

October 2005



# North Dakota REV-E-NEWS

**From Pam Sharp, Director  
Office of Management and Budget  
600 E. Blvd. Ave., Dept. 110—Bismarck, ND 58505-0400**

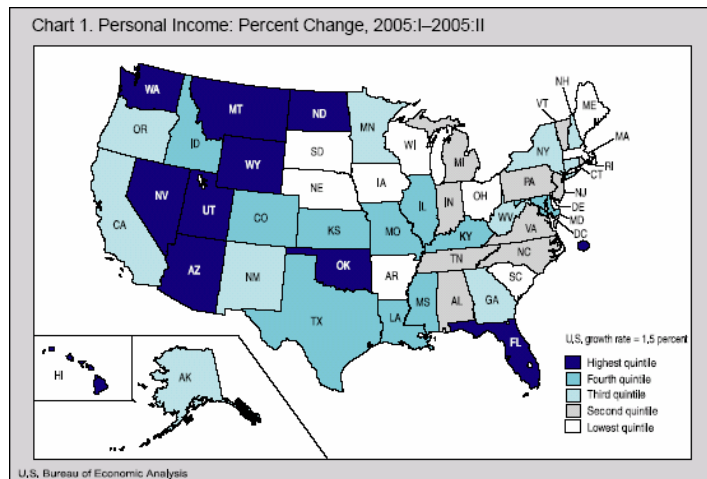
September marks the end of the first quarter of the first fiscal year of the 2005-07 biennial budget period. As of the end of the first quarter, state revenues exceed the legislative forecast by \$29.0 million, or 13 percent. Growth above the forecast is led by sales tax, corporate income tax, personal income tax, and oil taxes. The increase in oil taxes is clearly a result of elevated crude oil prices and the resulting increase in the value of the crude oil produced in North Dakota. As an oil producing state, increased crude oil prices will continue to positively impact revenue collections. Increases in other tax types, such as income and sales taxes, are indicative of the strong and growing North Dakota economy.

Increases in personal income tax collections reflect increases in personal income. The federal Bureau of Economic Analysis reported in a September 2005 news release that personal income for the nation

grew at the encouraging rate of 1.5 percent for the second quarter of 2005. This growth rate is an improvement over the 0.6 percent growth rate realized during the first quarter of 2005 and a return to the average growth rate for the last six quarters. During the second quarter of 2005, inflation measured only 0.8 percent.

North Dakota's personal income growth rate of 2.3 percent was second highest in the nation, behind only Nevada which enjoyed the highest personal income growth in the nation at 2.6 percent. Other states in the plains region lagged North Dakota by a wide margin. Growth rates in South Dakota, Minnesota, Kansas, and Nebraska were 1.0, 1.6, 1.7, and 1.3 percent, respectively. Personal income growth in Wyoming was third highest in the nation and trailed closely behind North Dakota at 2.1 percent.

The following chart shows the comparative growth rates for all states:



## Oil Activity

Oil production in August rose again to 99,900 barrels per day, up from the July average production of just over 98,000 barrels per day. Drilling permit activity also increased with 27 new permits being issued. The average price for North Dakota crude continues well above forecasted prices.

Current prices are over \$57 per barrel; August prices averaged nearly \$60 per barrel, and July prices averaged over \$53 per barrel. The current rig count is 28, 8 more rigs than were operating one year ago.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2005-07 BIENNIUM**  
**September 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005 Leg. Forecast	Actual	Variance	Percent	March 2005 Leg. Forecast	Actual	Variance	Percent
Sales Tax	27,589,000	31,107,326	3,518,326	12.8%	86,617,000	96,645,876	10,028,876	11.6%
Motor Vehicle Excise Tax	6,151,000	5,373,922	(777,078)	-12.6%	17,430,000	17,527,101	97,101	0.6%
Individual Income Tax	10,269,000	12,601,569	2,332,569	22.7%	47,421,000	53,924,623	6,503,623	13.7%
Corporate Income Tax		6,870,232	6,870,232	100.0%	-	7,173,216	7,173,216	100.0%
Insurance Premium Tax	2,800,000	305,601	(2,494,399)	-89.1%	4,800,000	2,325,186	(2,474,814)	-51.6%
Financial Institutions Tax		13,714	13,714	100.0%	-	15,150	15,150	100.0%
Oil & Gas Production Tax	1,918,000	4,968,115	3,050,115	159.0%	7,646,000	14,674,862	7,028,862	91.9%
Gaming Tax	300,000	177,443	(122,557)	-40.9%	2,100,000	2,374,923	274,923	13.1%
Lottery		-			-	-		
Interest Income	282,000	667,995	385,995	136.9%	646,000	1,534,083	888,083	137.5%
Oil Extraction Tax	2,335,000	2,337,759	2,759	0.1%	7,398,000	8,403,942	1,005,942	13.6%
Cigarette & Tobacco Tax	1,744,000	2,171,899	427,899	24.5%	5,148,000	5,775,776	627,776	12.2%
Departmental Collections	2,897,000	1,196,829	(1,700,171)	-58.7%	5,836,000	3,566,368	(2,269,632)	-38.9%
Wholesale Liquor Tax	515,000	566,540	51,540	10.0%	1,610,000	1,731,825	121,825	7.6%
Coal Conversion Tax	2,152,000	2,201,810	49,810	2.3%	6,379,000	6,360,062	(18,938)	-0.3%
Mineral Leasing Fees	(250,000)	(1,010,776)	(760,776)	304.3%	750,000	715,873	(34,127)	-4.6%
Bank of North Dakota-Transfer					-	-		
State Mill & Elevator-Transfer					-	-		
Gas Tax Admin-Transfer					175,000	175,000	-	0.0%
Other Transfers	30,000,000	30,000,000	-	0.0%	30,000,000	30,074,930	74,930	0.2%
<b>Total Revenues and Transfers</b>	<b>88,702,000</b>	<b>99,549,979</b>	<b>10,847,979</b>	<b>12.2%</b>	<b>223,956,000</b>	<b>252,998,796</b>	<b>29,042,796</b>	<b>13.0%</b>

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Previous Biennium Revenues**  
**2005-07 BIENNIUM**  
**September 2005**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	September <u>2003</u>	September <u>2005</u>	<u>Variance</u>	<u>Percent</u>	<u>2003-05</u>	<u>2005-07</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	30,387,270	31,107,326	720,056	2.4%	83,351,020	96,645,876	13,294,856	16.0%
Motor Vehicle Excise Tax	5,552,093	5,373,922	(178,171)	-3.2%	16,813,323	17,527,101	713,779	4.2%
Individual Income Tax	10,084,455	12,601,569	2,517,114	25.0%	45,589,039	53,924,623	8,335,584	18.3%
Corporate Income Tax	30,999	6,870,232	6,839,233	22062.6%	123,391	7,173,216	7,049,825	5713.4%
Insurance Premium Tax	1,224,193	305,601	(918,592)	-75.0%	3,198,612	2,325,185	(873,427)	-27.3%
Financial Institutions Tax	34,077	13,714	(20,363)	-59.8%	104,720	15,150	(89,570)	-85.5%
Oil & Gas Production Tax	1,355,502	4,968,115	3,612,613	266.5%	5,891,913	14,674,862	8,782,949	149.1%
Gaming Tax	27,820	177,443	149,623	537.8%	3,150,031	2,374,923	(775,108)	-24.6%
Lottery					-	-		
Interest Income	79,414	667,995	588,581	741.2%	207,273	1,534,083	1,326,810	640.1%
Oil Extraction Tax	1,263,377	2,337,759	1,074,382	85.0%	3,726,065	8,403,942	4,677,877	125.5%
Cigarette & Tobacco Tax	1,793,398	2,171,899	378,501	21.1%	5,023,116	5,775,776	752,660	15.0%
Departmental Collections	3,083,007	1,196,829	(1,886,178)	-61.2%	35,704,994	3,566,368	(32,138,626)	-90.0%
Wholesale Liquor Tax	448,999	566,540	117,541	26.2%	1,548,725	1,731,824	183,099	11.8%
Coal Conversion Tax	2,148,071	2,201,810	53,739	2.5%	6,309,272	6,360,062	50,791	0.8%
Mineral Leasing Fees	(54,823)	(1,010,776)	(955,953)	1743.7%	731,076	715,873	(15,203)	-2.1%
Bank of North Dakota-Transfer					-	-		
State Mill & Elevator-Transfer					-	-		
Gas Tax Admin-Transfer					174,525	175,000	475	0.3%
Other Transfers	1,500,000	30,000,000	28,500,000	1900.0%	13,422,291	30,074,930	16,652,639	124.1%
<b>Total Revenues and Transfers</b>	<b>58,957,852</b>	<b>99,549,978</b>	<b>40,592,126</b>	<b>68.8%</b>	<b>225,069,385</b>	<b>252,998,795</b>	<b>27,929,410</b>	<b>12.4%</b>

# Revenue Variances

September revenue collections exceed the legislative forecast by \$29.0 million, or 13.0 percent. Actual collections exceed those from September 2003 by \$40.6 million. However, a large part of this variance is attributable to a \$30.0 million transfer from the permanent oil tax trust fund included in September 2005 revenues.

Sales tax collections exceed the monthly forecast by \$3.5 million, or 12.8 percent. Biennium to date collections exceed the forecast by \$10.0 million, or 11.6 percent.

Individual income tax collections exceed the monthly forecast by \$2.3 million, or 22.7 percent. For the biennium to date, collections exceed the forecast by \$6.5 million, or 13.7 percent.

Estimated corporate income tax payments were much higher than anticipated resulting in \$6.9 million being deposited in the general fund in addition to amounts normally transferred to the refund reserve account. The forecast assumed all September collections would be transferred to the refund reserve account.

Insurance premium tax collections fell short of the legislative forecast by \$2.5 million. However, this is a result of the timing of these collections received by the Insurance Department. Collections budgeted for September are anticipated to be collected in October.

Oil tax collections exceeded the legislative forecast by over \$3.1 million for the month and by over \$8.0 million for the biennium, reflective of increased crude oil prices and production in North Dakota.

## Comments or Questions?

### Contact

Pam Sharp, Director

Phone: 701-328-4904

Fax : 701-328-3230

E-mail :

*sfranklin@state.nd.us*

Visit the North Dakota web site

**<http://www.nd.gov/>**

