

North Dakota REV-E-NEWS



Pam Sharp, Director

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

August 2008

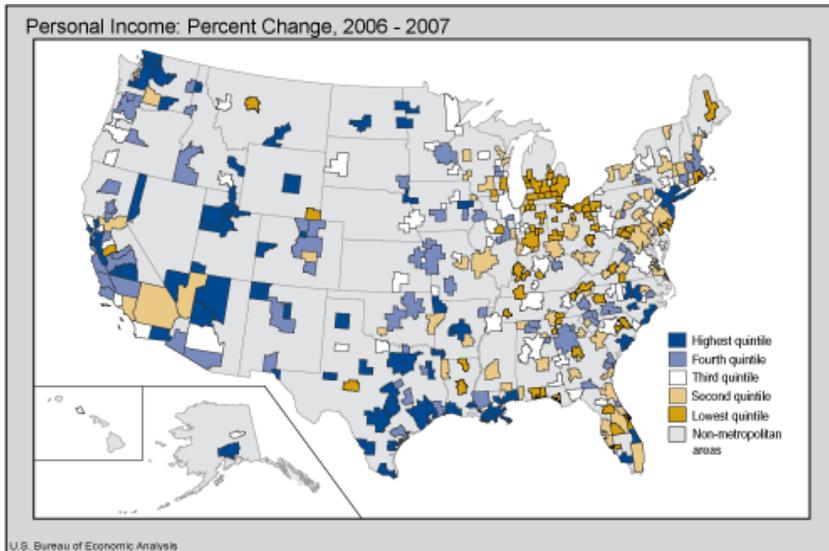
MESSAGE FROM THE DIRECTOR

The Bureau of Economic Analysis (BEA) recently reported that nationally, personal income in metropolitan statistical areas (MSA's) grew by an average of 6.2 percent in 2007, a slower rate of growth than the 6.8 percent realized in 2006. In fact, the BEA reported that of the 363 metropolitan statistical areas in the country, "personal income growth slowed in 208 MSA's, increased in 144, and remained unchanged in 11 MSA's." However, all three MSA's in North Dakota were well above the national average and were rated in the highest quintile for personal income growth in 2007: 7.4 percent in Bismarck, 8.5 percent in Fargo, and 8.7 percent in Grand Forks. These rates are significantly higher than the 2006 growth rates of 5.4 percent, 6.5 percent, and 4.4 percent, respectively.

The map below, published by the BEA, shows the various MSA's and their relative growth in personal income from 2006 to 2007.

On a per capita basis, the national average growth in personal income was only 5.1 percent. All three North Dakota MSA's experienced above average per capita personal income growth – Bismarck at 5.3 percent, Fargo at 6.7 percent, and Grand Forks at 8.9 percent.

Moody's Economy.com, the state's economic forecasting consultant, predicts that North Dakota's strong growth in personal income will continue. The table below shows actual and projected personal income data for the ten year period 2003 through 2012.



Annual Percent Change in Personal Income

Year	Annual Percent Change in Personal Income
2003	8.6%
2004	2.6%
2005	8.7%
2006	3.0%
2007	6.7%
2008	4.4% *
2009	3.2% *
2010	3.1% *
2011	3.1% *
2012	3.2% *

*Estimate

Source: Moody's Economy.com

OIL ACTIVITY

The recently completed revised forecast for the 2007-09 biennium is based on fiscal year 2009 oil production averaging approximately 160,000 barrels per day and price declining from \$110 per barrel at the start of the fiscal year to \$95 per barrel by June 2009. Currently, the price of North Dakota crude has slipped to under \$104 per barrel. Production continues to set new records and increased in June to over 166,000 barrels per day. The current rig count is 81 rigs, 36 more than were operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:



	June 2008	May 2008	April 2008
ND sweet crude price per barrel	\$125.62	\$117.17	\$104.08
Production (barrels/day)	166,000	156,400	150,700
Drilling permits	90	73	89
Producing wells	4,056	4,023	3,988
Rig count	75	71	65

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 July 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	41,530,000	53,548,258	12,018,258	28.9%	477,850,000	541,427,041	63,577,041	13.3%
Motor Vehicle Excise Tax	4,697,000	6,111,874	1,414,874	30.1%	60,907,000	73,012,930	12,105,930	19.9%
Individual Income Tax	36,193,000	33,544,196	(2,648,804)	-7.3%	278,867,000	340,315,524	61,448,524	22.0%
Corporate Income Tax		950,447	950,447	100.0%	78,483,000	141,688,146	63,205,146	80.5%
Insurance Premium Tax		2,583	2,583	100.0%	27,381,295	33,593,128	6,211,833	22.7%
Financial Institutions Tax		737,755	737,755	100.0%	4,700,000	6,499,157	1,799,157	38.3%
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	799,053	731,615	(67,438)	-8.4%	10,546,413	10,632,921	86,508	0.8%
Lottery					5,577,500	5,300,000	(277,500)	-5.0%
Cigarette & Tobacco Tax	2,086,000	2,029,548	(56,452)	-2.7%	25,944,000	24,643,235	(1,300,765)	-5.0%
Wholesale Liquor Tax	602,000	621,277	19,277	3.2%	6,899,000	7,537,150	638,150	9.2%
Coal Conversion Tax	2,056,000	2,076,741	20,741	1.0%	25,890,000	25,920,152	30,152	0.1%
Mineral Leasing Fees	1,000,000	1,209,980	209,980	21.0%	7,650,000	11,722,654	4,072,654	53.2%
Departmental Collections	1,295,000	1,563,147	268,147	20.7%	29,388,000	31,132,380	1,744,380	5.9%
Interest Income	585,000	327,168	(257,832)	-44.1%	18,795,000	24,206,030	5,411,030	28.8%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					115,000,000	115,000,000		0.0%
Other Transfers	159,257	160,667	1,410	0.9%	796,285	839,937	43,652	5.5%
Total Revenues and Transfers	91,002,310	103,615,257	12,612,947	13.9%	1,245,674,493	1,464,470,385	218,795,892	17.6%

* Oil and gas production and extraction tax collections totaled \$45.0 million in July. 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 July, oil tax collections totaling \$242.9 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 July 2008

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	July <u>2006</u>	July <u>2008</u>	<u>Variance</u>	<u>Percent</u>	<u>2005-07</u>	<u>2007-09</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	47,105,695	53,548,258	6,442,563	13.7%	441,803,449	541,427,041	99,623,592	22.5%
Motor Vehicle Excise Tax	5,895,409	6,111,874	216,465	3.7%	67,221,968	73,012,930	5,790,962	8.6%
Individual Income Tax	36,389,491	33,544,196	(2,845,295)	-7.8%	308,868,443	340,315,524	31,447,081	10.2%
Corporate Income Tax	444,642	950,447	505,805	113.8%	112,234,229	141,688,146	29,453,917	26.2%
Insurance Premium Tax	14	2,583	2,569	18350.0%	25,864,676	33,593,128	7,728,452	29.9%
Financial Institutions Tax	4,686	737,755	733,069	15643.8%	4,177,006	6,499,157	2,322,151	55.6%
Oil & Gas Production Tax*					45,970,447	39,309,315	(6,661,131)	-14.5%
Oil Extraction Tax*					25,029,553	31,690,685	6,661,131	26.6%
Gaming Tax	636,660	731,615	94,955	14.9%	9,918,826	10,632,921	714,095	7.2%
Lottery					6,300,000	5,300,000	(1,000,000)	-15.9%
Cigarette & Tobacco Tax	2,013,853	2,029,548	15,696	0.8%	23,999,933	24,643,235	643,302	2.7%
Wholesale Liquor Tax	581,176	621,277	40,101	6.9%	6,921,765	7,537,150	615,385	8.9%
Coal Conversion Tax	2,076,886	2,076,741	(144)	0.0%	26,118,933	25,920,152	(198,781)	-0.8%
Mineral Leasing Fees	1,113,345	1,209,980	96,635	8.7%	8,160,238	11,722,654	3,562,415	43.7%
Departmental Collections	1,196,569	1,563,147	366,578	30.6%	26,669,271	31,132,380	4,463,109	16.7%
Interest Income	346,218	327,168	(19,050)	-5.5%	12,752,962	24,206,030	11,453,068	89.8%
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	175,509	160,667	(14,842)	-8.5%	9,441,916	839,937	(8,601,980)	-91.1%
Total Revenues and Transfers	97,980,154	103,615,257	5,635,103	5.8%	1,191,453,616	1,464,470,385	273,016,768	22.9%

* Oil and gas production and extraction tax collections totaled \$45.0 million in July. 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 July, oil tax collections totaling \$242.9 million have been transferred to the permanent oil tax trust fund and are not reflected on this report.

VARIANCES

July 2008 revenues were \$103.6 million, \$12.6 million more than anticipated in the legislative forecast, but very close to the recently completed revised forecast. The revised forecast called for July 2008 revenues of \$103.0 million, just \$600,000, or .6 percent, less than actual revenues for the month. Notable variances for the month are as follows:

- **Sales tax** collections for the month of July exceed the original forecast by \$12.0 million. This sizable variance follows a June variance of \$13.5 million, contributing to the biennium to date variance of \$63.6 million, or 13.3 percent. Compared to the 2005-07 biennium, sales tax collections have grown by \$99.6 million, or 22.5 percent, indicating strong economic growth and a high level of consumer confidence.
- **Motor vehicle excise tax** collections continue to exceed the forecast and defy the national trend by showing strong growth in North Dakota. Collections exceed the original forecast by \$1.4 million for the month and by \$12.1 million for the biennium to date. Following steady declines during the 2005-07 biennium, collections are currently 8.6 percent higher than last biennium.
- **Individual income tax** collections were strong, but general fund deposits were slightly less than predicted due to transfers to the refund reserve account. Additional transfers were made in anticipation of refunds relating to property tax credits that will be paid on amended returns or returns filed with an extended filing date. Biennium to date collections exceed the original forecast by \$61.4 million.
- **Corporate income tax** collections continue to grow at a rate that far exceeds the original forecast. For the month, \$0 was anticipated due to the fact that collections during the first quarter of each fiscal year are typically deposited into the refund reserve account to allow the payment of refunds when claimed. However, because July collections were higher than anticipated, a portion was deposited into the general fund. Biennium to date collections are \$63.2 million higher than forecast and \$29.5 million higher than the record collections the state realized during the 2005-07 biennium.
- **Financial institutions tax** collections were not anticipated in July because these taxes are typically paid from January through April of each year. Amounts deposited in other months include audit collections, delinquent payments, or payments due with amended returns. July collections totaled \$738,000. Biennium to date collections are \$1.8 million higher than anticipated and \$2.3 million higher than the previous biennium.
- **Oil and gas tax** collections for the month were \$45.0 million, \$35.3 million more than anticipated in the original. Because the \$71.0 million general fund cap was reached in November 2007, the entire \$45.0 million was deposited in the permanent oil tax trust fund. The current price of North Dakota crude is approximately \$104 per barrel and June production averaged over 166,000 barrels per day, setting a new record for North Dakota.