

North Dakota REV-E-NEWS



Pam Sharp, Director

May 2017

OFFICE OF MANAGEMENT AND BUDGET

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MESSAGE FROM THE DIRECTOR

As North Dakota's population continues to grow, so do the enrollment rates in the public schools for K-12 education. Based on information from the Department of Public Instruction the State saw a decline in enrollment in public schools over a 15 year period through 2010, but since then there has been a steady increase. The largest increases have been in the elementary grades. The chart below depicts the enrollment rates over the last several years along with the projected rates for the upcoming two years. Although the percent increase in change is leveling off, there is still steady growth projected.

| School Year | Total K-12 Public Enrollment | Percent Change |
|-------------|---|-------------------------|
| 2010-11 | 94,729 | - |
| 2011-12 | 95,778 | 1.1% |
| 2012-13 | 99,192 | 3.4% |
| 2013-14 | 101,656 | 2.4% |
| 2014-15 | 104,278 | 2.5% |
| 2015-16 | 106,070 | 1.7% |
| 2016-17 | 106,863 (est) | 0.7% |
| | Projected K-12 Public Enrollment | Projected Change |
| 2017-18 | 108,604 | 1.6% |
| 2018-19 | 110,692 | 1.9% |

(Source: ND Department of Public Instruction)

Funding to cover the cost of public education is provided at both the local and state levels. The chart below shows a breakdown of the State share of the costs for the current and upcoming biennium along with the previous biennium.

| Biennial Appropriation for State School Aid | | | |
|---|----------------------------|---------------------------|---------------------|
| | General Fund (in billions) | Other Funds (in millions) | Total (in billions) |
| 2013-15 | \$1.612 | \$140.3 | \$1.752 |
| 2015-17 | \$1.698 | \$219.1 | \$1.917 |
| 2017-19 | \$1.335 | \$600.5 | \$1.935 |

There is a noticeable shift in funding from the General Fund to Other Funds in the 2017-19 biennium. This is due to the passage of an initiated measure in the November, 2016 general election that allows the legislature to appropriate money from the Foundation Aid Stabilization fund to cover education related costs. The Foundation Aid Stabilization Fund was established in 1994 and is funded by oil tax revenue. The 2017 Legislature appropriated \$295.0 million from the fund to help cover a portion of the state student aid.

OIL ACTIVITY



Statistical Information

| | Mar 2017 | Feb 2017 | Jan 2017 |
|---------------------------------|-----------|-----------|----------|
| Actual average price per barrel | \$42.92 | \$46.92 | \$44.60 |
| Production (barrels/day) | 1,025,638 | 1,034,168 | 981,380 |
| Drilling permits | 93 | 45 | 81 |
| Producing wells | 13,632 | 13,518 | 13,341 |
| Rig count | 46 | 39 | 38 |

Tax Allocations (in Millions)

| | Biennium to Date Apr 30, 2017 |
|-------------------------|-------------------------------|
| Political Subs | \$ 483.9 |
| Tribes | 194.2 |
| Legacy Fund | 709.9 |
| General Fund | 300.0 |
| Education Funds | 210.2 |
| Resources Trust Fund | 206.2 |
| Oil and Gas Impact Fund | 65.0 |
| Tax Relief Fund | 300.0 |
| Other Allocations | 91.0 |
| Total | \$2,560.4 |

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the March 2017 Revised Forecast ^{/1} 2015-17 Biennium April 2017

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|-----------------------------|--------------------|-------------------|-------------|--------------------------------|----------------------|-------------------|-------------|
| | March 2017 Rev. Forecast | Actual | Variance | Percent | March 2017 Rev. Forecast /1 | Actual | Variance | Percent |
| Sales Tax | 44,463,000 | 53,603,876 | 9,140,876 | 20.6% | 1,564,790,154 | 1,575,913,336 | 11,123,182 | 0.7% |
| Motor Vehicle Excise Tax | 7,950,000 | 9,417,187 | 1,467,187 | 18.5% | 196,733,942 | 199,813,685 | 3,079,743 | 1.6% |
| Individual Income Tax | 67,405,000 | 68,224,450 | 819,450 | 1.2% | 625,906,528 | 626,759,466 | 852,938 | 0.1% |
| Corporate Income Tax | 17,345,000 | 16,197,170 | (1,147,830) | -6.6% | 145,126,337 | 144,118,529 | (1,007,807) | -0.7% |
| Insurance Premium Tax | 377,060 | 259,763 | (117,297) | -31.1% | 96,631,571 | 95,833,611 | (797,960) | -0.8% |
| Financial Institutions Tax | | | | | 1,299,254 | 1,308,555 | 9,301 | 0.7% |
| Oil & Gas Production Tax* | | | | | 127,164,783 | 127,164,783 | | |
| Oil Extraction Tax* | | | | | 172,835,217 | 172,835,217 | | |
| Gaming Tax | 379,580 | 246,457 | (133,123) | -35.1% | 6,205,313 | 6,074,909 | (130,403) | -2.1% |
| Lottery | | | | | 9,580,000 | 9,580,000 | | |
| Cigarette & Tobacco Tax | 2,444,000 | 2,158,631 | (285,369) | -11.7% | 52,174,263 | 51,857,271 | (316,992) | -0.6% |
| Wholesale Liquor Tax | 804,000 | 725,413 | (78,587) | -9.8% | 16,427,382 | 16,347,839 | (79,543) | -0.5% |
| Coal Conversion Tax | 1,450,000 | 1,659,054 | 209,054 | 14.4% | 37,938,615 | 38,165,290 | 226,675 | 0.6% |
| Mineral Leasing Fees | 801,913 | 1,017,111 | 215,198 | 26.8% | 24,763,400 | 25,424,825 | 661,425 | 2.7% |
| Departmental Collections | 2,080,819 | 4,367,134 | 2,286,315 | 109.9% | 76,418,109 | 76,048,126 | (369,983) | -0.5% |
| Interest Income | 398,162 | 227,182 | (170,980) | -42.9% | 14,562,319 | 14,167,331 | (394,989) | -2.7% |
| State Mill & Elevator-Transfer | | | | | 4,434,894 | 4,434,894 | | |
| Major Special Fund Transfers | | | | | 657,000,000 | 657,000,000 | | |
| Other Transfers | 233,032 | 255,841 | 22,809 | 9.8% | 2,109,707 | 2,134,058 | 24,351 | 1.2% |
| Total | 146,131,566 | 158,359,268 | 12,227,702 | 8.4% | 3,832,101,788 | 3,844,981,726 | 12,879,937 | 0.3% |
| Budget Stabilization Fund Transfer | | 30,000,000 | | | | 572,485,454 | | |
| Bank of North Dakota Transfer | | 72,567,245 | | | | 72,567,245 | | |
| Total Revenues and Transfers | | 260,926,513 | | | | 4,490,034,425 | | |

^{/1} The March 2017 revised revenue forecast includes actual revenues through February 28, 2017, and revised estimates for the remainder of the biennium.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2015-17 Biennium April 2017

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|--------------------|--------------------|----------------------|---------------|----------------------|----------------------|------------------------|---------------|
| | April 2015 | April 2017 | Variance | Percent | 2013-15 | 2015-17 | Variance | Percent |
| Sales Tax | 98,920,401 | 53,603,876 | (45,316,525) | -45.8% | 2,306,961,401 | 1,575,913,336 | (731,048,064) | -31.7% |
| Motor Vehicle Excise Tax | 11,597,380 | 9,417,187 | (2,180,192) | -18.8% | 254,623,265 | 199,813,685 | (54,809,580) | -21.5% |
| Individual Income Tax | 189,467,930 | 68,224,450 | (121,243,480) | -64.0% | 1,033,299,247 | 626,759,466 | (406,539,781) | -39.3% |
| Corporate Income Tax | 50,934,067 | 16,197,170 | (34,736,897) | -68.2% | 402,722,938 | 144,118,529 | (258,604,409) | -64.2% |
| Insurance Premium Tax | 279,159 | 259,763 | (19,397) | -6.9% | 79,020,469 | 95,833,611 | 16,813,142 | 21.3% |
| Financial Institutions Tax | | | | | (4,973,531) | 1,308,555 | 6,282,087 | -126.3% |
| Oil & Gas Production Tax* | | | | | 146,071,108 | 127,164,783 | (18,906,325) | -12.9% |
| Oil Extraction Tax* | | | | | 153,928,892 | 172,835,217 | 18,906,325 | 12.3% |
| Gaming Tax | 380,569 | 246,457 | (134,112) | -35.2% | 6,555,677 | 6,074,910 | (480,767) | -7.3% |
| Lottery | | | | | 7,200,000 | 9,580,000 | 2,380,000 | 33.1% |
| Cigarette & Tobacco Tax | 2,389,840 | 2,158,631 | (231,209) | -9.7% | 55,292,752 | 51,857,271 | (3,435,480) | -6.2% |
| Wholesale Liquor Tax | 789,223 | 725,413 | (63,811) | -8.1% | 17,084,452 | 16,347,839 | (736,613) | -4.3% |
| Coal Conversion Tax | 1,961,233 | 1,659,054 | (302,179) | -15.4% | 33,874,106 | 38,165,290 | 4,291,184 | 12.7% |
| Mineral Leasing Fees | 2,043,698 | 1,017,111 | (1,026,588) | -50.2% | 39,950,000 | 25,424,824 | (14,525,176) | -36.4% |
| Departmental Collections | 3,777,299 | 4,367,134 | 589,835 | 15.6% | 78,403,308 | 76,048,126 | (2,355,182) | -3.0% |
| Interest Income | 275,686 | 227,182 | (48,503) | -17.6% | 13,327,202 | 14,167,331 | 840,129 | 6.3% |
| State Mill & Elevator-Transfer | | | | | 3,408,600 | 4,434,894 | 1,026,294 | 30.1% |
| Major Special Fund Transfers | | | | | 861,790,000 | 657,000,000 | (204,790,000) | -23.8% |
| Other Transfers | 246,020 | 255,841 | 9,820 | 4.0% | 1,987,999 | 2,134,058 | 146,060 | 7.3% |
| Total Revenues and Transfers | 363,062,506 | 158,359,268 | (204,703,238) | -56.4% | 5,490,527,884 | 3,844,981,727 | (1,645,546,157) | -30.0% |

VARIANCES

(Compared to March 2017
Revised Forecast)

April 2017 revenues totaled \$158.4 million, which is \$12.2 million, or 8.4 percent above forecast. Biennium-to-date revenues of \$3.84 billion are \$12.9 million, or 0.3 percent, higher than projected. When transfers from the tax relief fund are excluded, 2015-17 revenues to date are tracking 31.1 percent behind the same time period in the 2013-15 biennium. Significant monthly variances are as follows:

- **Sales tax** collections of \$53.6 million were \$9.1 million, or 20.6 percent, higher than anticipated for the month. Biennium-to-date revenues are 0.7 percent above forecast and 31.7 percent less than the same time period in the 2013-15 biennium.
- **Motor vehicle excise tax** collections totaling \$9.4 million were \$1.5 million, or 18.5 percent, more than anticipated for the month. Biennium-to-date collections are 21.5 percent less than the same
- time period in the 2013-15 biennium.
- **Corporate income tax** collections of 16.2 million are \$1.1 million below forecast, primarily due to additional transfers to refund reserves to facilitate pending refunds. Tax rate reductions and sizeable reductions in royalty payments resulted in biennium-to-date collections that were 64.2 percent lower than the same time period in the 2013-15 biennium.
- **Departmental collections** of \$4.4 million were \$2.3 million higher than anticipated primarily due to timing differences in receipt of telecommunications tax payments. Biennium-to-date collections are 3.0 percent less than the same time period in the 2013-15 biennium.
- **Oil and gas tax** collections reached the \$300.0 million biennial cap in March. No additional oil taxes will be deposited in the general fund during the 2017-19 biennium.

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