

North Dakota REV-E-NEWS



Pam Sharp, Director

April 2008

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

MESSAGE FROM THE DIRECTOR

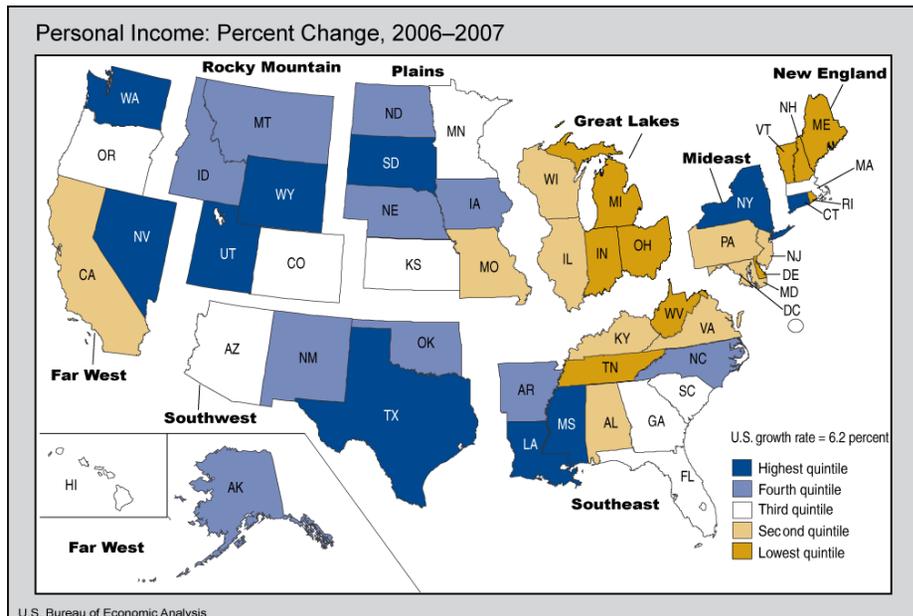
According to a recently released report from the Bureau of Economic Analysis (BEA), "U.S. personal income grew 6.2 percent in 2007, down from 6.7 in 2006," but matching the average growth rate of the past four years. Per capita personal income grew by 5.2 percent, also a slight decline from 2006, but equal to the average of the last four years.

The BEA defines personal income as "the sum of net earnings by place of residence, rental income of persons, personal dividend income, personal interest income, and personal current transfer receipts."

North Dakota continues to close the gap with the U.S. average for per capita personal income. Preliminary estimates from the BEA show that North Dakota per capita personal income grew from \$32,763 in 2006 to \$34,846 in 2007, growing from 89 percent to 90 percent of the national average. The preliminary estimate of 2007 U.S. per capita personal income is \$38,611. Per capita personal income in North Dakota grew by 6.4 percent, 1.2 percentage points faster than the national average and the fifth highest growth rate in the nation. North Dakota's growth rate was highest of

any state in the plains region, which consists of Iowa (6.0 percent), Kansas (5.7 percent), Minnesota (5.6 percent), Missouri (4.9 percent), Nebraska (5.9 percent), and South Dakota (5.9 percent).

Total personal income in North Dakota grew by 6.7 percent in 2007, .5 percent faster than the U.S. average and the 13th highest growth rate in the nation, as reflected on the following map:



OIL ACTIVITY

The price of North Dakota crude continues well above the forecasted price. The current price is over \$108 per barrel. The legislative forecast assumed February prices would average \$42 per barrel with production of 116,000 barrels per day. Actual production also continues to grow well in excess of the forecast. The current rig count is 66 rigs, 32 more than were operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:



	Feb 2008	Jan 2008	Dec 2007
ND sweet crude price per barrel	\$86.42	\$84.14	\$82.25
Production (barrels/day)	138,000	137,600	136,000
Drilling permits	51	70	52
Producing wells	3,871	3,870	3,854
Rig count	61	53	53

Comments or Questions?
Contact
Pam Sharp, Director
Phone: 701-328-2680
Fax : 701-328-3230
E-mail:
psharp@nd.gov
Visit the North Dakota web site
www.nd.gov

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS Compared to the Legislative Forecast 2007-09 BIENNIUM March 2008

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	25,720,000	28,439,398	2,719,398	10.6%	332,012,000	362,313,578	30,301,578	9.1%
Motor Vehicle Excise Tax	4,621,000	5,297,281	676,281	14.6%	40,864,000	48,067,563	7,203,563	17.6%
Individual Income Tax	3,086,000	5,244,771	2,158,771	70.0%	141,165,000	168,396,310	27,231,310	19.3%
Corporate Income Tax	10,445,000	13,740,246	3,295,246	31.5%	41,006,000	76,486,270	35,480,270	86.5%
Insurance Premium Tax	6,312,432	9,318,651	3,006,219	47.6%	19,422,054	25,266,746	5,844,692	30.1%
Financial Institutions Tax	922,000	521,814	(400,186)	-43.4%	1,238,000	1,597,999	359,999	29.1%
Oil & Gas Production Tax*					39,839,000	39,309,315	(529,685)	-1.3%
Oil Extraction Tax*					31,161,000	31,690,685	529,685	1.7%
Gaming Tax	33,600	25,830	(7,770)	-23.1%	6,862,240	6,886,049	23,809	0.3%
Lottery								
Cigarette & Tobacco Tax	1,661,000	1,751,811	90,811	5.5%	18,035,000	17,147,604	(887,396)	-4.9%
Wholesale Liquor Tax	452,000	481,099	29,099	6.4%	4,672,000	5,149,406	477,406	10.2%
Coal Conversion Tax	1,937,000	2,114,741	177,741	9.2%	17,758,000	17,784,110	26,110	0.1%
Mineral Leasing Fees	(500,000)	(991,792)	(491,792)	98.4%	4,800,000	7,459,202	2,659,202	55.4%
Departmental Collections	955,000	1,922,413	967,413	101.3%	20,763,000	23,398,360	2,635,360	12.7%
Interest Income	1,375,000	2,024,533	649,533	47.2%	11,585,000	16,550,519	4,965,519	42.9%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					115,000,000	115,000,000		0.0%
Other Transfers		(1,196)			477,771	516,154	38,383	8.0%
Total Revenues and Transfers	57,020,032	69,889,601	12,870,765	22.6%	846,660,065	963,019,871	116,359,806	13.7%

* Oil and gas production and extraction tax collections totaled \$24.1 million in March. Because the \$71.0 million statutory cap for the 2007-09 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2007-09 biennium. Through March, oil tax collections totaling \$99.9 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
2007-09 BIENNIUM
March 2008

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2006	March 2008	Variance	Percent	2005-07	2007-09	Variance	Percent
Sales Tax	26,051,651	28,439,398	2,387,747	9.2%	299,787,859	362,313,578	62,525,719	20.9%
Motor Vehicle Excise Tax	5,167,139	5,297,281	130,142	2.5%	44,289,289	48,067,563	3,778,274	8.5%
Individual Income Tax	4,719,678	5,244,771	525,094	11.1%	161,590,262	168,396,310	6,806,048	4.2%
Corporate Income Tax	12,200,715	13,740,246	1,539,532	12.6%	62,184,381	76,486,270	14,301,889	23.0%
Insurance Premium Tax	4,447,938	9,318,651	4,870,713	109.5%	19,400,347	25,266,746	5,866,400	30.2%
Financial Institutions Tax	825,844	521,814	(304,030)	-36.8%	899,558	1,597,999	698,441	77.6%
Oil & Gas Production Tax*	2,682,261		(2,682,261)	-100.0%	45,970,447	39,309,315	(6,661,131)	-14.5%
Oil Extraction Tax*	1,157,189		(1,157,189)	-100.0%	25,029,553	31,690,685	6,661,131	26.6%
Gaming Tax	31,430	25,830	(5,600)	-17.8%	6,768,942	6,886,049	117,106	1.7%
Lottery								
Cigarette & Tobacco Tax	1,595,276	1,751,811	156,536	9.8%	16,588,920	17,147,604	558,684	3.4%
Wholesale Liquor Tax	424,233	481,099	56,866	13.4%	4,634,044	5,149,406	515,362	11.1%
Coal Conversion Tax	2,447,699	2,114,741	(332,958)	-13.6%	18,197,912	17,784,110	(413,802)	-2.3%
Mineral Leasing Fees	(777,644)	(991,792)	(214,148)	27.5%	4,470,626	7,459,202	2,988,575	66.8%
Departmental Collections	2,432,404	1,922,413	(509,991)	-21.0%	20,571,713	23,398,360	2,826,648	13.7%
Interest Income	436,943	2,024,533	1,587,590	363.3%	6,425,874	16,550,519	10,124,646	157.6%
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	(5,176)	(1,196)	3,979	-76.9%	638,705	516,154	(122,551)	-19.2%
Total Revenues and Transfers	63,837,581	69,889,601	6,052,020	9.5%	767,448,431	963,019,871	195,571,440	25.5%

* Oil and gas production and extraction tax collections totaled \$24.1 million in March. Because the \$71.0 million statutory cap for the 2007-09 biennium has been reached, no additional oil tax collections will be deposited in the general fund during the 2007-09 biennium. Through March, oil tax collections totaling \$99.9 million have been deposited in the permanent oil tax trust fund and are not reflected on this report.

VARIANCES

February revenues are \$12.9 million, or 22.6 percent, higher than projected. Notable variances for the month are as follows:

- **Sales tax** collections for the month of March exceeded the forecast by \$2.7 million, or 10.6 percent after falling short the previous month. Some small variances from forecast are attributable to timing, but sales tax collections have showed a consistent growth in excess of the forecast. Biennium to date collections exceed the forecast by 9.1 percent and the previous biennium by 20.9 percent.
- **Motor vehicle excise tax** collections continue to exceed the forecast – by \$680,000 for the month and \$7.2 million for the biennium. Following steady declines during the 2005-07 biennium, collections have increased slightly and are currently 8.5 percent higher than last biennium.
- **Individual income tax** collections exceed the forecast by \$2.2 million for the month and \$27.2 million for the biennium. A portion of the monthly variance may be attributable to timing and may be offset in subsequent months as tax returns are filed. However, the majority of the \$27.2 million biennium to date variance is attributable to growing wages and personal income, a reflection of the robust economic growth we are experiencing in North Dakota.
- **Corporate income tax** collections continue to grow at a rate that far exceeds the forecast. For the month, collections exceed the forecast by \$3.3 million. Biennium to date collections are \$35.5 million higher than forecast and \$14.3 million higher than the record collections the state realized during the 2005-07 biennium.
- **Insurance premium tax** collections exceed the forecast by \$3.0 million for the month and \$5.8 million for the biennium. The increase is primarily the result of growth in insurance premium rates, the base upon which the tax amount is calculated.
- **Oil and gas tax** collections for the month were \$24.1 million, \$15.3 million more than anticipated. Because the \$71.0 million general fund cap was reached in November 2007, the entire \$24.1 million was deposited in the permanent oil tax trust fund. The current price of North Dakota crude is over \$108 per barrel and February production averaged over 138,000 barrels per day. The legislative forecast assumed February 2008 production of 116,000 barrels per day at a price of \$42 per barrel.
- **Mineral leasing fees**, reflective of the surge in oil activity in the state, exceed the forecast by \$2.7 million for the biennium. Current month activity shows a negative variance due to the statutory formula governing allocation of the mineral revenue to counties every quarter. The quarterly allocation of 50 percent of these revenues to the counties results in a negative revenue amount for the state during the month of allocation. Because collections have been higher than forecast, the county allocation and resulting negative state revenue also exceed the forecast.
- **Departmental collections**, a consolidation of various fees and service charges collected by state agencies, exceeded the forecast by nearly \$1.0. Some variances in this revenue type are a result of timing, but a general growth in business activity and the resulting fees collected by various state agencies has resulted in a growth of 12.7 percent over the forecast.

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