

North Dakota REV-E-NEWS



Pam Sharp, Director

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OFFICE OF MANAGEMENT AND BUDGET
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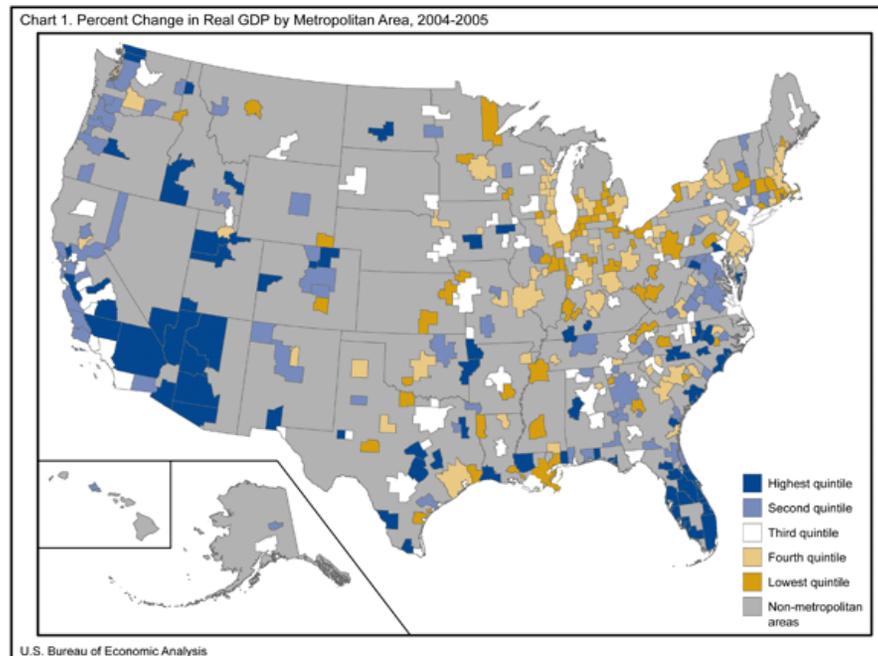
MESSAGE FROM THE DIRECTOR

BEA DATA SHOWS GROWING ECONOMIES IN NORTH DAKOTA'S METROPOLITAN AREAS!

The Bureau of Economic Analysis (BEA) recently released a new measure of economic output – gross domestic product (GDP) by metropolitan area. As explained in a September BEA news release announcing the new measure, “GDP by metropolitan area is the measure of the market value of final goods and services produced within a metropolitan area in a particular period of time. GDP is BEA’s preferred and most comprehensive measure of economic activity. Metropolitan (statistical) areas, defined by the U.S. Office of Management and Budget, are standardized county-based areas having at least one urbanized area of 50,000 or more population...”

The BEA analysis groups metropolitan areas into five categories, or quintiles, based on percentage growth in GDP from 2004 to 2005. North Dakota has three metropolitan areas: Bismarck, Fargo, and Grand Forks. Based on the BEA analysis, the three North Dakota metro areas, when viewed nationally, ranked in the first, second, and third quintile, respectively for GDP growth. In fact, North Dakota’s capital city is

the only metropolitan area ranked in the first quintile among metropolitan areas in the surrounding states of Minnesota, Wisconsin, South Dakota, Nebraska, Kansas, Wyoming, and Montana. The following chart depicts the percent change in GDP of all metropolitan areas included in the BEA analysis:



OIL ACTIVITY

The price of North Dakota crude continues well above the forecasted price. July prices averaged \$68 per barrel, August prices \$65 per barrel, and September prices \$71 per barrel. The legislative forecast assumed September prices would average \$47 per barrel. The current price is over \$84 per barrel. The forecast assumed September production of 115,000 barrels per day. Actual production continues to grow and increased in September to nearly 127,000 barrels per day. August production averaged 124,200 barrels per day. July production averaged 123,600 barrels per day. Drilling permit activity declined slightly in with 47 permits issued in September compared to 56 in August. The number of producing wells increased slightly in September to 3,810 compared to 3,767 in August and 3,759 in July. The current rig count is 50 rigs, 5 more than were 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
2007-09 BIENNIUM
October 2007

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	April 2007 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	April 2007 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	46,313,000	52,286,536	5,973,536	12.9%	145,036,000	164,461,778	19,425,778	13.4%
Motor Vehicle Excise Tax	4,974,000	6,130,291	1,156,291	23.2%	20,210,000	22,637,804	2,427,804	12.0%
Individual Income Tax	20,312,000	27,990,284	7,678,284	37.8%	73,737,000	85,955,514	12,218,514	16.6%
Corporate Income Tax	8,317,000	11,030,704	2,713,704	32.6%	8,317,000	12,404,913	4,087,913	49.2%
Insurance Premium Tax	67,889	64,017	(3,872)	-5.7%	4,644,783	4,138,242	(506,541)	-10.9%
Financial Institutions Tax		(193,494)	(193,494)	-100.0%		91,046	91,046	100.0%
Oil & Gas Production Tax	5,357,000	9,144,101	3,787,101	70.7%	20,246,000	33,438,401	13,192,401	65.2%
Oil Extraction Tax	4,910,000	7,699,889	2,789,889	56.8%	17,756,000	26,742,352	8,986,352	50.6%
Gaming Tax	850,080	918,467	68,387	8.0%	2,988,160	2,879,220	(108,940)	-3.6%
Lottery								
Cigarette & Tobacco Tax	2,080,000	1,810,118	(269,882)	-13.0%	8,613,000	7,938,841	(674,159)	-7.8%
Wholesale Liquor Tax	546,000	528,523	(17,477)	-3.2%	2,218,000	2,349,612	131,612	5.9%
Coal Conversion Tax	1,962,000	2,041,476	79,476	4.1%	8,375,000	8,534,389	159,389	1.9%
Mineral Leasing Fees	1,100,000	2,283,309	1,183,309	107.6%	2,750,000	3,189,269	439,269	16.0%
Departmental Collections	1,554,000	1,694,353	140,353	9.0%	7,555,000	9,243,461	1,688,461	22.3%
Interest Income	1,375,000	2,417,464	1,042,464	75.8%	4,710,000	7,473,039	2,763,039	58.7%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer	115,000,000	115,000,000		0.0%	115,000,000	115,000,000		0.0%
Other Transfers	159,257	159,257		0.0%	318,514	350,713	32,199	10.1%
Total Revenues and Transfers	214,877,226	241,005,295	26,128,069	12.2%	442,474,457	506,828,593	64,354,136	14.5%

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Previous Biennium Revenues
2007-09 BIENNIUM
October 2007

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	October <u>2005</u>	October <u>2007</u>	<u>Variance</u>	<u>Percent</u>	<u>2005-07</u>	<u>2007-09</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	38,047,378	52,286,536	14,239,158	37.4%	134,693,254	164,461,778	29,768,523	22.1%
Motor Vehicle Excise Tax	4,924,718	6,130,291	1,205,573	24.5%	22,451,819	22,637,804	185,986	0.8%
Individual Income Tax	23,121,024	27,990,284	4,869,260	21.1%	77,045,647	85,955,514	8,909,867	11.6%
Corporate Income Tax	14,519,315	11,030,704	(3,488,611)	-24.0%	21,692,531	12,404,913	(9,287,618)	-42.8%
Insurance Premium Tax	213,025	64,017	(149,007)	-69.9%	2,538,210	4,138,242	1,600,031	63.0%
Financial Institutions Tax	38,634	(193,494)	(232,129)	-600.8%	53,784	91,046	37,261	69.3%
Oil & Gas Production Tax	5,831,287	9,144,101	3,312,814	56.8%	20,506,149	33,438,401	12,932,252	63.1%
Oil Extraction Tax	3,213,808	7,699,889	4,486,081	139.6%	11,617,750	26,742,352	15,124,602	130.2%
Gaming Tax	761,638	918,467	156,829	20.6%	3,136,562	2,879,220	(257,341)	-8.2%
Lottery								
Cigarette & Tobacco Tax	1,866,496	1,810,118	(56,378)	-3.0%	7,642,272	7,938,841	296,569	3.9%
Wholesale Liquor Tax	440,586	528,523	87,937	20.0%	2,172,411	2,349,612	177,201	8.2%
Coal Conversion Tax	2,081,351	2,041,476	(39,875)	-1.9%	8,441,413	8,534,389	92,976	1.1%
Mineral Leasing Fees	1,451,764	2,283,309	831,545	57.3%	2,167,637	3,189,269	1,021,632	47.1%
Departmental Collections	1,512,453	1,694,353	181,900	12.0%	5,054,938	9,243,461	4,188,523	82.9%
Interest Income	764,017	2,417,464	1,653,447	216.4%	2,298,100	7,473,039	5,174,939	225.2%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil Tax Trust Fund-Transfer		115,000,000	115,000,000	100.0%	30,000,000	115,000,000	85,000,000	283.3%
Other Transfers	220,190	159,257	(60,933)	-27.7%	470,120	350,713	(119,407)	-25.4%
Total Revenues and Transfers	99,007,683	241,005,295	141,997,612	143.4%	351,982,596	506,828,593	154,845,997	44.0%

VARIANCES

October revenues are \$26.1 million, or 12.2 percent, higher than projected. However, it should be noted that \$6.6 million of this variance is attributable to oil taxes. Pursuant to NDCC 57-51.1-07.2, the general fund share of oil taxes is limited to \$71.0 million during the 2007-09 biennium. Consequently, excess oil taxes, which total \$6.6 million for the month and \$22.2 million for the biennium, only accelerate the time frame during which the general fund cap will be reached. The result will be additional deposits into the permanent oil tax trust fund, the fund established to receive oil tax collections in excess of \$71.0 million. Notable variances for the month are as follows:

- **Sales tax** collections for the month of October exceed the forecast by \$6.0 million, or 12.9 percent, indicative of the strong North Dakota economy and high consumer confidence. Compared to the same month two years ago, October 2007 collections were 37.4 percent higher.
- **Motor vehicle excise tax** collections were \$1.2 million higher than anticipated. Collections for the biennium to date exceed the forecast by \$2.4 million, and are nearly equal to collections during the same time period of the 2005-07 biennium.
- **Individual income tax** collections exceed the forecast by over \$7.7 million for the month and \$12.2 million for the biennium. This variance is primarily attributable to growth in individual income tax withholding, which in turn indicates growth in North Dakota wages.
- **Corporate income tax** collections for the month exceed the forecast by \$2.7 million, or 32.6 percent. Corporations that requested extensions to file 2006 tax year returns filed those returns in October. The fact that collections were higher than anticipated indicates strong profitability for major corporations in the state.
- **Oil and gas tax** collections for the month were \$16.8 million, \$6.6 million more than anticipated and \$7.8 million more than October 2005. The current price is over \$84 per barrel and September production averaged nearly 127,000 barrels per day.
- **Mineral leasing fees**, also reflective of the surge in oil activity in the state, exceed the forecast by \$1.2 million for the month and exceed October 2005 collections by over \$800,000.