

North Dakota REV-E-NEWS



Pam Sharp, Director

November 2014

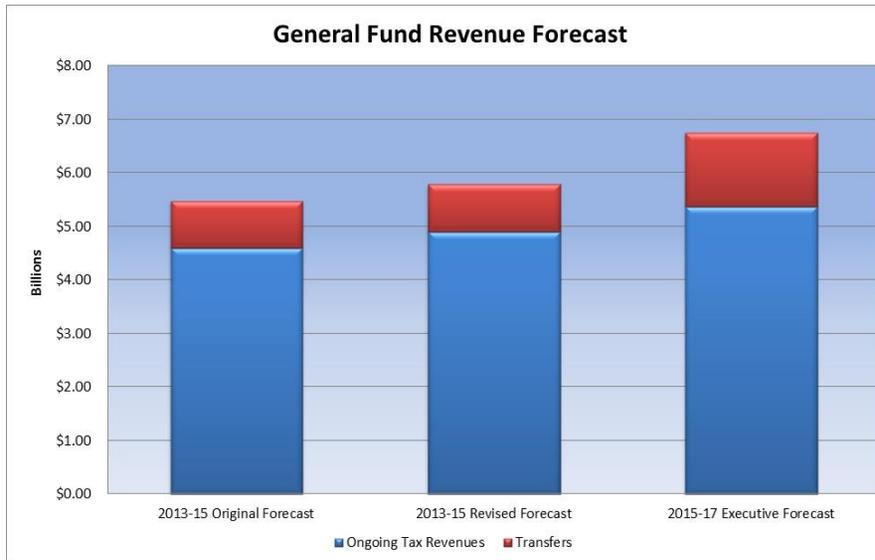
**OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

During the 64th legislature's organizational session, which took place during the first week of December, the Governor released his recommended budget for the 2015-17 biennium. This marks the start of the state budget process as the legislature prepares to examine and modify the recommended budget through the course of the legislative session from January 2015 through April 2015.

The general fund revenue forecast is a critical component of the recommended budget as it determines the level of funding available to support ongoing government programs as well as one-time projects. The executive revenue forecast, developed with the help of economic consultants at Moody's Analytics and the expertise of the state's Advisory Council on Revenue Forecasting, projects ongoing 2013-15 revenues of \$4.90 billion, an increase of \$304.5 million, or 6.6 percent, from the original 2013-15 legislative forecast. Since the state has already recognized \$354.3 million in growth through October 2014, a slowdown in growth is anticipated for the remaining eight months of the biennium.

For the 2015-17 biennium, ongoing general fund revenues are expected to grow by an additional \$773.7 million, or 7.9 percent per year, after the impact of the tax relief proposals included in the executive budget. The Governor's proposals are expected to save individuals \$100.0 million and corporations \$25.0 million during the 2015-17 biennium through lowered income tax rates. One-time transfers are \$1.38 billion for the biennium. The chart below depicts the continuing growth in the state's ongoing general fund revenues.



OIL ACTIVITY



Statistical Information

	Sept 2014	August 2014	July 2014
Actual average price per barrel	\$80.31	\$83.18	\$90.02
Production (barrels/day)	1,184,635	1,132,331	1,114,421
Drilling permits	261	273	265
Producing wells	11,741	11,563	11,293
Rig count	195	193	192

Tax Allocations (in Millions)

	Biennium to Date Oct 31, 2014
Political subs	\$470.9
Tribes	307.9
Legacy fund	1,261.7
General fund	300.0
Education funds	396.3
Resources trust fund	362.1
Oil and gas impact fund	240.0
Property tax relief fund	341.8
Other allocations	507.5
Total	\$4,218.2

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2013-15 Biennium
October 2014

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2013 Leg. Forecast	Actual	Variance	Percent	May 2013 Leg. Forecast	Actual	Variance	Percent
Sales Tax	131,430,000	134,233,676	2,803,676	2.1%	1,620,056,000	1,679,544,064	59,488,064	3.7%
Motor Vehicle Excise Tax	14,691,000	12,539,234	(2,151,766)	-14.6%	213,478,000	187,963,218	(25,514,782)	-12.0%
Individual Income Tax	36,904,000	67,127,508	30,223,508	81.9%	483,927,000	692,179,824	208,252,824	43.0%
Corporate Income Tax	9,951,000	9,981,849	30,849	0.3%	195,043,000	281,739,548	86,696,548	44.4%
Insurance Premium Tax	276,760	594,619	317,859	114.9%	38,107,720	47,784,894	9,677,174	25.4%
Financial Institutions Tax		52	52	100.0%		(4,856,233)	(4,856,233)	-100.0%
Oil & Gas Production Tax*					146,071,108	146,071,108		
Oil Extraction Tax*					153,928,892	153,928,892		
Gaming Tax	369,920	289,336	(80,584)	-21.8%	5,543,960	4,759,229	(784,731)	-14.2%
Lottery					5,500,000	7,200,000	1,700,000	30.9%
Cigarette & Tobacco Tax	2,481,000	2,871,194	390,194	15.7%	39,152,000	40,826,309	1,674,309	4.3%
Wholesale Liquor Tax	852,000	805,726	(46,274)	-5.4%	12,685,000	12,472,217	(212,783)	-1.7%
Coal Conversion Tax	1,653,000	1,562,114	(90,886)	-5.5%	24,471,000	23,921,051	(549,949)	-2.2%
Mineral Leasing Fees	791,667	4,104,846	3,313,179	418.5%	12,666,672	29,907,023	17,240,351	136.1%
Departmental Collections	1,908,437	2,547,096	638,659	33.5%	46,636,256	53,765,431	7,129,175	15.3%
Interest Income	757,070	275,664	(481,406)	-63.6%	17,552,610	11,778,238	(5,774,372)	-32.9%
State Mill & Elevator-Transfer					3,408,600	3,408,600		
Major Special Fund Transfers					341,790,000	341,790,000		
Other Transfers	222,170	222,170			1,333,020	1,512,574	179,554	13.5%
Total Revenues and Transfers	202,288,024	237,155,083	34,867,059	17.2%	3,361,350,838	3,715,695,986	354,345,148	10.5%

* The general fund cap for oil and gas taxes contains two tiers. The first tier of \$200.0 million was reached in October 2013. The next \$341.8 million was deposited into the property tax relief fund. The second tier of \$100.0 million was reached in April 2014, two months earlier than anticipated. The general fund will not receive additional allocations this biennium.

Total production and extraction tax collections of \$314.8 million were distributed in October 2014. Through October, \$1.26 billion has been deposited into the legacy fund; for a total of \$2.62 billion.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2013-15 Biennium October 2014

Revenues and Transfers	Fiscal Month				Biennium To Date			
	October 2012	October 2014	Variance	Percent	2011-13	2013-15	Variance	Percent
Sales Tax	123,017,187	134,233,676	11,216,489	9.1%	1,463,022,432	1,679,544,064	216,521,631	14.8%
Motor Vehicle Excise Tax	11,789,643	12,539,234	749,591	6.4%	166,601,013	187,963,218	21,362,205	12.8%
Individual Income Tax	63,354,112	67,127,508	3,773,396	6.0%	582,319,745	692,179,824	109,860,079	18.9%
Corporate Income Tax	8,809,956	9,981,849	1,171,893	13.3%	208,937,294	281,739,548	72,802,254	34.8%
Insurance Premium Tax	312,617	594,619	282,002	90.2%	43,045,522	47,784,894	4,739,372	11.0%
Financial Institutions Tax	(106,687)	52	106,739	-100.0%	3,687,111	(4,856,233)	(8,543,344)	-231.7%
Oil & Gas Production Tax*					163,458,104	146,071,108	(17,386,996)	-10.6%
Oil Extraction Tax*					136,541,896	153,928,892	17,386,996	12.7%
Gaming Tax	503,949	289,336	(214,613)	-42.6%	7,552,570	4,759,229	(2,793,341)	-37.0%
Lottery					7,000,000	7,200,000	200,000	2.9%
Cigarette & Tobacco Tax	2,248,516	2,871,194	622,678	27.7%	36,326,717	40,826,309	4,499,592	12.4%
Wholesale Liquor Tax	722,295	805,726	83,431	11.6%	11,604,268	12,472,217	867,950	7.5%
Coal Conversion Tax	1,815,679	1,562,114	(253,565)	-14.0%	24,472,628	23,921,051	(551,577)	-2.3%
Mineral Leasing Fees	2,623,960	4,104,846	1,480,886	56.4%	29,557,571	29,907,023	349,452	1.2%
Departmental Collections	2,185,444	2,547,096	361,652	16.5%	46,778,115	53,765,431	6,987,316	14.9%
Interest Income	468,547	275,664	(192,882)	-41.2%	8,589,814	11,778,238	3,188,424	37.1%
State Mill & Elevator-Transfer					3,822,989	3,408,600	(414,389)	-10.8%
Major Special Fund Transfers					295,000,000	341,790,000	46,790,000	15.9%
Other Transfers	185,625	222,170	36,545	19.7%	1,246,565	1,512,574	266,009	21.3%
Total Revenues and Transfers	217,930,842	237,155,083	19,224,241	8.8%	3,239,564,352	3,715,695,986	476,131,634	14.7%

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VARIANCES

October 2014 revenues of \$237.2 million were \$34.9 million, or 17.2 percent above forecast. Biennium -to-date revenues total \$3.71 billion, which is \$354.3 million, or 10.5 percent, higher than forecast. Significant monthly variances are as follows:

- **Motor vehicle excise tax** collections continue to fall short of the forecast. Actual collections of \$12.5 million were 14.6 percent, or \$2.2 million, below forecast for the month. Biennium-to-date collections are 12.0 percent, or \$25.5 million, less than anticipated. However, current biennium collections exceed the 2011-13 biennium by \$21.4 million, indicating the shortfall is attributable to monthly forecast assumptions, not a decline in motor vehicle sales.
- **Individual income tax** biennium to date collections exceed the forecast by a wide margin -- \$208.3 million, or 43.0 percent. Strong withholdings generated monthly collections of \$67.1 million, which were \$30.2 million, or 81.9 percent, higher than anticipated. 2013-15 collections to date total \$625.1

million, which is 20.4 percent above the same time period in 2011-13.

- **Mineral leasing fees** collections continue to exceed the forecast – by \$3.3 million for the month and by \$17.2 million for the biennium-to-date. These revenues are received from the federal government for leasing mineral rights and extracting minerals on federal lands located in the state. Timing of payments is determined entirely by the federal government activities, which can lead to monthly variances.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in April. No additional oil taxes will be deposited in the general fund during the 2013-15 biennium.