

## FISCAL INFORMATION SUMMARY

This memorandum provides fiscal information regarding major tax types and key cost areas.

### SALES AND USE TAX AND MOTOR VEHICLE EXCISE TAX COLLECTIONS

The estimated impact on general fund revenues of a 1 percentage point change in the state's 5 percent sales and use tax, including the motor vehicle excise tax, is approximately **\$472 million per biennium**, or \$236 million per year for the 2017-19 biennium based on the December 2016 executive budget revenue forecast. The schedule below provides information on general fund revenue collections from sales and use taxes and motor vehicle excise taxes for the 2001-03 biennium through the 2017-19 biennium. The amounts shown for 2007-09 and 2009-11 bienniums are net of a portion of motor vehicle excise taxes, after distribution to the state aid distribution fund, being deposited in the highway fund (10 percent in 2007-09 and 25 percent in 2009-11).

Sales and Use Tax and Motor Vehicle Excise Tax (Amounts Shown in Millions)		
Biennium	General Fund Actual or Estimated Revenue	Percentage Change From Prior Biennium
2001-03	\$760.2	5.3%
2003-05	\$845.8	11.3%
2005-07	\$967.7	14.4%
2007-09 (net of deposits in the highway fund - 10 percent)	\$1,176.6	21.6%
2009-11 (net of deposits in the highway fund - 25 percent)	\$1,391.6	18.3%
2011-13	\$2,449.7	76.0%
2013-15	\$2,755.4	12.5%
2015-17 (December 2016 executive budget revenue forecast)	\$2,016.9	(26.8%)
2017-19 (December 2016 executive budget revenue forecast)	\$2,157.0	6.9%

### INDIVIDUAL INCOME TAX COLLECTIONS

House Bill No. 1399 (2001) decoupled the state income tax from the federal income tax to a rate based on federal taxable income. The current tax rates range from approximately 1.10 percent to 2.90 percent of taxable income. The estimated impact on general fund revenues of a 10 percent change in the state income tax rates (e.g., the 2.90 percent rate would increase by .29 percent to 3.19 percent, or decrease by .29 percent to 2.61 percent) is approximately **\$71 million per biennium**, or \$35.5 million per year for the 2017-19 biennium based on the December 2016 executive budget revenue forecast. The schedule below provides information on general fund revenue collections from individual income taxes for the 2001-03 biennium through the 2017-19 biennium.

Individual Income Tax Collections (Amounts Shown in Millions)		
Biennium	General Fund Actual or Estimated Revenue	Percentage Change From Prior Biennium
2001-03	\$396.2	(3.2%)
2003-05	\$452.5	14.2%
2005-07	\$587.7	29.9%
2007-09	\$681.7	16.0%
2009-11 (net of estimated \$90 million of income tax relief)	\$729.3	7.0%
2011-13 (net of estimated \$120 million of income tax relief)	\$1,046.2	43.5%
2013-15 (net of estimated \$200 million of income tax relief)	\$1,050.1	0.4%
2015-17 (December 2016 executive budget revenue forecast and net of estimated \$87 million of income tax relief)	\$692.1	(34.1%)
2017-19 (December 2016 executive budget revenue forecast)	\$712.6	3.0%

### GAS TAX REVENUES

A one-cent gas tax increase in the gas tax over the current 23 cents per gallon raises an estimated \$4.3 million per year or **\$8.6 million per biennium**. A one-cent special fuels (diesel) tax increase over the current 23 cents per gallon raises an estimated \$3.1 million per year or **\$6.2 million per biennium**. Under the current highway tax distribution fund formula, the **\$14.8 million total** would be allocated as follows--\$9.1 million, or 61.3 percent, would be deposited in the state highway fund; \$5.1 million, or 34.5 percent, would be distributed to counties and cities; \$400,000, or 2.7 percent, would be deposited in the township highway aid fund; and \$200,000, or 1.5 percent, would be deposited in the public transportation fund.

## OIL AND GAS TAX REVENUE

### Oil and Gas Tax Revenue Collections

The schedule below provides information on total oil and gas tax revenue collections for the 2001-03 biennium through the 2017-19 biennium.

Total Oil and Gas Tax Revenues (Amounts Shown in Millions)			
Biennium	Actual or Estimated Revenue	Increase (Decrease) From Prior Biennium	
		Amount	Percentage
2001-03	\$119.7		
2003-05	\$192.8	\$73.1	61.1%
2005-07	\$352.6	\$159.8	82.9%
2007-09	\$799.0	\$446.4	126.6%
2009-11	\$1,568.2	\$769.2	96.3%
2011-13	\$4,068.6	\$2,500.4	159.4%
2013-15	\$6,043.6	\$1,975.0	48.5%
2015-17 (December 2016 executive budget revenue forecast)	\$2,932.6	(\$3,111.0)	(51.5%)
2017-19 (December 2016 executive budget revenue forecast)	\$3,385.7	\$453.1	15.5%

### Oil Production and Oil Price Trends

The schedule below provides information on oil production and oil prices for the 2011-13 biennium through the 2017-19 biennium. Monthly oil tax revenue allocations reflect oil prices and oil production from 2 months prior. For example, June 2017 oil prices and oil production relate to August 2017 oil tax revenue allocations. As a result, the fiscal year averages are based on the oil prices and oil production for the period June through May.

Oil Production and Oil Price Trends		
Fiscal Year	Average Daily Oil Production (Barrels Per Day)	Average Daily Oil Price (Per Barrel)
<b>2011-13 Biennium</b>		
2012	515,416	\$90.01 <sup>1</sup>
2013	744,238	\$90.78 <sup>1</sup>
<b>2013-15 Biennium</b>		
2014	941,491	\$92.77 <sup>1</sup>
2015	1,171,342	\$78.83 <sup>1</sup>
<b>2015-17 Biennium</b>		
2016	1,142,973	\$36.89 <sup>1</sup>
2017 (December 2016 executive budget revenue forecast)	948,750	\$39.74 <sup>2</sup>
<b>2017-19 Biennium</b>		
2018 (December 2016 executive budget revenue forecast)	900,000	\$53.07 <sup>2</sup>
2019 (December 2016 executive budget revenue forecast)	900,000	\$53.18 <sup>2</sup>

<sup>1</sup>These amounts reflect the average of the Flint Hills Resources prices and the West Texas Intermediate prices.

<sup>2</sup>These amounts reflect estimates for the North Dakota oil price.

### Oil Production and Oil Price Changes

Based on the executive budget revenue forecast of oil prices of \$51.88 for the first month and \$53.18 for the remaining 23 months for the 2017-19 biennium, a 10,000 barrel per day variance in oil production would increase or decrease 2017-19 biennium oil and gas tax revenue collections by \$37.6 million.

Based on the executive budget revenue forecast of oil production remaining at 900,000 barrels per day for the 2017-19 biennium, for every \$1 of variance in the price of oil from the forecast, the total 2017-19 biennium oil and gas tax revenue collections would change by \$63.7 million.

### STATE SCHOOL AID PROGRAM

The 2017-19 biennium executive budget recommendation provides funding of \$2.02 billion, of which \$1.58 billion is from the general fund, \$140 million is from the foundation aid stabilization fund, and \$301.3 million from the state tuition fund for the state school aid program. The schedule below summarizes state school aid program funding for the 2015-17 and 2017-19 bienniums.

State School Aid Program (Amounts Shown in Millions)			
	2015-17 Adjusted Legislative Appropriations	Increase (Decrease)	2017-19 Executive Budget Recommendation
State school aid	\$1,916.6	\$30.5	\$1,947.1
Transportation aid payments	57.0	(5.7)	51.3
Rapid enrollment grants	12.5	(12.5)	

<b>State School Aid Program (Amounts Shown in Millions)</b>			
	<b>2015-17 Adjusted Legislative Appropriations</b>	<b>Increase (Decrease)</b>	<b>2017-19 Executive Budget Recommendation</b>
Special education - Contracts	17.3	2.0	19.3
Total	\$2,003.4	\$14.3	\$2,017.7
General fund	\$1,668.3	(\$91.9)	\$1,576.4
Foundation aid stabilization fund	116.0	24.0	140.0
State tuition fund	219.1	82.2	301.3
Total	\$2,003.4	\$14.3	\$2,017.7

### **OTHER MAJOR CHANGES**

#### **State Employee Salary Increases**

The estimated cost of a 1 percent state employee salary increase per year, including fringe benefits, is \$11.8 million, of which \$5.4 million is from the general fund. This estimate includes higher education employees.

#### **Inflationary Increases**

The schedule below provides information on historic and projected consumer price indexes as recorded or projected by Moody's Analytics (November 2016) based on the **consumer price index for all urban consumers**.

<b>Year</b>	<b>Consumer Price Index</b>	<b>Year</b>	<b>Consumer Price Index</b>
1995	2.8%	2008	3.8%
1996	2.9%	2009	(0.3%)
1997	2.3%	2010	1.6%
1998	1.5%	2011	3.1%
1999	2.2%	2012	2.1%
2000	3.4%	2013	1.5%
2001	2.8%	2014	1.6%
2002	1.6%	2015	0.1%
2003	2.3%	2016 (Projected)	1.2%
2004	2.7%	2017 (Projected)	2.5%
2005	3.4%	2018 (Projected)	2.7%
2006	3.2%	2019 (Projected)	2.8%
2007	2.9%	2020 (Projected)	2.5%