

North Dakota REV-E-NEWS



Pam Sharp, Director

February 2007

OFFICE OF MANAGEMENT AND BUDGET
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MESSAGE FROM THE DIRECTOR

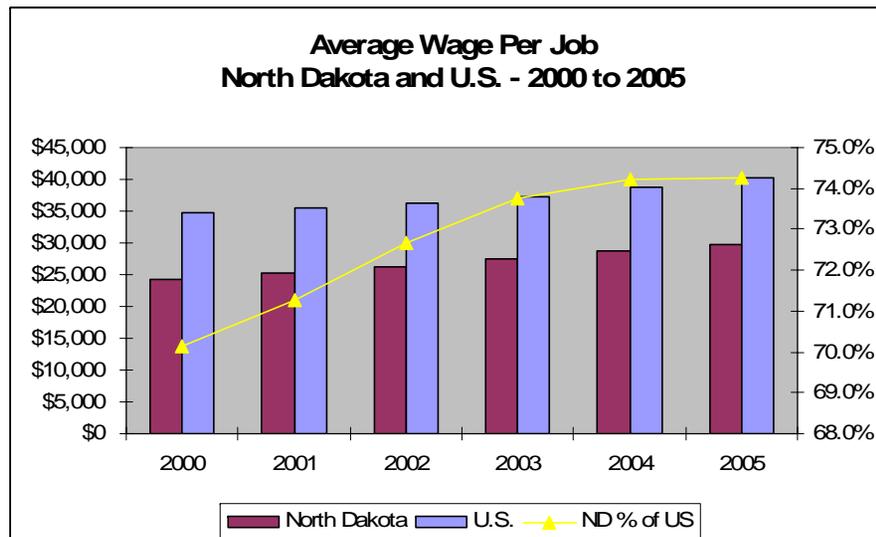
North Dakota's Economic Growth Reflected in Labor Market Data!

Low unemployment, growing employment, and increasing wages are all signs of the strength and diversity of the North Dakota economy. Job Service North Dakota data shows that the number of employed persons in North Dakota grew by over 1,100 from November to December 2006, reducing the state's already low unemployment rate of 3.3 percent to an even lower 3.2 percent. This rate is significantly lower than the national unemployment rate of 4.5 percent.

The North Dakota State Data Center, in a February 2007 *Population Bulletin* reported infor-

mation showing the average wage per job in North Dakota, surrounding states, and the nation. In North Dakota, the average wage per job in 2005 was \$29,818, an increase of 3.6 percent over the previous year and an average annual increase of 4.0 percent since 1998. By comparison, average wages were \$29,139 in Montana, \$28,951 in South Dakota, and \$39,957 in Minnesota.

Although the average wage in North Dakota continues to lag the national average, that gap is narrowing, as shown on the following chart.



OIL ACTIVITY

The price of crude in North Dakota continues to fluctuate around the \$50 per barrel mark. November prices averaged \$51 per barrel; December prices averaged \$54 per barrel. Production has increased dramatically in the past year and continues at well over 110,000 barrels per day. Production has averaged over 113,000 barrels per day in September and October, over 115,000 barrels per day in November, and slightly over 114,400 barrels per day in December. Drilling permit activity continues at a high level with 46 permits issued in November and 42 permits issued in December. The current rig count is 38 rigs, compared to 34 rigs operating one year ago.



Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2005-07 BIENNIUM
January 2007

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2005 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2005 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	42,103,000	53,960,032	11,857,032	28.2%	601,683,000	665,798,501	64,115,501	10.7%
Motor Vehicle Excise Tax	5,702,000	5,202,096	(499,904)	-8.8%	106,718,000	97,590,588	(9,127,412)	-8.6%
Individual Income Tax	34,269,000	51,626,304	17,357,304	50.7%	352,303,000	439,590,574	87,287,574	24.8%
Corporate Income Tax	3,382,000	6,231,941	2,849,941	84.3%	54,497,000	164,931,795	110,434,795	202.6%
Insurance Premium Tax	200,000	9,633	(190,367)	-95.2%	43,594,000	36,075,567	(7,518,433)	-17.2%
Financial Institutions Tax	78,000	129,895	51,895	66.5%	2,661,000	4,397,944	1,736,944	65.3%
Oil & Gas Production Tax*					39,838,800	45,970,447	6,131,647	15.4%
Gaming Tax	900,000	863,938	(36,062)	-4.0%	16,130,000	14,123,604	(2,006,396)	-12.4%
Lottery					5,000,000	6,300,000	1,300,000	26.0%
Interest Income	314,000	1,801,794	1,487,794	473.8%	6,982,000	23,125,478	16,143,478	231.2%
Oil Extraction Tax*					31,161,200	25,029,553	(6,131,647)	-19.7%
Cigarette & Tobacco Tax	1,357,000	1,916,360	559,360	41.2%	29,865,000	35,803,477	5,938,477	19.9%
Departmental Collections	4,867,000	5,674,903	807,903	16.6%	38,624,021	41,924,358	3,300,337	8.5%
Wholesale Liquor Tax	547,000	558,249	11,249	2.1%	9,843,000	10,215,214	372,214	3.8%
Coal Conversion Tax	2,156,000	2,218,591	62,591	2.9%	39,142,000	39,638,439	496,439	1.3%
Mineral Leasing Fees	500,000	1,166,348	666,348	133.3%	5,075,000	12,404,744	7,329,744	144.4%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	175,000	175,000		0.0%	1,225,000	1,225,000		0.0%
Other Transfers		979	979	100.0%	72,750,000	72,973,907.46	223,907	0.3%
Total Revenues and Transfers	96,550,000	131,536,063	34,986,063	36.2%	1,487,092,021	1,767,119,192	280,027,171	18.8%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2005-07 BIENNIUM
January 2007

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	January <u>2005</u>	January <u>2007</u>	<u>Variance</u>	<u>Percent</u>	<u>2003-05</u>	<u>2005-07</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	42,994,851	53,960,032	10,965,181	25.5%	568,869,917	665,798,501	96,928,584	17.0%
Motor Vehicle Excise Tax	5,180,431	5,202,096	21,665	0.4%	101,917,089	97,590,588	(4,326,501)	-4.2%
Individual Income Tax	34,394,854	51,626,304	17,231,450	50.1%	340,094,342	439,590,574	99,496,231	29.3%
Corporate Income Tax	3,854,877	6,231,941	2,377,064	61.7%	61,669,002	164,931,795	103,262,792	167.4%
Insurance Premium Tax	19,701	9,633	(10,069)	-51.1%	39,266,769	36,075,567	(3,191,201)	-8.1%
Financial Institutions Tax	163,543	129,895	(33,648)	-20.6%	2,177,790	4,397,944	2,220,154	101.9%
Oil & Gas Production Tax*					45,534,044	45,970,447	436,402	1.0%
Gaming Tax	694,089	863,938	169,849	24.5%	16,444,578	14,123,604	(2,320,974)	-14.1%
Lottery					1,432,434	6,300,000	4,867,566	339.8%
Interest Income	143,828	1,801,794	1,657,966	1152.7%	3,700,971	23,125,478	19,424,507	524.8%
Oil Extraction Tax*					25,465,956	25,029,553	(436,402)	-1.7%
Cigarette & Tobacco Tax	1,749,532	1,916,360	166,828	9.5%	31,761,193	35,803,477	4,042,284	12.7%
Departmental Collections	6,462,078	5,674,903	(787,175)	-12.2%	102,151,962	41,924,358	(60,227,604)	-59.0%
Wholesale Liquor Tax	543,042	558,249	15,207	2.8%	9,555,493	10,215,214	659,722	6.9%
Coal Conversion Tax	2,058,023	2,218,591	160,569	7.8%	38,095,181	39,638,439	1,543,259	4.1%
Mineral Leasing Fees	691,727	1,166,348	474,621	68.6%	6,265,722	12,404,744	6,139,022	98.0%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	174,525	175,000		0.0%	1,221,675	1,225,000	3,325	0.3%
Other Transfers	17,778,720	979	(17,777,740)	-100.0%	87,361,945	72,973,907	(14,388,037)	-16.5%
Total Revenues and Transfers	116,903,822	131,536,063	14,631,767	12.5%	1,512,986,062	1,767,119,192	254,133,130	16.8%

Revenue Variances

Overall, revenue collections for the month of January exceeded the March 2005 legislative forecast by \$35.0 million. Biennium to date collections exceed the forecast by \$280.0 million, or 18.8 percent. Notable variances in January are as follows:

Compared to the February 2007 forecast, January collections were approximately \$5.4 million higher than anticipated.

Sales tax collections exceeded the legislative forecast by \$11.9 million, or 28.2 percent. Biennium to date collections exceed the forecast by \$64.1 million and exceed the previous biennium collections by \$97.0 million, or 17.0 percent.

Motor vehicle excise tax collections again fell short of projections. The shortfall is \$500,000 for the month and \$9.1 million for the biennium. 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 legislative forecast by \$17.4 million; biennium to date collections exceed the forecast by \$87.3 million. Compared to the same time period during the 2003-05 biennium, current biennium collections have grown by \$99.5 million, or 29.3 percent.

Corporate income tax collections exceeded the forecast by \$2.8 million for the month and \$110.4 million for the biennium.

Oil and gas collections for the month were \$11.0 million. However, 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. The general fund cap was reached in March 2006 and all March collections received after reaching the \$71.0 million cap and all remaining collections during the 2005-07 biennium will be revenue for the permanent oil tax trust fund, rather than the general fund. Through January, \$112.3 million of oil tax collections have been deposited in the permanent oil tax trust fund.

Cigarette and tobacco tax collections continue to exceed the legislative forecast - \$560,000 for the month and \$5.9 million for the biennium. 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.

Mineral leasing fees, driven by increased oil and gas exploration and production activity, exceed the legislative forecast by over \$600,000 for the month and \$7.3 million for the biennium.

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