

North Dakota REV-E-NEWS



Pam Sharp, Director

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OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

Business Vitality Index Ranking Good News for North Dakota!

Moody's *Economy.com* has developed a business vitality index to objectively assess the long-term growth potential of the nation's metropolitan area economies. The index consists of three groups of indicators: one to describe current economic conditions, one to describe factors pertaining to prospective conditions, and one to highlight potential economic risks. The index is used to identify metro areas "that have the potential to attract business and households."

North Dakota can boast being among only four states with two metropolitan areas included in the top 25 ranking of all metropolitan areas in the nation. In addition, North Dakota is the only state in the nation with two metropolitan

areas ranked in the top five. Bismarck was ranked third most favorable metro area and Fargo was ranked fourth, behind Burlington, Vermont (ranked first) and Raleigh, North Carolina (ranked second).

In explanation of the rankings, *Economy.com* states that "Iowa City, IA, Fargo, ND, and Harrisonburg, VA are all homes to significant universities that are joining with local communities to spur economic growth and provide highly educated workforces to attract economic expansion. Also key to these high rankings is that these areas continue to enjoy relatively low business and living costs and affordable housing."

The following map shows the top 25 metro areas, as ranked by the Moody's *Economy.com* Business Vitality Index:

Chart 1: Top 25 Metros Areas Ranked by Business Vitality Index



OIL ACTIVITY

Average oil production in November continued to climb. October production averaged nearly 103,000 barrels per day, November production averaged over 105,000 barrels per day. September production averaged 101,400 barrels per day. Drilling permit activity declined, but remained strong. In November, 32 new drilling permits were issued, 52 permits were issued in October. The average price for North Dakota crude continues well above forecasted prices. Current prices have climbed to approximately \$59 per barrel; November prices averaged approximately \$53 per barrel; October prices averaged \$57 per barrel. The current rig count is 33 rigs, nearly double the number operating one year ago.



Comments or Questions?

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CAFR

The state's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2005, will be completed in late January 2006. The CAFR is the only report showing a comprehensive view of the state's financial picture. Copies of the CAFR will be available the first week of February through the Office of Management and Budget and may also be viewed on the Internet at <http://www.nd.gov.us/fiscal>.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2005-07 BIENNIUM
December 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	24,656,000	24,434,915	(221,085)	-0.9%	181,304,000	192,930,706	11,626,706	6.4%
Motor Vehicle Excise Tax	4,853,000	4,225,295	(627,705)	-12.9%	32,965,000	30,662,580	(2,302,420)	-7.0%
Individual Income Tax	5,929,000	6,676,673	747,673	12.6%	86,990,000	102,300,816	15,310,816	17.6%
Corporate Income Tax	4,840,000	15,106,947	10,266,947	212.1%	9,248,000	39,236,279	29,988,279	324.3%
Insurance Premium Tax	2,000,000	2,045,863	45,863	2.3%	11,366,000	8,376,828	(2,989,172)	-26.3%
Financial Institutions Tax		(142,457)	(142,457)	-	-	(138,324)	(138,324)	-
Oil & Gas Production Tax	2,223,000	5,590,464	3,367,464	151.5%	14,318,000	32,153,565	17,835,565	124.6%
Gaming Tax	350,000	15,222	(334,778)	-95.7%	5,165,000	4,548,840	(616,160)	-11.9%
Lottery		-			-	-		
Interest Income	282,000	1,331,600	1,049,600	372.2%	1,492,000	4,286,059	2,794,059	187.3%
Oil Extraction Tax	2,062,000	2,980,730	918,730	44.6%	14,183,000	18,052,271	3,869,271	27.3%
Cigarette & Tobacco Tax	1,545,000	1,838,301	293,301	19.0%	9,947,000	11,326,139	1,379,139	13.9%
Departmental Collections	1,834,000	1,743,330	(90,670)	-4.9%	10,442,000	10,158,162	(283,838)	-2.7%
Wholesale Liquor Tax	522,000	506,168	(15,832)	-3.0%	3,146,000	3,244,443	98,443	3.1%
Coal Conversion Tax	2,093,000	2,100,304	7,304	0.3%	12,632,000	12,727,627	95,627	0.8%
Mineral Leasing Fees	(250,000)	(492,784)	(242,784)	97.1%	1,500,000	2,823,603	1,323,603	88.2%
Bank of North Dakota-Transfer		-	-		-	-		
State Mill & Elevator-Transfer		-	-		-	-		
Gas Tax Admin-Transfer		-	-		350,000	350,000	-	0.0%
Other Transfers		-	-		30,000,000	30,110,099	110,099	0.4%
Total Revenues and Transfers	52,939,000	67,960,571	15,021,571	28.4%	425,048,000	503,149,694	78,101,694	18.4%

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

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	December 2003	December 2005	Variance	Percent	2003-05	2005-07	Variance	Percent
Sales Tax	30,593,682	24,434,915	(6,158,767)	-20.1%	172,175,625	192,930,706	20,755,080	12.1%
Motor Vehicle Excise Tax	4,711,223	4,225,295	(485,928)	-10.3%	31,673,083	30,662,580	(1,010,503)	-3.2%
Individual Income Tax	5,433,928	6,676,673	1,242,745	22.9%	85,448,867	102,300,816	16,851,949	19.7%
Corporate Income Tax	5,230,389	15,106,947	9,876,558	188.8%	8,533,575	39,236,279	30,702,704	359.8%
Insurance Premium Tax	2,935,194	2,045,863	(889,331)	-30.3%	9,311,243	8,376,828	(934,414)	-10.0%
Financial Insitutions Tax	(275,435)	(142,457)	132,978	-48.3%	(500,698)	(138,324)	362,374	-72.4%
Oil & Gas Production Tax	2,075,248	5,590,464	3,515,216	169.4%	11,006,246	32,153,565	21,147,319	192.1%
Gaming Tax	21,902	15,222	(6,679)	-30.5%	5,580,449	4,548,840	(1,031,610)	-18.5%
Lottery	-	-	-	-	-	-	-	-
Interest Income	98,448	1,331,600	1,233,152	1252.6%	460,510	4,286,059	3,825,549	830.7%
Oil Extraction Tax	1,163,136	2,980,730	1,817,593	156.3%	6,948,797	18,052,271	11,103,474	159.8%
Cigarette & Tobacco Tax	2,061,592	1,838,301	(223,290)	-10.8%	10,540,129	11,326,140	786,010	7.5%
Departmental Collections	2,041,497	1,743,330	(298,166)	-14.6%	68,737,077	10,158,162	(58,578,915)	-85.2%
Wholesale Liquor Tax	432,910	506,168	73,258	16.9%	3,033,520	3,244,443	210,923	7.0%
Coal Conversion Tax	2,073,309	2,100,304	26,995	1.3%	12,482,450	12,727,627	245,177	2.0%
Mineral Leasing Fees	(62,604)	(492,784)	(430,180)	687.1%	1,588,615	2,823,603	1,234,987	77.7%
Bank of North Dakota-Transfer	-	-	-	-	-	-	-	-
State Mill & Elevator-Transfer	-	-	-	-	-	-	-	-
Gas Tax Admin-Transfer	-	-	-	-	349,050	350,000	950	0.3%
Other Transfers	7,754	-	(7,754)	-100.0%	13,432,572	30,110,099	16,677,526	124.2%
Total Revenues and Transfers	58,542,172	67,960,571	9,418,399	16.1%	440,801,111	503,149,693	62,348,582	14.1%

Revenue Variances

Overall revenue collections for the month of December exceeded the forecast by \$15.0 million, or 28.4%, bringing biennium to date collections to \$503.1 million, \$78.1 million more than estimated. Notable variances are as follows:

Sales tax collections were very close to estimates. Actual collections fell short of the monthly forecast by \$200,000. Biennium to date collections exceed the forecast by \$11.6 million.

Motor vehicle excise tax collections again fell short of projections. December collections were \$600,000 less than estimated, biennium to date collections are \$2.3 million less estimated in the legislative forecast.

Individual income tax collections exceeded the forecast by \$750,000; biennium to date collections are \$15.3 million more than estimated.

Corporate income tax collections once again exceeded the legislative forecast. Monthly collections were \$10.3 million more than estimated; biennium to date collections were \$30.0 million more than estimated. This is due to strong estimated tax payments by corporate tax filers, indicating a continued positive economic outlook by North Dakota businesses. As reported by the Federation of Tax Administrators

(FTA), this is not unique to North Dakota. FTA reports that states' corporate income tax collections through November have increased 27.4% over the prior year.

As a result of crude oil prices exceeding forecasted prices, oil and gas taxes exceeded the monthly forecast by \$4.3 million, \$21.7 million for the biennium. Although this accelerates general fund collections, it will not increase general fund collections for the biennium. North Dakota Century Code Section 57-51.1-07.2 provides that all oil tax collections in excess of \$71.0 million be deposited in the permanent oil tax trust fund, rather than the general fund. Consequently, the \$71.0 million threshold will be reached sooner than anticipated in the legislative forecast, but total general fund collections will none the less be capped at \$71.0 million for the biennium.

Cigarette and tobacco taxes exceeded the monthly forecast by nearly \$300,000 for the month and by nearly \$1.4 million for the biennium, an indication that North Dakota's relatively low tobacco tax rate may encourage cross-border buying by residents of neighboring states.

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