

## City Revenue Projections for 2019

As you are likely aware, there has been some news reporting about positive developments for state revenues in the recent weeks. Additionally, the League has been advised by the State Tax Department that the state has delayed completing its forecast until late July in the hopes of being able to incorporate the trending upswing in agricultural and oil and gas activity. After reviewing the information currently available on revenue trends, the League decided not to change the initial revenue projections that were provided in May. The projections may turn out to be conservative but that tends to cause less budget problems than overestimating revenue sources. These projections will be reviewed again after the state forecast is finished. If changes are justified, the League will issue revised projections. Please also note that the link to the 2017 United States Census estimates have been added to this document.

With many cities beginning work on their 2019 budgets, the North Dakota League of Cities has developed a number of projections for city revenue sources. These projections are based on information from the State Tax Department, the Office of Management and Budget, the State Treasurer's office, the ND Insurance Department and the ND Department of Transportation.

In order to use these projections in the budget process, it is necessary to make comparisons to the level of funds received previously. For most revenue sources, comparisons are made to the level of funding received in calendar years 2017, since that is the latest year for which actual total figures are available.

Remember that the actual amount to be distributed under the state aid distribution fund is based on sales tax collections during the period involved, so distributions will not necessarily be uniform. Forty-three and one-half percent of one cent of the sales tax is deposited into the state aid distribution fund, with cities and park districts receiving 46.3 percent of this amount. The distributions are based on the United States Census estimates. The July quarterly payment will be based on the 2016 census estimates. Starting with the October quarterly payment, state aid distribution fund payments will be based on the 2017 census estimates. The 2017 census estimates can be [viewed at www.ndlc.org/censusdata](http://www.ndlc.org/censusdata).

Revenue for the highway tax distribution fund is dependent on fuel sales and the level of the gas tax and motor vehicle registration fees. Cities receive about 12.5% of highway tax distribution fund revenues.

City cigarette tax distributions are distributed in June and December each year on a per capita basis. The allocation is based on the population of each city according to the last federal census. Since the distributions have not been made in 2018 yet, the revenue projection is based on the trends for distribution in 2015, 2016, and 2017.

General information has been provided for Oil and Gas Production Tax and Coal Conversion Tax revenue projections. Those revenue sources are specific to certain areas and production in specific areas. Cities receiving those payments should rely on local information to generate a revenue projection for their particular situation.

Please contact the League office if you have any questions relating to these projections or if you would like any further information.

**State Aid Distribution Fund (distribution to cities, NDCC 57-39.2-26.1)**

Calendar Year 2017 (total of quarterly payments – actual)	\$39,638,819
Calendar Year 2018 (total of quarterly payments – <b>projected</b> )	\$39,975,000
Calendar Year 2019 (total of quarterly payments – <b>projected</b> )	\$40,000,000

*Projected to be about \$68.20 per capita for 2019.*

**Highway Tax Distribution (distribution to cities, NDCC 54-27-19)**

Calendar year 2017 (total of monthly payments – actual)	\$33,907,625
Calendar year 2018 (total of monthly payments - <b>projected</b> )	\$34,850,000
Calendar year 2019 (total of monthly payments – <b>projected</b> )	\$35,000,000

*Projected to be about the same in 2019 as compared with 2017.*

**Fire Insurance Premium Tax (NDCC 18-04)**

The fire insurance premium tax is distributed to city fire departments, certified rural fire departments, or fire protection districts on or before December first of each year based on legislative appropriation. The 2017 state legislature in SB 1010 appropriated \$14,235,561 for the biennium or \$7,117,780.50 for each year. (NDCC 18-04-05)

**Oil and Gas Gross Production Tax (NDCC 57-51-15, 16)**

Subject to fluctuation.

*Distributions will vary depending upon the level of activity in a particular area.*

*Collections are projected to be slightly higher in 2019 as compared to 2018.*

**Coal Conversion Tax (NDCC 57-60-14, 15)**

*Projected to be about the same or slightly less in 2019 as compared with 2017.*

**City Cigarette Tax (NDCC 57-36-31)**

Calendar Year 2015 (total of biannual payments – actual)	\$1,643,662.89
Calendar Year 2016 (total of biannual payments – actual)	\$1,532,717.92
Calendar Year 2017 (total of biannual payments – actual)	\$1,456,938.61
Calendar Year 2018 (total of biannual payments – <b>projected</b> )	\$1,350,000.00
Calendar Year 2019 (total of biannual payments – <b>projected</b> )	\$1,200,000.00

*Projected to be about 21% less in 2019 as compared with 2017.*