

North Dakota REV-E-NEWS



Pam Sharp, Director

October 2016

OFFICE OF MANAGEMENT AND BUDGET

600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400

MESSAGE FROM THE DIRECTOR

North Dakota crude oil production, which hit an all-time high of over 1.2 million barrels per day in December 2014, has dipped below the million barrel per day mark for the first time since March 2014. According to numbers released by the North Dakota Industrial Commission's Department of Mineral Resources, average production for August 2016 was 981,039 barrels per day. The July 2016 revised oil revenue forecast anticipated oil production holding at 1.0 million barrels per day through September before dropping to 975,000 barrels per day in October. The forecast assumes production will fall to 900,000 barrels per day by the end of the 2015-17 biennium.

The July 2016 forecast anticipates North Da-

kota oil prices will slowly increase from an average price of \$35.10 in Fiscal Year 2016 to \$42 by the end of the biennium. The actual average North Dakota price was \$37.27 in August 2016.

The July 2016 forecast called for total oil tax revenue of \$2.90 billion for the 2015-17 biennium. Actual revenue collections through September 2016 totaled \$1.73 billion, exceeding estimates by \$11.6 million. However, actual revenue numbers just released by the Tax Department show October 2016 oil tax revenues falling short of estimates by \$18.7 million. The table below shows the revised oil forecast for the remainder of the biennium:

	Actuals through October 2016	Estimates for Remainder of Biennium	Totals for 2015-17
Extraction Tax Revenue	\$899,556,992	\$524,361,600	\$1,423,918,592
Production Tax Revenue	\$936,990,689	\$535,285,800	\$1,472,276,489
Total Oil Tax Revenue	\$1,836,547,681	\$1,059,647,400	\$2,896,195,081
Average Price per Barrel (through August)	\$52.14 - \$37.27	\$42.00	\$38.18
Average Daily Production (barrels through August)	1,211,328 – 981,039	1,000,000-900,000	1,055,245

OIL ACTIVITY

Statistical Information



	August 2016	July 2016	June 2016
Actual average price per barrel	\$37.27	\$38.24	\$41.64
Production (barrels/day)	981,039	1,029,734	1,027,131
Drilling permits	99	86	65
Producing wells	13,289	13,265	13,248
Rig count	32	31	28

Tax Allocations (in Millions)

	Biennium to Date Sept 30, 2016
Political subs	\$ 331.6
Tribes	126.5
Legacy fund	480.7
General fund	200.0
Education funds	144.4
Resources trust fund	140.7
Oil and gas impact fund	38.4
Tax relief fund	235.5
Other allocations	31.2
Total	\$1,729.0

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	July 2016 Rev. Forecast	Actual	Variance	Percent	July 2016 Rev. Forecast /1	Actual	Variance	Percent
Sales Tax	72,647,000	68,037,706	(4,609,294)	-6.3%	1,173,740,574	1,151,940,103	(21,800,470)	-1.9%
Motor Vehicle Excise Tax	8,430,000	10,325,310	1,895,310	22.5%	131,133,785	136,431,788	5,298,003	4.0%
Individual Income Tax	11,508,000	11,154,720	(353,280)	-3.1%	412,737,749	416,319,978	3,582,229	0.9%
Corporate Income Tax	-	2,887,959	2,887,959		97,580,800	101,170,068	3,589,268	3.7%
Insurance Premium Tax	1,098,560	1,502,520	403,960	36.8%	59,940,623	61,130,420	1,189,797	2.0%
Financial Institutions Tax		142,214	142,214		324,145	1,294,077	969,932	299.2%
Oil & Gas Production Tax*					83,379,177	83,379,177		
Oil Extraction Tax*					116,620,823	116,620,823		
Gaming Tax	36,510	32,246	(4,264)	-11.7%	4,327,655	4,177,715	(149,940)	-3.5%
Lottery					9,580,000	9,580,000		
Cigarette & Tobacco Tax	2,580,000	2,753,020	173,020	6.7%	36,658,715	36,745,734	87,019	0.2%
Wholesale Liquor Tax	762,000	786,984	24,984	3.3%	11,395,988	11,452,146	56,159	0.5%
Coal Conversion Tax	1,757,000	1,769,633	12,633	0.7%	25,672,976	25,632,650	(40,326)	-0.2%
Mineral Leasing Fees	819,488	1,144,078	324,590	39.6%	16,260,040	17,229,299	969,260	6.0%
Departmental Collections	5,475,100	6,049,194	574,094	10.5%	50,391,112	50,735,903	344,791	0.7%
Interest Income	535,419	267,755	(267,664)	-50.0%	13,422,624	12,955,051	(467,573)	-3.5%
State Mill & Elevator-Transfer					4,434,894	4,434,894		
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers		1,565	1,565		1,344,966	1,346,492	1,526	0.1%
Total Revenues and Transfers	105,649,077	106,854,904	1,205,827	1.1%	2,905,946,644	2,899,576,320	(6,370,324)	-0.2%

/1 The July 2016 revised revenue forecast includes actual revenues through June 30, 2016, 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 September 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	September 2014	September 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	118,037,578	68,037,706	(49,999,872)	-42.4%	1,545,310,388	1,151,940,103	(393,370,285)	-25.5%
Motor Vehicle Excise Tax	12,214,590	10,325,310	(1,889,279)	-15.5%	175,423,983	136,431,788	(38,992,195)	-22.2%
Individual Income Tax	19,992,775	11,154,720	(8,838,055)	-44.2%	625,052,317	416,319,978	(208,732,339)	-33.4%
Corporate Income Tax	30,620,786	2,887,959	(27,732,827)	-91%	271,757,699	101,170,068	(170,587,631)	-62.8%
Insurance Premium Tax	1,106,881	1,502,520	395,639	35.7%	47,190,274	61,130,420	13,940,146	29.5%
Financial Institutions Tax		142,214	142,214		(4,856,285)	1,294,077	6,150,363	-126.6%
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	36,607	32,246	(4,361)	-11.9%	4,469,893	4,177,715	(292,178)	-6.5%
Lottery					7,200,000	9,580,000	2,380,000	33.1%
Cigarette & Tobacco Tax	2,774,978	2,753,020	(21,958)	-0.8%	37,955,115	36,745,734	(1,209,381)	-3.2%
Wholesale Liquor Tax	732,036	786,984	54,948	7.5%	11,666,491	11,452,146	(214,345)	-1.8%
Coal Conversion Tax	1,728,026	1,769,633	41,608	2.4%	22,358,938	25,632,650	3,273,712	14.6%
Mineral Leasing Fees	2,714,044	1,144,078	(1,569,966)	-57.8%	25,802,177	17,229,299	(8,572,877)	-33.2%
Departmental Collections	7,568,572	6,049,194	(1,519,378)	-20.1%	51,218,336	50,735,903	(482,433)	-0.9%
Interest Income	291,519	267,755	(23,764)	-8.2%	11,502,573	12,955,051	1,452,478	12.6%
State Mill & Elevator-Transfer					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		1,565	1,565		1,290,404	1,346,492	56,088	4.3%
Total Revenues and Transfers	197,818,390	106,854,904	(90,963,486)	-46.0%	3,478,540,902	2,899,576,320	(578,964,582)	-16.6%

VARIANCES

(Compared to July 2016 Revised Forecast)

September 2016 revenues totaled \$106.9 million, which is \$1.2 million, or 1.1 percent above forecast.

Biennium-to-date revenues of \$2.90 billion are \$6.4 million, or 0.2 percent, lower than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 28.5 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$68.0 million were \$4.6 million, or 6.3 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 1.9 percent below forecast and 25.5 percent less than the same time period in the 2013-15 biennium.
- **Motor vehicle excise tax** collections totaling \$10.3 million were \$1.9 million, or 22.5 percent, more than anticipated for the month due to the implementation of a new system that allowed for

the processing of a backlog in motor vehicle applications. Biennium-to-date collections are 4.0 percent above forecast and 22.2 percent less than the same time period in the 2013-15 biennium.

- **Corporate income tax** collections totaled \$2.9 million in September. The forecast assumed all corporate tax collections would be deposited in the refund reserve fund in September. Because the fund currently has adequate reserves, all corporate income tax collections were deposited in the general fund for the month. Biennium-to-date revenues are 3.7 percent above forecast and 62.8 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.