

North Dakota REV-E-NEWS



Pam Sharp, Director

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OFFICE OF MANAGEMENT AND BUDGET

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MESSAGE FROM THE DIRECTOR

In December 2016, the State Policy Reports (S/P/R) issued a "Continuum of State Fiscal Stress" section to its "Index of Economic Momentum" to identify the challenges facing states. The continuum, which uses data reported to the National Association of State Budget Officers (NASBO) in a fiscal survey of states, focuses on four criteria questions highlighting the environment surrounding state budgeting.

The first question related to the status of states' enacted FY 2016 budgets. Seventeen states, including North Dakota, reported they reduced their FY 2016 budgets, an increase from 14 states that reported reductions in FY 2015.

The second question asked whether states met their revenue estimates. Twenty-five states, including North Dakota, reported they missed their revenue estimates. This is more than triple the seven states that reported missed estimates in FY 2015.

The third question related to reserve balances. Fourteen states reported they had reserve balances totaling less than 5 percent of their general fund spending for FY 2016. Thirteen states fell into this category in FY 2015.

The fourth and final question asked whether states were building or spending their reserves. North Dakota joined 27 other states in reporting declining reserve balances in FY 2016 compared to 23 states in FY 2015.

A state receives one point for each component that indicates fiscal stress. A score of zero would mean no fiscal stress. North Dakota experienced three of the four stress indicators as outlined in the table below:

Continuum of State Fiscal Stress - Fiscal Year 2016				
0	1	2	3	4
Alabama	Hawaii	Indiana	Louisiana	Colorado
California	Kentucky	Wyoming	Mississippi	Connecticut
Delaware	Maine	Alaska	North Dakota	Kansas
Georgia	New York	Florida	West Virginia	Massachusetts
Idaho	Maryland	Iowa	New Jersey	Missouri
Minnesota	Vermont	Michigan	Virginia	New Mexico
Nevada	Arkansas	Montana		Oklahoma
New Hampshire	Wisconsin	Nebraska		
North Carolina	Arizona	Ohio		
Oregon	Rhode Island	Texas		
Washington	South Carolina	Illinois		
	South Dakota	Pennsylvania		
	Tennessee			
	Utah			

Source: NASBO, Fall 2016

OIL ACTIVITY



Statistical Information

	Nov 2016	Oct 2016	Sept 2016
Actual average price per barrel	\$38.38	\$43.01	\$37.31
Production (barrels/day)	1,033,693	1,043,693	971,760
Drilling permits	76	82	63
Producing wells	13,517	13,458	13,378
Rig count	37	33	34

Tax Allocations (in Millions)

	Biennium to Date Dec 31, 2016
Political subs	\$ 397.6
Tribes	152.6
Legacy fund	576.0
General fund	222.1
Education funds	172.0
Resources trust fund	168.1
Oil and gas impact fund	49.1
Tax relief fund	300.0
Other allocations	35.1
Total	\$2,072.6

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the November 2016 Revised Forecast ^{/1}
2015-17 Biennium
December 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	48,373,000	52,982,130	4,609,130	9.5%	1,354,911,698	1,342,702,199	(12,209,499)	-0.9%
Motor Vehicle Excise Tax	7,236,000	7,831,573	595,573	8.2%	160,335,290	162,072,559	1,737,269	1.1%
Individual Income Tax	8,056,000	8,979,639	923,639	11.5%	473,269,066	476,340,933	3,071,867	0.6%
Corporate Income Tax	13,712,000	7,049,878	(6,662,122)	-48.6%	120,875,580	112,383,916	(8,491,664)	-7.0%
Insurance Premium Tax	4,538,870	860,941	(3,677,930)	-81.0%	73,343,237	74,430,353	1,087,115	1.5%
Financial Institutions Tax		(984)	(984)		1,294,077	1,293,093	(984)	-0.1%
Oil & Gas Production Tax	2,859,702.65	2,859,703			86,238,880	86,238,880		
Oil Extraction Tax*	19,256,857.96	19,256,858			135,877,681	135,877,681		
Gaming Tax	(6,991)	55,556	62,547	-894.7%	5,092,074	4,992,371	(99,703)	-2.0%
Lottery					9,580,000	9,580,000		
Cigarette & Tobacco Tax	2,349,000	2,308,884	(40,116)	-1.7%	43,853,199	43,788,119	(65,080)	-0.1%
Wholesale Liquor Tax	764,000	802,296	38,296	5.0%	13,616,026	13,661,505	45,479	0.3%
Coal Conversion Tax	1,738,000	1,837,059	99,059	5.7%	30,959,188	31,090,734	131,545	0.4%
Mineral Leasing Fees	819,488	1,053,869	234,381	28.6%	20,698,172	20,990,373	292,202	1.4%
Departmental Collections	2,629,146	2,562,014	(67,132)	-2.6%	58,421,905	58,674,810	252,905	0.4%
Interest Income	482,558	175,659	(306,898)	-63.6%	14,058,956	13,499,912	(559,044)	-4.0%
State Mill & Elevator-Transfer					4,434,894	4,434,894		
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers		12,849	12,849	100.0%	1,602,083	1,616,286	14,204	0.9%
Total	112,807,631	108,627,923	(4,179,708)	-3.7%	3,265,462,005	3,250,668,617	(14,793,388)	-0.5%
Budget Stabilization Fund Transfer		100,000,000				475,000,000		
Total Revenues and Transfers		208,627,923				3,725,668,617		

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

Compared to the July 2016 Revised Forecast ^{/1}
2015-17 Biennium
December 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	49,821,000	52,982,130	3,161,130	6.3%	1,395,745,574	1,342,702,199	(53,043,375)	-3.8%
Motor Vehicle Excise Tax	7,212,000	7,831,573	619,573	8.6%	154,217,785	162,072,559	7,854,774	5.1%
Individual Income Tax	8,305,000	8,979,639	674,639	8.1%	464,984,749	476,340,933	11,356,184	2.4%
Corporate Income Tax	13,212,000	7,049,878	(6,162,122)	-46.6%	116,298,800	112,383,916	(3,914,883)	-3.4%
Insurance Premium Tax	4,538,870	860,941	(3,677,930)	-81.0%	72,462,583	74,430,353	1,967,769	2.7%
Financial Institutions Tax		(984)	(984)		324,145	1,293,093	968,948	298.9%
Oil & Gas Production Tax*	2,859,703	2,859,703			86,238,880	86,238,880		
Oil Extraction Tax*	19,256,858	19,256,858			135,877,681	135,877,681		
Gaming Tax	(6,991)	55,556	62,547	-894.7%	5,143,044	4,992,371	(150,673)	-2.9%
Lottery					9,580,000	9,580,000		
Cigarette & Tobacco Tax	2,349,000	2,308,884	(40,116)	-1.7%	43,709,715	43,788,119	78,404	0.2%
Wholesale Liquor Tax	730,000	802,296	72,296	9.9%	13,494,988	13,661,505	166,517	1.2%
Coal Conversion Tax	1,738,000	1,837,059	99,059	5.7%	30,807,976	31,090,734	282,757	0.9%
Mineral Leasing Fees	819,488	1,053,869	234,381	28.6%	18,718,504	20,990,373	2,271,870	12.1%
Departmental Collections	2,629,146	2,562,014	(67,132)	-2.6%	57,027,812	58,674,810	1,646,998	2.9%
Interest Income	482,558	175,659	(306,898)	-63.6%	14,874,312	13,499,912	(1,374,400)	-9.2%
State Mill & Elevator-Transfer					4,434,894	4,434,894		
Major Special Fund Transfers					657,000,000	657,000,000		
Other Transfers		12,849	12,849	100.0%	1,598,778	1,616,286	17,508	1.1%
Total	113,946,631	108,627,923	(5,318,708)	-4.7%	3,282,540,218	3,250,668,617	(31,871,601)	-1.0%
Budget Stabilization Fund Transfer		100,000,000				475,000,000		
Total Revenues and Transfers		208,627,923				3,725,668,617		

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	December 2014	December 2016	Variance	Percent	2013-15	2015-17	Variance	Percent
Sales Tax	118,694,604	52,982,130	(65,712,475)	-55.4%	1,905,610,986	1,342,702,199	(562,908,787)	-29.5%
Motor Vehicle Excise Tax	12,443,027	7,831,573	(4,611,454)	-37.1%	210,359,615	162,072,559	(48,287,057)	-23.0%
Individual Income Tax	4,457,575	8,979,639	4,522,064	101.4%	706,144,577	476,340,933	(229,803,644)	-32.5%
Corporate Income Tax	24,647,000	7,049,878	(17,597,122)	-71.4%	314,060,536	112,383,916	(201,676,620)	-64.2%
Insurance Premium Tax	4,573,261	860,941	(3,712,320)	-81.2%	59,807,111	74,430,353	14,623,241	24.5%
Financial Institutions Tax		(984)	(984)		(5,022,323)	1,293,093	6,315,417	-125.7%
Oil & Gas Production Tax*		2,859,703			146,071,108	86,238,880	(59,832,229)	-41.0%
Oil Extraction Tax*		19,256,858			153,928,892	135,877,681	(18,051,211)	-11.7%
Gaming Tax	(7,005)	55,556	62,561	-893.1%	5,287,394	4,992,371	(295,023)	-5.6%
Lottery					7,200,000	9,580,000	2,380,000	33.1%
Cigarette & Tobacco Tax	2,429,092	2,308,884	(120,209)	-4.9%	46,055,858	43,788,119	(2,267,738)	-4.9%
Wholesale Liquor Tax	733,090	802,296	69,206	9.4%	14,078,999	13,661,505	(417,494)	-3.0%
Coal Conversion Tax	1,501,813	1,837,059	335,246	22.3%	26,778,739	31,090,734	4,311,994	16.1%
Mineral Leasing Fees	1,600,090	1,053,869	(546,221)	-34.1%	33,499,608	20,990,373	(12,509,235)	-37.3%
Departmental Collections	3,521,856	2,562,014	(959,842)	-27.3%	59,776,589	58,674,810	(1,101,779)	-1.8%
Interest Income	239,662	175,659	(64,002)	-26.7%	12,322,419	13,499,912	1,177,493	9.6%
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	22,911	12,849	(10,062)	-43.9%	1,535,485	1,616,287	80,802	5.3%
Total Revenues and Transfers	174,856,975	108,627,923	(88,345,613)	-50.5%	4,042,694,193	3,250,668,617	(792,025,576)	-19.6%

VARIANCES

(Compared to November 2016
Revised Forecast)

December 2016 revenues totaled \$108.6 million, which is \$4.2 million, or 3.7 percent below forecast. Biennium-to-date revenues of \$3.25 billion are \$14.8 million, or 0.5 percent, lower than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 29.9 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$53.0 million were \$4.6 million, or 9.5 percent, more than anticipated for the month. Biennium-to-date revenues are 0.9 percent below forecast and 29.5 percent less than the same time period in the 2013-15 biennium.
- **Corporate income tax** collections totaling \$7.0 million were \$6.7 million, or 48.6 percent, below the monthly projection due to additional transfers to refund reserves to facilitate pending refunds. Biennium to date collections of \$112.4 million are \$8.5 million, or 7.0 percent, below the forecast, and 64.2 percent lower than the same time period in the 2013-15 biennium.
- **Insurance premium tax** collections of \$861,000 were \$3.7 million, or 81.0 percent, less than the monthly projection, most likely due to timing of receipt of payments. The previous month's collections exceeded the forecast by \$4.8 million. Biennium to date collections are 1.5 percent above forecast and 24.5 percent higher than the same time period in the 2013-15 biennium.
- **Oil and gas taxes** were \$10.0 million lower than the monthly forecast due to low oil prices. However, for purposes of this report, oil tax forecast amounts are shown as being equal to actual collections. For the biennium in total, the general fund share of oil taxes is limited to no more than \$300.0 million. Monthly variances affect the time frame during which the general fund receives its share of oil taxes, but does not impact the total biennial collections.

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