

# North Dakota REV-E-NEWS



Pam Sharp, Director

May 2006

OFFICE OF MANAGEMENT AND BUDGET  
600 EAST BOULEVARD AVE — DEPT. 110 BISMARCK, ND 58505-0400

## MESSAGE FROM THE DIRECTOR

The April 2006 issue of *State Policy Reports*, a publication of the Federal Funds Information for States, updates the Camelot Index ranking for each state. The Camelot Index ranks states by considering 26 variables in six quality of life categories. The index combines “measures of economic vitality, health, education, crime, society and government.”

Examining the list of variables included in the index gives an indication of just how comprehensive the Camelot Index is: percentage of people in poverty, employment growth, population growth, per capita income growth, per capita federal tax liability, fiscal capacity, average pay in retailing jobs, age-adjusted death rates, infant mortality rates, percentage of non-elderly population without health insurance, rank on the Armed Forces Qualification test, pupil-teacher ratios, high school dropout rate, average in-state college tuition and fees, a composite measure of ACT and SAT scores, home ownership, percentage of population voting, births to unwed mothers, single-parent families, percentage of the population receiving welfare payments, state and local taxes as a percentage of personal income, the State Solvency Index (which deducts state and local debt and unfunded pension liabilities from assets), structural governmental surpluses and deficits, and governmental bond ratings.

“The top ranked states for each of the performance categories are Nevada (healthy

economy), Hawaii (healthy people), **North Dakota** (crime-free), Wyoming (educated population), Minnesota (healthy society) and Virginia (prudent state management).”

However, the Camelot Index aggregates the scores in each category to develop an overall measure that reflects the elements of a state’s performance that are important to its citizens. The report indicates that a “Camelot-like state has a strong economy with high incomes and low poverty rates, healthy people, low crime rates, a well-educated population, high-achieving public schools, affordable public colleges and universities, citizens who vote and raise children in stable homes and a well-managed state government with strong bond ratings and low-taxes.” **North Dakota ranked second in the aggregate Camelot Index ranking of all states!**

Comments or Questions?  
Contact

Pam Sharp, Director  
Phone: 701-328-4904  
Fax : 701-328-3230  
E-mail:

[sfranklin@nd.gov](mailto:sfranklin@nd.gov)

Visit the North Dakota web site at

[www.nd.gov](http://www.nd.gov)

## OIL ACTIVITY

Average oil production in March continued to climb. March production averaged over 105,000 barrels per day, up from February average production of just over 103,000 barrels per day. Drilling permit activity continued strong, but slowed to 21 new drilling permits issued in March compared to 49 new permits issued in February, 55 in January. The current rig count is 39 rigs, compared to 20 rigs operating one year ago.

The average price for North Dakota crude continues well above forecasted prices and is currently around \$63 per barrel, up significantly from average prices around \$54 per barrel in February and March. However, due to limited pipeline capacity and the resulting difficulty transporting North Dakota crude to available refineries, some North Dakota producers have seen their oil discounted by more than \$20 per barrel. The Governor is working with industry officials and the governors in Montana and Wyoming to resolve this issue, increase pipeline capacity, and ensure that North Dakota producers receive an equitable price for North Dakota crude.



**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2005-07 BIENNIUM**  
**April 2006**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005 Leg. Forecast	Actual	Variance	Percent	March 2005 Leg. Forecast	Actual	Variance	Percent
Sales Tax	24,544,000	27,209,960	2,665,960	10.9%	302,162,000	326,997,819	24,835,819	8.2%
Motor Vehicle Excise Tax	5,896,000	5,296,559	(599,441)	-10.2%	54,697,000	49,585,847	(5,111,153)	-9.3%
Individual Income Tax	54,733,000	69,818,384	15,085,384	27.6%	195,462,000	231,408,646	35,946,646	18.4%
Corporate Income Tax	10,930,000	23,925,581	12,995,581	118.9%	31,143,000	86,109,962	54,966,962	176.5%
Insurance Premium Tax	300,000	208,670	(91,330)	-30.4%	23,844,000	19,609,016	(4,234,984)	-17.8%
Financial Institutions Tax	2,287,000	2,731,527	444,527	19.4%	2,503,000	3,631,085	1,128,085	45.1%
Oil & Gas Production Tax*	2,915,000	-	(2,915,000)	-100.0%	24,783,000	45,762,895	20,979,895	84.7%
Gaming Tax	500,000	629,542	129,542	25.9%	8,165,000	7,398,484	(766,516)	-9.4%
Lottery	-	-	-	-	-	-	-	-
Interest Income	282,000	1,454,980	1,172,980	416.0%	2,620,000	7,880,853	5,260,853	200.8%
Oil Extraction Tax*	2,140,000	-	(2,140,000)	-100.0%	22,513,000	25,237,105	2,724,105	12.1%
Cigarette & Tobacco Tax	1,410,000	1,699,688	289,688	20.5%	15,648,000	18,288,607	2,640,607	16.9%
Departmental Collections	1,415,000	1,005,097	(409,903)	-29.0%	20,206,000	21,600,694	1,394,694	6.9%
Wholesale Liquor Tax	475,000	547,749	72,749	15.3%	5,012,000	5,181,793	169,793	3.4%
Coal Conversion Tax	2,113,000	2,122,939	9,939	0.5%	20,327,000	20,320,851	(6,149)	0.0%
Mineral Leasing Fees	500,000	2,067,852	1,567,852	313.6%	2,750,000	6,538,478	3,788,478	137.8%
Bank of North Dakota-Transfer	-	-	-	-	-	-	-	-
State Mill & Elevator-Transfer	-	-	-	-	-	-	-	-
Gas Tax Admin-Transfer	175,000	175,000	-	0.0%	700,000	700,000	-	0.0%
Other Transfers	-	445	445	100.0%	30,000,000	30,114,149	114,149	0.4%
<b>Total Revenues and Transfers</b>	<b>110,615,000</b>	<b>138,893,970</b>	<b>28,278,970</b>	<b>25.6%</b>	<b>762,535,000</b>	<b>906,366,285</b>	<b>143,831,285</b>	<b>18.9%</b>

\* Oil and gas production and extraction tax collections totaled \$7.5 million in April. Because the \$71.0 million statutory cap for the 2005-07 biennium has been attained, no additional oil tax collections will be deposited in the general fund during the 2005-07 biennium. Through April, oil tax collections totaling \$13.9 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
*Compared to the Previous Biennium Revenues*  
**2005-07 BIENNIUM**  
**April 2006**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	April 2004	April 2006	Variance	Percent	2003-05	2005-07	Variance	Percent
Sales Tax	28,499,947	27,209,960	(1,289,987)	-4.5%	285,369,113	326,997,819	41,628,706	14.6%
Motor Vehicle Excise Tax	5,753,844	5,296,559	(457,285)	-7.9%	52,575,830	49,585,847	(2,989,982)	-5.7%
Individual Income Tax	61,972,429	69,818,384	7,845,955	12.7%	196,716,230	231,408,646	34,692,416	17.6%
Corporate Income Tax	6,901,619	23,925,581	17,023,961	246.7%	30,097,669	86,109,962	56,012,293	186.1%
Insurance Premium Tax	85,671	208,670	122,999	143.6%	21,774,883	19,609,016	(2,165,867)	-9.9%
Financial Institutions Tax	2,137,536	2,731,527	593,991	27.8%	2,639,603	3,631,085	991,483	37.6%
Oil & Gas Production Tax*	2,992,108	-	(2,992,108)	-100.0%	22,056,734	45,762,895	23,706,161	107.5%
Gaming Tax	1,154,027	629,542	(524,486)	-45.4%	9,610,449	7,398,483	(2,211,966)	-23.0%
Lottery	-	-	-	-	-	-	-	-
Interest Income	70,090	1,454,980	1,384,889	1975.9%	726,129	7,880,853	7,154,724	985.3%
Oil Extraction Tax*	1,436,197	-	(1,436,197)	-100.0%	12,368,975	25,237,105	12,868,130	104.0%
Cigarette & Tobacco Tax	1,608,952	1,699,688	90,736	5.6%	16,809,122	18,288,608	1,479,486	8.8%
Departmental Collections	1,386,559	1,005,097	(381,462)	-27.5%	78,609,139	21,600,693	(57,008,446)	-72.5%
Wholesale Liquor Tax	513,930	547,749	33,819	6.6%	4,900,678	5,181,793	281,115	5.7%
Coal Conversion Tax	2,131,165	2,122,939	(8,226)	-0.4%	20,374,280	20,320,851	(53,429)	-0.3%
Mineral Leasing Fees	455,998	2,067,852	1,611,854	353.5%	2,891,475	6,538,478	3,647,003	126.1%
Bank of North Dakota-Transfer	-	-	-	-	-	-	-	-
State Mill & Elevator-Transfer	-	-	-	-	-	-	-	-
Gas Tax Admin-Transfer	174,525	175,000	475	0.3%	698,100	700,000	1,900	0.3%
Other Transfers	5,036,801	445	(5,036,356)	-100.0%	25,004,267	30,114,149	5,109,882	20.4%
<b>Total Revenues and Transfers</b>	<b>122,311,398</b>	<b>138,893,970</b>	<b>16,582,572</b>	<b>13.6%</b>	<b>783,222,677</b>	<b>906,366,285</b>	<b>123,143,608</b>	<b>15.7%</b>

\* Oil and gas production and extraction tax collections totaled \$7.5 million in April. Because the \$71.0 million statutory cap for the 2005-07 biennium has been attained, no additional oil tax collections will be deposited in the general fund during the 2005-07 biennium. Through April, oil tax collections totaling \$13.9 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

## Revenue Variances

Overall revenue collections for the month of April exceeded the forecast by \$28.3 million, or 25.6%, bringing biennium to date collections to \$906.4 million, \$143.8 million more than estimated. In comparison to the 2003-05 biennium, 2005-07 biennium revenues have been 15.7 percent higher. Notable variances are as follows:

Sales tax collections exceeded projections for the month by \$2.7 million; biennium to date collections exceed projections by \$24.8 million, or 8.2 percent. Biennium to date collections exceed the previous biennium collections by \$41.6 million.

As has been the case in every month since September 2005, motor vehicle excise tax collections fell short of projections. Monthly collections fell short of the forecast by nearly \$600,000; the biennium to date variance is \$5.1 million. High fuel prices are a likely contributor to flat or declining automobile sales. Consumer demand for smaller, more fuel efficient vehicles, many of which are lower priced, could be contributing to the decline in gross sales volume.

Individual income tax collections exceeded the monthly projection by \$15.1 million, or 27.6 percent. The biennium to date variance is \$35.9 million.

Corporate income tax collections continue to exceed the legislative forecast by a wide margin -- \$13.0 million for the month, \$55.0 million for the biennium.

Oil and gas taxes for the month are shown as \$0, resulting in a negative variance for the month. This is a result of North Dakota Century Code Section 57-51.1-07.2, which 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. The general fund cap was reached during March and all March collections received after reaching the \$71.0 million cap and all remaining collections during the 2005-07 biennium will be reflected as revenue for the permanent oil tax trust fund, rather than the general fund.

The legislative forecast assumed a much lower oil price and production level than we have experienced, which would have resulted in the \$71.0 million cap being reached in December 2006. Consequently, negative monthly variances will appear each month through December 2006, even though total oil tax collections for the state far exceed the forecast. Through April, \$13.9 million of oil tax collections have been deposited in the permanent oil tax trust fund.

Cigarette and tobacco taxes continue to exceed the forecast. February collections exceeded the forecast by nearly \$290,000. Biennium to date collections exceed the forecast by over \$2.6 million. This appears, in part, to be a result of cross-border buying by Minnesota residents avoiding the comparatively higher cigarette and tobacco tax rates in their home state.

OFFICE OF MANAGEMENT AND BUDGET  
600 EAST BOULEVARD AVE — DEPT. 110  
BISMARCK, ND 58505-0400  
<http://www.nd.gov/fiscal> or [www.nd.gov/omb](http://www.nd.gov/omb)