

# North Dakota REV-E-NEWS



**Pam Sharp, Director**

**December 2007**

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

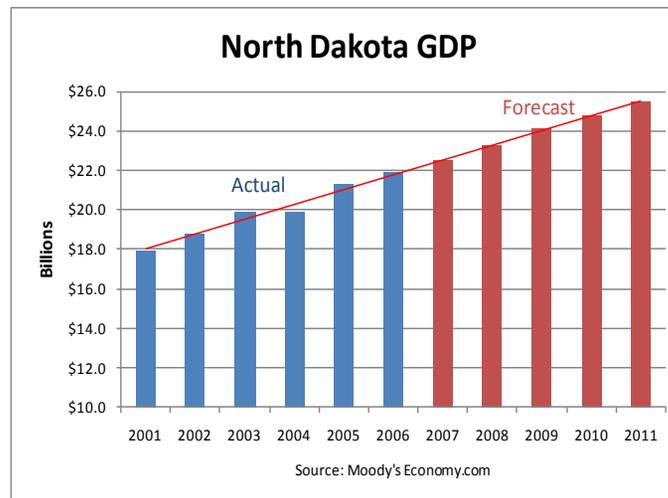
## MESSAGE FROM THE DIRECTOR

Gross domestic product by state is a comprehensive measure of economic output. The U.S. Bureau of Economic Analysis (BEA) offers varied definitions of this widely used measure:

- GDP by state is “the state counterpart of the Nation’s gross domestic product (GDP), the Bureau’s featured and most comprehensive measure of U.S. economic activity.”
- GDP is calculated as the “sum of incomes earned by labor and capital and the costs incurred in the production of goods and services.”
- GDP “includes the wages and salaries that workers earn, the income earned by individual and joint entrepreneurs as well as by corporations, and business taxes such as sales, property, and Federal excise taxes that count as a business expense.”
- “GDP is calculated as the sum of what consumers, businesses, and government spend on final goods and services, plus investment and net foreign trade.”

Although complex, these definitions give an indication as to why the GDP is so widely used and relied upon – it provides a comprehensive measure of economic activity, both at the state and national level.

Moody’s Economy.com, the state’s economic forecasting consultant, recently published an updated analysis of the North Dakota economy in its October 2007 State Précis publication, which contains historical and projected data regarding the North Dakota GDP. Moody’s reported that the state’s GDP grew from \$17.9 billion in 2001 to \$21.9 billion in 2006, an increase of 22.3%. From 2006 to 2011, GDP is expected to continue strong, although somewhat slower, growth to \$25.5 billion, an increase of 16.4%. Actual and projected North Dakota GDP is shown on the following table:



## OIL ACTIVITY

The price of North Dakota crude continues well above the forecasted price. August prices averaged \$65 per barrel, September prices \$71 per barrel, and October prices nearly \$77 per barrel. The legislative forecast assumed October prices would average \$47 per barrel. The current price is over \$81 per barrel. The forecast assumed October production of 115,000 barrels per day. Actual production continues to grow and increased in October to over 129,000 barrels per day. September production was slightly over 127,000 barrels per day; August production averaged 124,200 barrels per day. Drilling permit activity increased in October with 65 permits issued compared to 47 in September. The number of producing wells increased slightly in October to 3,827, compared to 3,810 in September and 3,767 in August. The current rig count is 51 rigs, 9 more than were operating in the state one year ago.



Comments or Questions?

Contact

Pam Sharp, Director

Phone: 701-328-2680

Fax: 701-328-3230

E-mail:

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

Visit the North Dakota web site

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

## STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2007-09 BIENNIUM November 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	42,760,000	41,359,087	(1,400,913)	-3.3%	187,796,000	205,820,865	18,024,865	9.6%
Motor Vehicle Excise Tax	3,897,000	4,509,133	612,133	15.7%	24,107,000	27,146,937	3,039,937	12.6%
Individual Income Tax	7,097,000	7,406,723	309,723	4.4%	80,834,000	93,362,237	12,528,237	15.5%
Corporate Income Tax	2,138,000	3,374,738	1,236,738	57.8%	10,455,000	15,779,651	5,324,651	50.9%
Insurance Premium Tax	4,809,277	6,653,880	1,844,603	38.4%	9,454,060	10,792,122	1,338,062	14.2%
Financial Institutions Tax		197,183	197,183	100.0%		288,228	288,228	100.0%
Oil & Gas Production Tax*	5,504,000	5,870,915	366,915	6.7%	25,750,000	39,309,315	13,559,315	52.7%
Oil Extraction Tax*	4,501,000	4,948,333	447,333	9.9%	22,257,000	31,690,685	9,433,685	42.4%
Gaming Tax	1,442,560	1,463,961	21,401	1.5%	4,430,720	4,343,182	(87,539)	-2.0%
Lottery								
Cigarette & Tobacco Tax	1,935,000	1,965,725	30,725	1.6%	10,548,000	9,904,566	(643,434)	-6.1%
Wholesale Liquor Tax	505,000	689,345	184,345	36.5%	2,723,000	3,038,957	315,957	11.6%
Coal Conversion Tax	1,987,000	2,049,615	62,615	3.2%	10,362,000	10,584,003	222,003	2.1%
Mineral Leasing Fees	1,100,000	1,933,465	833,465	75.8%	3,850,000	5,122,734	1,272,734	33.1%
Departmental Collections	1,919,000	1,792,253	(126,747)	-6.6%	9,474,000	11,035,714	1,561,714	16.5%
Interest Income	1,375,000	2,412,841	1,037,841	75.5%	6,085,000	9,885,880	3,800,880	62.5%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					115,000,000	115,000,000		0.0%
Other Transfers		3,781	3,781	100.0%	318,514	354,494	35,980	11.3%
<b>Total Revenues and Transfers</b>	<b>80,969,837</b>	<b>86,630,979</b>	<b>5,661,142</b>	<b>7.0%</b>	<b>523,444,294</b>	<b>593,459,571</b>	<b>70,015,277</b>	<b>13.4%</b>

\* Oil and gas production and extraction tax collections totaled \$19.0 million in November. Because the \$71.0 million statutory cap for the 2007-09 biennium has been attained, no additional oil tax collections will be deposited in the general fund during the 2007-09 biennium. Through November, oil tax collections totaling \$8.2 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 2007-09 BIENNIUM November 2007

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	November 2005	November 2007	Variance	Percent	2005-07	2007-09	Variance	Percent
Sales Tax	33,802,537	41,359,087	7,556,551	22.4%	168,495,791	205,820,865	37,325,074	22.2%
Motor Vehicle Excise Tax	3,985,466	4,509,133	523,667	13.1%	26,437,285	27,146,937	709,652	2.7%
Individual Income Tax	18,578,496	7,406,723	(11,171,773)	-60.1%	95,624,143	93,362,237	(2,261,906)	-2.4%
Corporate Income Tax	2,436,800	3,374,738	937,938	38.5%	24,129,332	15,779,651	(8,349,680)	-34.6%
Insurance Premium Tax	3,792,755	6,653,880	2,861,126	75.4%	6,330,965	10,792,122	4,461,157	70.5%
Financial Institutions Tax	(49,651)	197,183	246,834	-497.1%	4,133	288,228	284,095	6873.2%
Oil & Gas Production Tax*	6,056,953	5,870,915	(186,038)	-3.1%	26,563,101	39,309,315	12,746,214	48.0%
Oil Extraction Tax*	3,453,792	4,948,333	1,494,541	43.3%	15,071,541	31,690,685	16,619,143	110.3%
Gaming Tax	1,397,056	1,463,961	66,905	4.8%	4,533,618	4,343,182	(190,436)	-4.2%
Lottery								
Cigarette & Tobacco Tax	1,845,566	1,965,725	120,159	6.5%	9,487,838	9,904,566	416,728	4.4%
Wholesale Liquor Tax	565,864	689,345	123,481	21.8%	2,738,275	3,038,957	300,682	11.0%
Coal Conversion Tax	2,185,911	2,049,615	(136,296)	-6.2%	10,627,324	10,584,003	(43,320)	-0.4%
Mineral Leasing Fees	1,148,750	1,933,465	784,715	68.3%	3,316,386	5,122,734	1,806,348	54.5%
Departmental Collections	3,336,009	1,792,253	(1,543,756)	-46.3%	8,390,947	11,035,714	2,644,767	31.5%
Interest Income	656,359	2,412,841	1,756,482	267.6%	2,954,459	9,885,880	6,931,421	234.6%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil Tax Trust Fund-Transfer					30,000,000	115,000,000	85,000,000	283.3%
Other Transfers	(10,022)	3,781	13,803	-137.7%	460,099	354,494	(105,604)	-23.0%
<b>Total Revenues and Transfers</b>	<b>83,182,642</b>	<b>86,630,979</b>	<b>3,448,336</b>	<b>4.1%</b>	<b>435,165,238</b>	<b>593,459,571</b>	<b>158,294,333</b>	<b>36.4%</b>

\* Oil and gas production and extraction tax collections totaled \$19.0 million in November. Because the \$71.0 million statutory cap for the 2007-09 biennium has been attained, no additional oil tax collections will be deposited in the general fund during the 2007-09 biennium. Through November, oil tax collections totaling \$8.2 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

## VARIANCES

November revenues are \$5.7 million, or 7.0 percent, higher than projected. 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 and that cap was reached during the month of November. Consequently, oil taxes of \$8.2 million were deposited into the permanent oil tax trust fund and are not reflected in general fund revenues. Notable variances for the month are as follows:

- **Sales tax** collections for the month of November fell below forecast by slightly over 3.0 percent. However, for the biennium to date, collections exceed the forecast by over \$18.0 million, or 9.6 percent. Compared to the same month two years ago, November 2007 collections were 22.4 percent higher. The variance for the month of November is likely attributable to timing. October collections exceeded the forecast by nearly \$6.0 million.
- **Motor vehicle excise tax** collections continue to show strength in the wake of steady declines during the 2005-07 biennium. November collections were \$600,000 higher than anticipated. Collections for the biennium to date exceed the forecast by over \$3.0 million, and exceed 2005-07 biennium collections by over \$700,000.
- **Individual income tax** collections were slightly above the forecast for the month, but exceed the biennium to date forecast by a wide margin of 15.5 percent.
- **Corporate income tax** collections for the month exceed the forecast by \$1.2 million. Biennium to date collections are higher than forecast, but less than was collected during the same months of the 2005-07 biennium.
- **Insurance premium tax collections** have exceeded the forecast by over 38.0 percent for the month, the variance appears to be a result of timing. Biennium to date collections exceed the forecast by \$1.3 million.
- **Oil and gas tax** collections for the month were \$19.0 million, \$9.0 million more than anticipated and \$9.4 million more than November 2005. Of the \$19.0 million, \$10.8 million was deposited in the general fund and \$8.2 million in the permanent oil tax trust fund. The current price of North Dakota crude is over \$81 per barrel and October production averaged over 129,000 barrels per day.
- **Mineral leasing fees**, reflective of the surge in oil activity in the state, exceed the forecast by over \$800,000 for the month and \$1.3 million for the biennium.