

North Dakota REV-E-NEWS



Pam Sharp, Director

**OFFICE OF MANAGEMENT AND BUDGET
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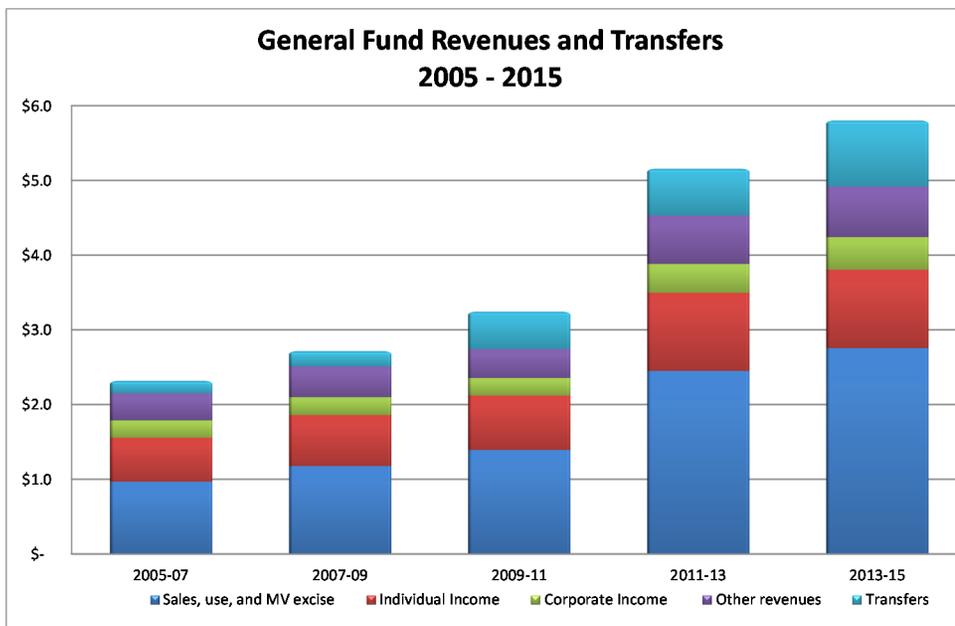
July 2015

MESSAGE FROM THE DIRECTOR

State general fund revenues continued to grow during the 2013-15 biennium, which ended June 30, 2015. General fund revenues, including transfers from special reserve funds, totaled \$5.80 billion – an increase of \$645.9 million, or 12.5 percent, from the prior biennium. Excluding transfers, general fund revenues totaled \$4.92 billion – an increase of \$387.5 million, or 8.6 percent, from the 2013-15 level.

North Dakota's total general fund revenues have more than doubled in the last ten years due to the remarkable economy the state is experiencing. Sales, use and motor vehicle taxes, which comprise

nearly one-half of total available revenues, have nearly tripled since the 2005-07 biennium. Over the ten year time period, sales, use and motor vehicle collections grew from just under \$1.0 billion in 2005-07 to \$2.8 billion in the 2013-15 biennium. The following chart illustrates the phenomenal growth rate in all state general fund revenue categories:



OIL ACTIVITY

Statistical Information



| | May 2015 | Apr 2015 | Mar 2015 |
|---------------------------------|-----------|-----------|-----------|
| Actual average price per barrel | \$50.09 | \$44.38 | \$37.01 |
| Production (barrels/day) | 1,202,615 | 1,169,045 | 1,190,502 |
| Drilling permits | 150 | 168 | 190 |
| Producing wells | 12,679 | 12,545 | 12,443 |
| Rig count | 83 | 91 | 108 |

Tax Allocations (in Millions)

| | Biennium to Date June 30, 2015 |
|--------------------------|-----------------------------------|
| Political subs | \$643.7 |
| Tribes | 429.8 |
| Legacy fund | 1,806.1 |
| General fund | 300.0 |
| Education funds | 547.5 |
| Resources trust fund | 547.5 |
| Oil and gas impact fund | 240.0 |
| Property tax relief fund | 341.8 |
| Other allocations | 994.4 |
| Total | \$5,850.8 |

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2013-15 Biennium
June 2015

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|---------------------------|--------------------|----------------|-------------|---------------------------|----------------------|--------------------|-------------|
| | May 2013 Leg. Forecast | Actual | Variance | Percent | May 2013 Leg. Forecast | Actual | Variance | Percent |
| Sales Tax | 85,292,500 | 90,791,001 | 5,498,501 | 6.4% | 2,472,947,500 | 2,478,246,782 | 5,299,282 | 0.2% |
| Motor Vehicle Excise Tax | 14,800,500 | 11,767,930 | (3,032,570) | -20.5% | 323,123,500 | 277,152,752 | (45,970,748) | -14.2% |
| Individual Income Tax | 23,812,355 | 15,644,236 | (8,168,119) | -34.3% | 797,654,355 | 1,050,062,577 | 252,408,222 | 31.6% |
| Corporate Income Tax | 42,389,645 | 31,537,940 | (10,851,705) | -25.6% | 377,739,645 | 435,243,053 | 57,503,408 | 15.2% |
| Insurance Premium Tax | 1,041,096 | 1,299,361 | 258,265 | 24.8% | 73,352,976 | 92,526,177 | 19,173,201 | 26.1% |
| Financial Institutions Tax | | 120 | 120 | 100.0% | | (4,985,620) | (4,985,620) | -100.0% |
| Oil & Gas Production Tax* | | | | | 146,071,108 | 146,071,108 | | |
| Oil Extraction Tax* | | | | | 153,928,892 | 153,928,892 | | |
| Gaming Tax | 141,776 | 134,785 | (6,991) | -4.9% | 8,174,696 | 7,195,937 | (978,759) | -12.0% |
| Lottery | 5,500,000 | 6,100,000 | 600,000 | 10.9% | 11,000,000 | 13,300,000 | 2,300,000 | 20.9% |
| Cigarette & Tobacco Tax | 2,515,000 | 2,516,654 | 1,654 | 0.1% | 57,953,000 | 60,262,693 | 2,309,693 | 4.0% |
| Wholesale Liquor Tax | 999,000 | 754,825 | (244,175) | -24.4% | 19,142,000 | 18,704,869 | (437,131) | -2.3% |
| Coal Conversion Tax | 3,078,000 | 4,657,361 | 1,579,361 | 51.3% | 39,300,000 | 40,767,149 | 1,467,149 | 3.7% |
| Mineral Leasing Fees | 791,659 | 1,293,186 | 501,527 | 63.4% | 19,000,000 | 41,348,389 | 22,348,389 | 117.6% |
| Departmental Collections | 3,152,659 | 3,033,967 | (118,692) | -3.8% | 74,394,098 | 83,270,753 | 8,876,655 | 11.9% |
| Interest Income | 10,268,996 | 24,504,202 | 14,235,206 | 138.6% | 32,666,716 | 38,103,283 | 5,436,567 | 16.6% |
| State Mill & Elevator-Transfer | 3,408,600 | 3,408,600 | | | 6,817,200 | 6,817,200 | | |
| Major Special Fund Transfers | | | | | 861,790,000 | 861,790,000 | | |
| Other Transfers | | 3,515 | 3,515 | 100.0% | 1,777,360 | 1,991,513 | 214,153 | 12.0% |
| Total Revenues and Transfers | 197,191,786 | 197,447,685 | 255,899 | 0.1% | 5,476,833,046 | 5,801,797,506 | 324,964,460 | 5.9% |

* 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.

Total production and extraction tax collections of \$166.9 million were distributed in June 2015. Through June, \$1.81 billion has been deposited into the legacy fund; for a total balance of \$3.41 billion.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Previous Biennium Revenues 2013-15 Biennium June 2015

| Revenues and Transfers | Fiscal Month | | | | Biennium To Date | | | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------|----------------------|----------------------|--------------------|--------------|
| | June 2013 | June 2015 | Variance | Percent | 2011-13 | 2013-15 | Variance | Percent |
| Sales Tax | 83,325,370 | 90,791,001 | 7,465,631 | 9.0% | 2,196,977,793 | 2,478,246,782 | 281,268,989 | 12.8% |
| Motor Vehicle Excise Tax | 11,979,326 | 11,767,930 | (211,396) | -1.8% | 252,725,403 | 277,152,752 | 24,427,349 | 9.7% |
| Individual Income Tax | 35,764,630 | 15,644,236 | (20,120,394) | -56.3% | 1,046,161,236 | 1,050,062,577 | 3,901,341 | 0.4% |
| Corporate Income Tax | 40,635,857 | 31,537,940 | (9,097,916) | -22.4% | 385,814,247 | 435,243,053 | 49,428,806 | 12.8% |
| Insurance Premium Tax | 1,176,033 | 1,299,361 | 123,328 | 10.5% | 82,857,729 | 92,526,177 | 9,668,448 | 11.7% |
| Financial Institutions Tax | 1,872,730 | 120 | (1,872,610) | -100.0% | 11,236,510 | (4,985,620) | (16,222,131) | -144.4% |
| 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 | 193,148 | 134,785 | (58,363) | -30.2% | 11,136,421 | 7,195,937 | (3,940,485) | -35.4% |
| Lottery | 7,300,000 | 6,100,000 | (1,200,000) | -16.4% | 14,300,000 | 13,300,000 | (1,000,000) | -7.0% |
| Cigarette & Tobacco Tax | 2,421,134 | 2,516,654 | 95,520 | 3.9% | 53,723,649 | 60,262,693 | 6,539,044 | 12.2% |
| Wholesale Liquor Tax | 827,540 | 754,825 | (72,714) | -8.8% | 17,617,501 | 18,704,869 | 1,087,369 | 6.2% |
| Coal Conversion Tax | 3,736,083 | 4,657,361 | 921,279 | 24.7% | 38,399,414 | 40,767,149 | 2,367,735 | 6.2% |
| Mineral Leasing Fees | 606,988 | 1,293,186 | 686,199 | 113.0% | 43,052,074 | 41,348,389 | (1,703,685) | -4.0% |
| Departmental Collections | 4,912,812 | 3,033,967 | (1,878,845) | -38.2% | 76,994,265 | 83,270,753 | 6,276,488 | 8.2% |
| Interest Income | 2,548,139 | 24,504,202 | 21,956,063 | 861.7% | 13,671,280 | 38,103,283 | 24,432,003 | 178.7% |
| State Mill & Elevator-Transfer | 5,625,933 | 3,408,600 | (2,217,333) | -39.4% | 9,448,922 | 6,817,200 | (2,631,722) | -27.9% |
| Major Special Fund Transfers | | | | | 600,000,000 | 861,790,000 | 261,790,000 | 43.6% |
| Other Transfers | 8,703 | 3,515 | (5,189) | -59.6% | 1,738,115 | 1,991,513 | 253,398 | 14.6% |
| Total Revenues and Transfers | 202,934,425 | 197,447,685 | (5,486,740) | -2.7% | 5,155,854,560 | 5,801,797,506 | 645,942,946 | 12.5% |

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Total production and extraction tax collections of \$166.9 million were distributed in June 2015. Through June, \$1.81 billion has been deposited into the legacy fund; for a total balance of \$3.41 billion.

VARIANCES

June 2015 revenues of \$197.4 million exceeded the monthly forecast by approximately \$256,000, or 0.1 percent. Biennium-to-date revenues total \$5.80 billion, which is \$325.0 million, or 5.9 percent, higher than forecast. Significant monthly variances are as follows:

- **Sales tax** collections of \$90.8 million are \$5.5 million, or 6.4 percent, more than anticipated for the month due mainly to timing differences. Overall collections show continuing growth in sales. Biennium to date collections total \$2.48 billion, which is 12.8 percent higher than the previous biennium and \$5.3 million more than projected for 2013-15.
- **Motor vehicle excise tax** collections of \$11.8 million were 20.5 percent, or \$3.0 million, below the forecast for the month. Biennium-to-date collections are 14.2 percent, or \$46.0 million, less than anticipated. While current biennium collections fall short of expectations, the collections do exceed the 2011-13 biennium by \$24.4 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 -- \$252.4 million, or 31.6 percent. The build-up of refund reserve

accounts resulted in an \$8.2 million, or 34.3 percent, shortfall in collections for the month. 2013-15 collections to date total \$1.05 billion, which is \$3.9 million more than the 2011-13 biennium.

- **Corporate income tax** collections for the current biennium total \$435.2 million, which exceeds the forecast by \$57.5 million, or 15.2 percent. Monthly collections were \$31.5 million, which is \$10.9 million, or 25.6 percent, less than projected due in part to lower estimated payments. Despite the significant rate reductions approved by the 2013 legislature, collections are 12.8 percent higher than during the same time period in the 2011-13 biennium.
- **Interest Income** monthly earnings of \$24.5 million exceed the forecast by \$14.2 million as result of higher than anticipated budget stabilization fund earnings, as well as an \$11.0 million transfer to reduce the budget stabilization fund balance to the statutorily-required level. Overall, biennium-to-date interest earnings total \$38.1 million, which is \$5.4 million, or 16.6 percent, higher than anticipated.
- **Oil and gas taxes** reached the \$300.0 million biennial cap in April 2014. No additional oil taxes were be deposited in the general fund during the 2013-15 biennium.

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