111,421
Drilling permits	42	66	56
Producing wells	13,167	13,054	13,052
Rig count	27	29	32

Tax Allocations (in Millions)

	Biennium to Date June 30, 2016
Political subs	\$ 252.5
Tribes	101.1
Legacy fund	381.0
General fund	200.0
Education funds	115.6
Resources trust fund	112.0
Oil and gas impact fund	27.6
Tax relief fund	154.1
Other allocations	27.1
Total	\$1,371.0

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the January 2016 Revised Forecast ^{/1}
2015-17 Biennium
June 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	65,182,000	61,579,782	(3,602,218)	-5.5%	1,032,845,000	925,369,574	(107,475,426)	-10.4%
Motor Vehicle Excise Tax	10,359,000	7,236,146	(3,122,854)	-30.1%	116,702,000	106,332,785	(10,369,215)	-8.9%
Individual Income Tax	16,689,000	16,583,661	(105,339)	-0.6%	351,687,000	353,937,749	2,250,749	0.6%
Corporate Income Tax	23,435,000	15,879,624	(7,555,376)	-32.2%	96,289,000	97,580,800	1,291,799	1.3%
Insurance Premium Tax	929,520	2,573,414	1,643,894	176.9%	45,692,702	55,575,373	9,882,671	21.6%
Financial Institutions Tax					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	47,740	123,618	75,878	158.9%	3,358,138	3,457,055	98,917	2.9%
Lottery	7,630,000	9,580,000	1,950,000	25.6%	7,630,000	9,580,000	1,950,000	25.6%
Cigarette & Tobacco Tax	2,619,000	2,512,192	(106,808)	-4.1%	30,302,051	29,049,715	(1,252,336)	-4.1%
Wholesale Liquor Tax	961,000	767,664	(193,336)	-20.1%	9,360,136	9,025,988	(334,148)	-3.6%
Coal Conversion Tax	3,327,000	3,558,174			21,518,796	22,189,976	671,180	3.1%
Mineral Leasing Fees	819,488	1,128,221	308,733	37.7%	13,259,364	13,801,576	542,211	4.1%
Departmental Collections	3,244,442	4,505,755	1,261,313	38.9%	38,234,767	41,644,520	3,409,753	8.9%
Interest Income	6,526,263	9,956,592	3,430,329	52.6%	9,038,919	12,383,371	3,344,452	37.0%
State Mill & Elevator-Transfer	6,887,500	4,434,894	(2,452,606)	-35.6%	6,887,500	4,434,894	(2,452,606)	-35.6%
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers					1,080,452	1,091,154	10,702	1.0%
Total Revenues and Transfers	148,656,953	140,419,736	(8,468,391)	-5.7%	2,641,130,440	2,542,778,673	(98,351,767)	-3.7%

/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.

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	June 2014	June 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	109,316,948	61,579,782	(47,737,166)	-43.7%	1,212,460,100	925,369,574	(287,090,526)	-23.7%
Motor Vehicle Excise Tax	12,006,884	7,236,146	(4,770,738)	-39.7%	137,941,959	106,332,785	(31,609,174)	-22.9%
Individual Income Tax	25,545,844	16,583,661	(8,962,183)	-35.1%	514,432,202	353,937,749	(160,494,453)	-31.2%
Corporate Income Tax	46,283,023	15,879,624	(30,403,399)	-65.7%	239,404,247	97,580,800	(141,823,448)	-59.2%
Insurance Premium Tax	936,562	2,573,414	1,636,852	174.8%	42,791,945	55,575,373	12,783,428	29.9%
Financial Institutions Tax	220		(220)	-100.0%	(4,871,446)	324,145	5,195,591	-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	47,864	123,618	75,754	158.3%	3,597,035	3,457,055	(139,980)	-3.9%
Lottery	7,200,000	9,580,000	2,380,000	33.1%	7,200,000	9,580,000	2,380,000	33.1%
Cigarette & Tobacco Tax	2,609,613	2,512,192	(97,421)	-3.7%	29,522,292	29,049,715	(472,577)	-1.6%
Wholesale Liquor Tax	817,541	767,664	(49,877)	-6.1%	9,220,018	9,025,988	(194,031)	-2.1%
Coal Conversion Tax	3,629,218	3,558,174	(71,044)	-2.0%	19,222,236	22,189,976	2,967,741	15.4%
Mineral Leasing Fees	1,505,030	1,128,221	(376,809)	25.0%	18,948,058	13,801,576	(5,146,482)	-27.2%
Departmental Collections	3,665,464	4,505,755	840,291	22.9%	40,369,034	41,644,520	1,275,486	3.2%
Interest Income	8,510,504	9,956,592	1,446,088	17.0%	10,846,912	12,383,371	1,536,459	14.2%
State Mill & Elevator-Transfer	3,408,600	4,434,894	1,026,294	30.1%	3,408,600	4,434,894	1,026,294	30.1%
Major Special Fund Transfers					341,790,000	657,000,000	315,210,000	92.2%
Other Transfers	300		(300)	100.0%	1,068,234	1,091,154	22,920	2.1%
Total Revenues and Transfers	225,483,614	140,419,736	(85,063,879)	-37.7%	2,927,351,426	2,542,778,674	(384,572,752)	-13.1%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2015-17 Biennium
June 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	88,535,000	61,579,782	(26,955,218)	-30.4%	1,377,926,000	925,369,574	(452,556,426)	-32.8%
Motor Vehicle Excise Tax	12,942,000	7,236,146	(5,705,854)	-44.1%	154,944,000	106,332,785	(48,611,215)	-31.4%
Individual Income Tax	20,333,000	16,583,661	(3,749,339)	-18.4%	370,708,000	353,937,749	(16,770,251)	-4.5%
Corporate Income Tax	44,792,000	15,879,624	(28,912,376)	-64.5%	185,583,000	97,580,800	(88,002,200)	-47.4%
Insurance Premium Tax	929,520	2,573,414	1,643,894	176.9%	42,470,140	55,575,373	13,105,233	30.9%
Financial Institutions Tax						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	47,740	123,618	75,878	158.9%	3,587,720	3,457,054	(130,666)	-3.6%
Lottery	7,630,000	9,580,000	1,950,000	25.6%	7,630,000	9,580,000	1,950,000	25.6%
Cigarette & Tobacco Tax	2,619,000	2,512,192	(106,808)	-4.1%	30,415,000	29,049,715	(1,365,285)	-4.5%
Wholesale Liquor Tax	961,000	767,664	(193,336)	-20.1%	9,340,000	9,025,988	(314,012)	-3.4%
Coal Conversion Tax	3,327,000	3,558,174	231,174	6.9%	19,734,000	22,189,976	2,455,976	12.4%
Mineral Leasing Fees	819,488	1,128,221	308,733	37.7%	9,833,856	13,801,576	3,967,720	40.3%
Departmental Collections	3,244,442	4,505,755	1,261,313	38.9%	37,079,006	41,644,520	4,565,514	12.3%
Interest Income	6,526,263	9,956,592	3,430,329	52.6%	8,993,750	12,383,371	3,389,621	37.7%
State Mill & Elevator-Transfer	6,887,500	4,434,894	(2,452,606)	-35.6%	6,887,500	4,434,894	(2,452,606)	-35.6%
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers					1,015,248	1,091,154	75,906	7.5%
Total Revenues and Transfers	199,593,953	140,419,736	(59,174,217)	-29.6%	3,123,147,220	2,542,778,673	(580,368,547)	-18.6%

VARIANCES

(Compared to January 2016 Revised Forecast)

June 2016 revenues totaled \$140.4 million, which is \$8.5 million, or 5.7 percent below forecast. Biennium-to-date revenues of \$2.54 billion are \$98.4 million, or 3.7 percent, less than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 27.1 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$61.6 million were \$3.6 million, or 5.5 percent, less than anticipated for the month due in large part to low oil prices, reduced rig counts and low agriculture prices. Biennium-to-date revenues are 10.4 percent below forecast and 23.7 percent less than the same time period in the 2013-15 biennium.
- **Motor vehicle excise tax collections** of \$7.2 million were \$3.1 million, or 30.1 percent, less than the forecast for the month. Total revenues to date of \$106.3 million are 8.9 percent behind projections and 22.9 percent less than the same period in the 2013-15 biennium. It appears that this variance is related to low oil and agriculture prices.
- **Corporate income tax** collections totaling \$15.9 million were \$7.6 million, or 32.2 percent, below forecast due to estimated payments made by corporations being lower than anticipated. Biennium to date collections are 1.3 percent above forecast and 59.2 percent less than the same time period in the 2013-15 biennium.
- **Insurance premium tax** collections of \$2.6 million were \$1.6 million, or 176.9 percent, above forecast as a result of timing differences in the receipt of estimated premium payments. Biennium to date collections are 21.6 percent above forecast and 29.9 percent more than the same time period in the 2013-15 biennium.
- **Departmental collections** totaling \$4.5 million were \$1.3 million, or 38.9 percent above forecast due to the timing of receipt of court fees and medical assistance collections. Biennium to date collections are 8.9 percent above forecast and 3.2 percent more than the same time period in the 2013-15 biennium.
- **Interest income** collections totaling \$9.9 million were \$3.4 million, or 52.6 percent, above forecast due to higher than anticipated earnings on investments. Biennium to date collections are 37.0 percent above forecast and 14.2 percent more than the same time period in the 2013-15 biennium.
- **State Mill and Elevator transfer** for the first fiscal year of the 2015-17 biennium was \$2.5 million, or 35.6 percent, less than anticipated due in large part to low agriculture prices. The transfer is 30.1 percent more 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.

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