

# 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

The April 2007 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.

As stated in the report: "The top ranked states for each of the performance categories are Washington (healthy economy), Hawaii (healthy people), **North Dakota** (crime-free and prudent state government), Iowa (educated population), and Idaho (healthy society)."

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 for the second year in a row!**

## OIL ACTIVITY

The price of North Dakota crude continues to rise. January prices averaged \$46 per barrel, February prices \$51 per barrel, and March prices \$52 per barrel. The current price is around \$60 per barrel. Production continues strong and increased in March to over 117,300 barrels per day, an increase of nearly 1,000 barrels per day from the previous month. Production averaged 114,800 barrels per day in January and 116,500 barrels per day in February. Drilling permit activity has declined from 33 permits issued in February to 25 permits issued in March. The current rig count is 37 rigs, two rigs fewer than the number operating in the state 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**  
**April 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	30,238,000	32,266,569	2,028,569	6.7%	689,936,000	757,756,322	67,820,322	9.8%
Motor Vehicle Excise Tax	6,032,000	6,228,196	196,196	3.3%	123,250,000	113,341,425	(9,908,575)	-8.0%
Individual Income Tax	57,048,000	98,729,592	41,681,592	73.1%	431,093,000	556,850,767	125,757,767	29.2%
Corporate Income Tax	10,969,000	25,555,671	14,586,671	133.0%	73,088,000	207,215,947	134,127,947	183.5%
Insurance Premium Tax	200,000	139,197	(60,803)	-30.4%	55,937,000	45,138,903	(10,798,097)	-19.3%
Financial Institutions Tax	2,287,000	3,436,578	1,149,578	50.3%	5,086,000	9,136,058	4,050,058	79.6%
Oil & Gas Production Tax*					39,838,800	45,970,447	6,131,647	15.4%
Gaming Tax	500,000	769,214	269,214	53.8%	18,230,000	16,178,440	(2,051,560)	-11.3%
Lottery					5,000,000	6,300,000	1,300,000	26.0%
Interest Income	314,000	1,518,277	1,204,277	383.5%	7,924,000	28,837,874	20,913,874	263.9%
Oil Extraction Tax*					31,161,200	25,029,553	(6,131,647)	-19.7%
Cigarette & Tobacco Tax	1,375,000	1,584,207	209,207	15.2%	34,068,000	40,728,348	6,660,348	19.6%
Departmental Collections	1,670,000	1,708,322	38,322	2.3%	44,478,021	48,440,617	3,962,596	8.9%
Wholesale Liquor Tax	484,000	548,397	64,397	13.3%	11,198,000	11,685,071	487,071	4.3%
Coal Conversion Tax	2,155,000	2,135,838	(19,162)	-0.9%	44,740,000	45,393,173	653,173	1.5%
Mineral Leasing Fees	450,000	1,116,708	666,708	148.2%	5,758,333	13,332,165	7,573,832	131.5%
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%	1,400,000	1,400,000		0.0%
Other Transfers		13,750	13,750		72,750,000	73,034,670	284,670	0.4%
<b>Total Revenues and Transfers</b>	<b>113,897,000</b>	<b>175,925,516</b>	<b>62,028,516</b>	<b>54.5%</b>	<b>1,724,936,354</b>	<b>2,075,769,779</b>	<b>350,833,425</b>	<b>20.3%</b>

\* Oil and gas production and extraction tax collections totaled \$11.8 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 \$143.8 million have been deposited in 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 2007**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	April <u>2005</u>	April <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	26,102,362	32,266,569	6,164,207	23.6%	650,714,209	757,756,322	107,042,113	16.4%
Motor Vehicle Excise Tax	5,567,985	6,228,196	660,210	11.9%	116,617,893	113,341,425	(3,276,469)	-2.8%
Individual Income Tax	57,254,818	98,729,592	41,474,774	72.4%	419,172,202	556,850,767	137,678,565	32.8%
Corporate Income Tax	17,442,422	25,555,671	8,113,249	46.5%	89,040,554	207,215,947	118,175,393	132.7%
Insurance Premium Tax	(239,550)	139,197	378,747	-158.1%	49,760,498	45,138,903	(4,621,595)	-9.3%
Financial Institutions Tax	1,705,940	3,436,578	1,730,638	101.4%	4,712,826	9,136,058	4,423,232	93.9%
Oil & Gas Production Tax*					45,534,044	45,970,447	436,402	1.0%
Gaming Tax	994,826	769,214	(225,612)	-22.7%	19,104,690	16,178,440	(2,926,250)	-15.3%
Lottery					1,432,434	6,300,000	4,867,566	339.8%
Interest Income	412,229	1,518,277	1,106,048	268.3%	4,579,173	28,837,874	24,258,701	529.8%
Oil Extraction Tax*					25,465,956	25,029,553	(436,402)	-1.7%
Cigarette & Tobacco Tax	1,519,668	1,584,207	64,539	4.2%	36,217,656	40,728,348	4,510,692	12.5%
Departmental Collections	1,326,582	1,708,322	381,739	28.8%	106,975,773	48,440,617	(58,535,156)	-54.7%
Wholesale Liquor Tax	526,242	548,397	22,155	4.2%	10,863,549	11,685,071	821,522	7.6%
Coal Conversion Tax	2,138,838	2,135,838	(3,000)	-0.1%	43,272,140	45,393,173	2,121,033	4.9%
Mineral Leasing Fees	557,568	1,116,708	559,140	100.3%	7,690,759	13,332,165	5,641,405	73.4%
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	475	0.3%	1,396,200	1,400,000	3,800	0.3%
Other Transfers	3,165	13,750	10,585	334.4%	87,370,056	73,034,670	(14,335,387)	-16.4%
<b>Total Revenues and Transfers</b>	<b>115,487,621</b>	<b>175,925,516</b>	<b>60,437,895</b>	<b>52.3%</b>	<b>1,749,920,613</b>	<b>2,075,769,779</b>	<b>325,849,167</b>	<b>18.6%</b>

\* Oil and gas production and extraction tax collections totaled \$11.8 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 \$143.8 million have been deposited in the permanent oil tax trust fund and are not reflected on this report.

## Revenue Variances

Compared to the February 2007 legislative forecast, April collections were over \$43.0 million higher than projected, resulting in a cumulative variance of \$48.7 million more than expected for the biennium to date.

Revenue collections for the month exceeded the original March 2005 legislative forecast by \$62.0 million. Biennium to date collections exceed that forecast by \$350.8 million, or 20.3 percent. Notable April variances in relation to the original 2005 legislative forecast are as follows:

Sales tax collections exceeded the forecast by \$2.0 million, or 6.7 percent, continuing the trend of strong sales tax collections that has been a significant contributor to the state's revenue surplus. Biennium to date collections exceed the forecast by \$67.8 million, or 9.8 percent. Current biennium collections exceed the previous biennium by \$107.0 million, or 16.4 percent.

Motor vehicle excise tax collections nearly matched projections for the month, but are still \$9.9 million short of the forecast 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 were the most significant contributor to the month's sizeable variance. Collections for the month exceeded the forecast by \$41.7 million. Biennium to

date collections exceed the forecast by \$125.8 million. Compared to the same time period during the 2003-05 biennium, current biennium collections have grown by \$137.7 million, or 32.8 percent. It appears that a portion of this variance is attributable to timing. May collections will likely be less than anticipated in the most recent forecast.

Corporate income tax collections exceed the forecast by \$14.6 million for the month and \$134.1 million for the biennium.

Oil and gas collections for the month were \$11.8 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 March, \$143.8 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 -- by \$209,000 for the month and \$6.7 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.

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