

North Dakota REV-E-NEWS



Pam Sharp, Director

December 2016

**OFFICE OF MANAGEMENT AND BUDGET
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400**

MESSAGE FROM THE DIRECTOR

Earlier this month, Governor Dalrymple released his recommended budget for the 2017-19 biennium. The recommended budget includes a revised general fund revenue forecast as well as a revised oil tax revenue forecast for the remainder of the 2015-17 biennium and the upcoming 2017-19 biennium.

The November executive revenue forecast projects ongoing 2015-17 revenues of \$3.55 billion, a decrease of \$1.42 billion, or 28.5 percent, from the original 2015-17 legislative forecast. For the 2017-19 biennium, ongoing general fund revenues are expected to grow to \$4.38 billion, an increase of \$831.4 million, or 23.4 percent from the revised 2015-17 forecast.

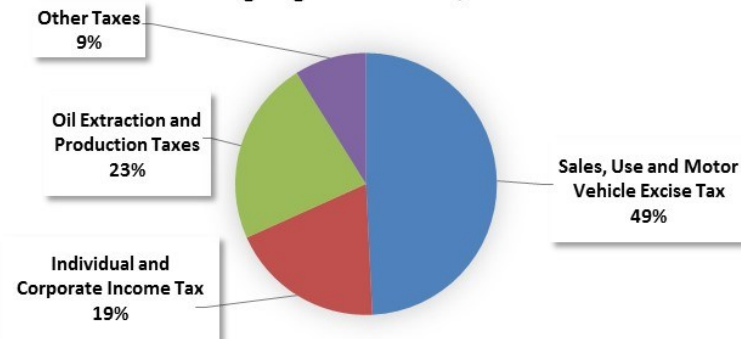
Sales tax and motor vehicle tax collections, which total \$2.16 billion, comprise 49.2 percent of the 2017-19 ongoing general fund revenues. Individual and corporate income taxes cover \$834.4 million, or 19.0

percent, while \$389.8 million, or 9.0 percent, of ongoing revenues come from various taxes and fees, such as those paid on cigarettes and tobacco and insurance premiums. Oil taxes make up the final \$1.00 billion, or 22.8 percent, of ongoing general fund revenues.

The executive revenue forecast anticipates total oil revenues of \$3.39 billion for the 2017-19 biennium. The first 30 percent of oil revenues are constitutionally reserved in the Legacy Fund. For the first time since its inception, the Legacy Fund will be available for legislative appropriation, up to fifteen percent of its principal balance, for use in the 2017-19 biennium. As depicted in the table on this page, the remaining oil tax revenues are distributed to cities, counties and tribes, or directed to special funds with restricted uses.

The Office of Management and Budget, with the help of economic consultants at Moody's Analytics and the expertise of the state's Advisory Council on Revenue Forecasting, will develop another revenue forecast in March 2017 for use by the Legislative Assembly in preparing the final 2017-19 budget. This forecast will include the most up-to-date revenue collections, as well as the impact of changes in oil prices and production. Both general fund and oil revenue allocations could potentially change when the legislative revenue forecast is finalized in March 2017.

**Executive Revenue Forecast
Ongoing Revenues = \$4.38 Billion**



OIL ACTIVITY



Statistical Information

	Oct 2016	Sept 2016	Aug 2016
Actual average price per barrel	\$43.01	\$37.31	\$37.27
Production (barrels/day)	1,043,207	971,760	982,011
Drilling permits	82	63	99
Producing wells	13,457	13,378	13,295
Rig count	33	34	32

Tax Allocations (in Millions)

	Biennium to Date Nov 30, 2016
Political subs	\$ 374.0
Tribes	142.2
Legacy fund	539.9
General fund	200.0
Education funds	161.5
Resources trust fund	157.7
Oil and gas impact fund	44.4
Tax relief fund	288.6
Other allocations	33.6
Total	\$1,941.9

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the November 2016 Revised Forecast ¹
2015-17 Biennium
November 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	November 2016 Rev. Forecast	Actual	Variance	Percent	November 2016 Rev. Forecast ¹	Actual	Variance	Percent
Sales Tax	78,725,000	61,906,371	(16,818,629)	-21.4%	1,306,538,698	1,289,720,069	(16,818,629)	-1.3%
Motor Vehicle Excise Tax	7,099,000	8,240,695	1,141,695	16.1%	153,099,290	154,240,986	1,141,695	0.7%
Individual Income Tax	5,532,000	7,680,228	2,148,228	38.8%	465,213,066	467,361,294	2,148,228	0.5%
Corporate Income Tax	2,285,000	455,459	(1,829,541)	-80.1%	107,163,580	105,334,039	(1,829,541)	-1.7%
Insurance Premium Tax	7,392,940	12,157,985	4,765,045	64.5%	68,804,367	73,569,412	4,765,045	6.9%
Financial Institutions Tax					1,294,077	1,294,077		
Oil & Gas Production Tax*					83,379,177	83,379,177		
Oil Extraction Tax*					116,620,823	116,620,823		
Gaming Tax	533,790	371,540	(162,250)	-30.4%	5,099,065	4,936,814	(162,250)	-3.2%
Lottery					9,580,000	9,580,000		
Cigarette & Tobacco Tax	2,321,000	2,296,037	(24,963)	-1.1%	41,504,199	41,479,236	(24,963)	-0.1%
Wholesale Liquor Tax	695,000	702,183	7,183	1.0%	12,852,026	12,859,209	7,183	0.1%
Coal Conversion Tax	1,687,000	1,719,486	32,486	1.9%	29,221,188	29,253,675	32,486	0.1%
Mineral Leasing Fees	819,488	877,308	57,820	7.1%	19,878,684	19,936,504	57,820	0.3%
Departmental Collections	2,073,696	2,393,733	320,037	15.4%	55,792,759	56,112,796	320,037	0.6%
Interest Income	441,375	189,229	(252,146)	-57.1%	13,576,399	13,324,252	(252,146)	-1.9%
State Mill & Elevator-Transfer					4,434,894	4,434,894		
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers		1,355	1,355		1,602,083	1,603,438	1,355	0.1%
Total	109,605,289	98,991,609	(10,613,680)	-9.7%	3,152,654,373	3,142,040,694	(10,613,680)	-0.3%
Budget Stabilization Fund Transfer						375,000,000		
Total Revenues and Transfers						3,517,040,694		

¹ The November 2016 revised revenue forecast includes actual revenues through October 31, 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.

Compared to the July 2016 Revised Forecast ¹
2015-17 Biennium
November 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	80,714,000	61,906,371	(18,807,629)	-23.3%	1,345,924,574	1,289,720,069	(56,204,505)	-4.2%
Motor Vehicle Excise Tax	7,075,000	8,240,695	1,165,695	16.5%	147,005,785	154,240,986	7,235,201	4.9%
Individual Income Tax	5,703,000	7,680,228	1,977,228	34.7%	456,679,749	467,361,294	10,681,545	2.3%
Corporate Income Tax	1,885,000	455,459	(1,429,541)	-75.8%	103,086,800	105,334,039	2,247,239	2.2%
Insurance Premium Tax	7,392,940	12,157,985	4,765,045	64.5%	67,923,713	73,569,412	5,645,699	8.3%
Financial Institutions Tax					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	533,790	371,540	(162,250)	-30.4%	5,150,035	4,936,814	(213,220)	-4.1%
Lottery					9,580,000	9,580,000		
Cigarette & Tobacco Tax	2,321,000	2,296,037	(24,963)	-1.1%	41,360,715	41,479,236	118,521	0.3%
Wholesale Liquor Tax	661,000	702,183	41,183	6.2%	12,764,988	12,859,209	94,221	0.7%
Coal Conversion Tax	1,687,000	1,719,486	32,486	1.9%	29,069,976	29,253,675	183,698	0.6%
Mineral Leasing Fees	819,488	877,308	57,820	7.1%	17,899,016	19,936,504	2,037,488	11.4%
Departmental Collections	2,073,696	2,393,733	320,037	15.4%	54,398,666	56,112,796	1,714,130	3.2%
Interest Income	441,375	189,229	(252,146)	-57.1%	14,391,754	13,324,252	(1,067,502)	-7.4%
State Mill & Elevator-Transfer					4,434,894	4,434,894		
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers		1,355	1,355		1,598,778	1,603,438	4,660	0.3%
Total	111,307,289	98,991,609	(12,315,680)	-11.1%	3,168,593,586	3,142,040,694	(26,552,893)	-0.8%
Budget Stabilization Fund Transfer						375,000,000		
Total Revenues and Transfers						3,517,040,694		

¹ The July 2016 revised revenue forecast includes actual revenues through June 30, 2016, and revised estimates for the remainder of the biennium.

Compared to the Previous Biennium Revenues
2015-17 Biennium
November 2016

Revenues and Transfers	Fiscal Month				Biennium To Date			
	November 2014	November 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	107,372,318	61,906,371	(45,465,947)	-42.3%	1,786,916,382	1,289,720,069	(497,196,313)	-27.8%
Motor Vehicle Excise Tax	9,953,371	8,240,695	(1,712,675)	-17.2%	197,916,588	154,240,986	(43,675,603)	-22.1%
Individual Income Tax	9,507,178	7,680,228	(1,826,950)	-19.2%	701,687,002	467,361,294	(234,325,708)	-33.4%
Corporate Income Tax	7,673,989	455,459	(7,218,530)	-94.1%	289,413,536	105,334,039	(184,079,498)	-63.6%
Insurance Premium Tax	7,448,957	12,157,985	4,709,028	63.2%	55,233,851	73,569,412	18,335,561	33.2%
Financial Institutions Tax	(166,090)		166,090	-100.0%	(5,022,323)	1,294,077	6,316,401	-125.8%
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	535,170	371,540	(163,631)	-30.6%	5,294,399	4,936,814	(357,585)	-6.8%
Lottery					7,200,000	9,580,000	2,380,000	33.1%
Cigarette & Tobacco Tax	2,800,457	2,296,037	(504,420)	-18.0%	43,626,766	41,479,236	(2,147,530)	-4.9%
Wholesale Liquor Tax	873,692	702,183	(171,509)	-19.6%	13,345,910	12,859,209	(486,701)	-3.6%
Coal Conversion Tax	1,355,874	1,719,486	363,612	26.8%	25,276,926	29,253,675	3,976,749	15.7%
Mineral Leasing Fees	1,992,495	877,308	(1,115,187)	-56.0%	31,899,518	19,936,504	(11,963,014)	-37.5%
Departmental Collections	2,489,302	2,393,733	(95,569)	-3.8%	56,254,733	56,112,796	(141,937)	-0.3%
Interest Income	304,519	189,229	(115,291)	-37.9%	12,082,757	13,324,252	1,241,495	10.3%
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		1,355	1,355		1,512,574	1,603,438	90,864	6.0%
Total Revenues and Transfers	152,141,231	98,991,609	(53,149,622)	-34.9%	3,867,837,217	3,142,040,694	(725,796,523)	-18.8%

VARIANCES

(Compared to January 2016 Revised Forecast)

November 2016 revenues totaled \$99.0 million, which is \$10.6 million, or 9.7 percent below forecast. Biennium-to-date revenues of \$3.14 billion are \$10.61 million, or 0.3 percent, lower than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 29.5 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$61.9 million were \$16.8 million, or 21.4 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 1.3 percent below forecast and 27.8 percent less than the same time period in the 2013-15 biennium.
- **Individual income tax** collections totaling \$7.7 million exceeded the monthly projection by \$2.1 million, or 38.8 percent due to strong estimated payments. Biennium to date collections of \$467.4 million are \$2.1 million, or .5 percent, above the forecast. Tax rate reductions and sizeable reductions in taxable royalty payments along

with reduced employment in the oil fields resulted in biennium to date collections that were 33.4 percent lower than the same time period in the 2013-15 biennium.

- **Insurance premium tax** collections of \$12.2 million exceeded the monthly projection by \$4.8 million, or 64.5 percent, most likely due to timing of receipt of payments. Biennium to date collections are 6.9 percent above forecast and 33.2 percent higher 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.