

# North Dakota REV-E-NEWS



Pam Sharp, Director

June 2009

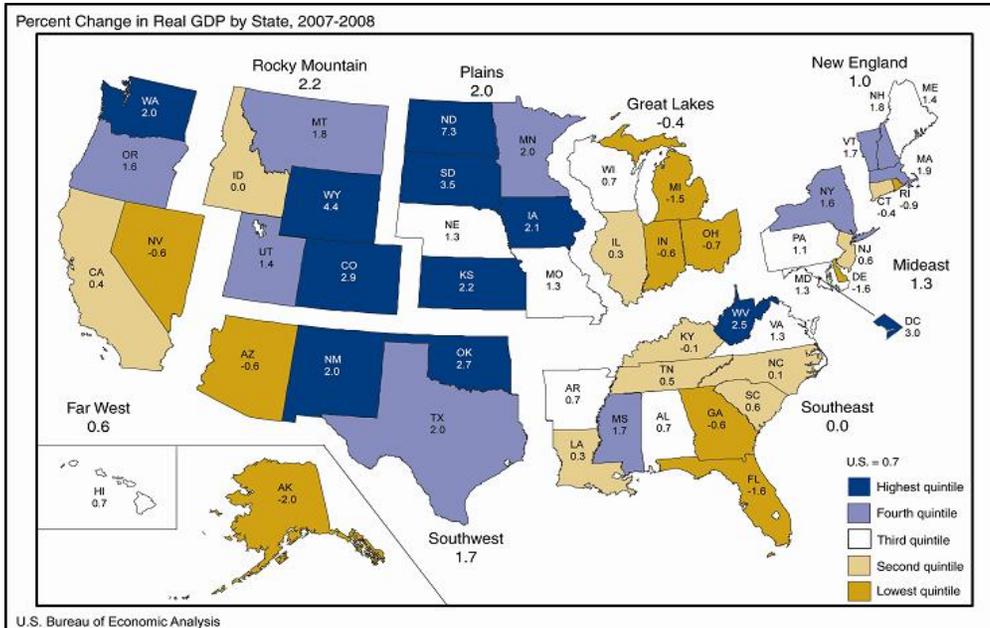
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## MESSAGE FROM THE DIRECTOR

### North Dakota #1 in State GDP Growth!

The Bureau of Economic Analysis recently released a report titled *Economic Slowdown Widespread Among States in 2008*. This report presents updated state-by-state gross domestic product (GDP) statistics. GDP is calculated as the sum of expenditures by consumers, businesses, and government on goods and services, plus investment and net foreign trade. Real GDP by state is “an inflation adjusted measure of each state’s production, wherever sold.” As indicated in the report, “real GDP growth slowed in 38 states, with downturns in many states. Growth in real U.S. GDP by state slowed from 2.0 percent in 2007 to .7 percent in 2008.”

Although nationally real GDP grew by an average of .7 percent in 2008, it declined in twelve states and stayed flat or grew by less than 1.0 percent in another ten states. The average growth in the plains region of 2.0 percent was much stronger than most other regions of the country. North Dakota led the region and the nation with growth of 7.3 percent. As noted by the BEA, “North Dakota had the fastest economic growth in 2008 (7.3 percent), growing twice as fast as all other states, except Wyoming.” Other states in the top five were Wyoming, with growth of 4.4 percent, South Dakota at 3.5 percent, Colorado at 2.9 percent, and Oklahoma at 2.7 percent.



**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2007-09 BIENNIUM**  
**May 2009**

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	36,217,000	30,172,622	(6,044,378)	-16.7%	864,928,000	997,634,776	132,706,776	15.3%
Motor Vehicle Excise Tax	5,536,000	5,386,287	(149,713)	-2.7%	108,421,000	124,331,951	15,910,951	14.7%
Individual Income Tax	12,001,000	30,504,059	18,503,059	154.2%	480,940,000	665,004,356	184,064,356	38.3%
Corporate Income Tax	3,031,000	2,978,644	(52,356)	-1.7%	134,620,000	219,543,474	84,923,474	63.1%
Insurance Premium Tax	4,369,082	7,219,894	2,850,812	65.2%	51,903,857	63,573,397	11,669,540	22.5%
Financial Institutions Tax	490,000	11,271	(478,729)	-97.7%	9,400,000	10,489,637	1,089,637	11.6%
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	1,938,048	1,687,043	(251,005)	-13.0%	20,425,193	19,754,738	(670,455)	-3.3%
Lottery					5,577,500	5,300,000	(277,500)	-5.0%
Cigarette & Tobacco Tax	1,942,000	1,778,142	(163,858)	-8.4%	45,213,000	43,455,479	(1,757,521)	-3.9%
Wholesale Liquor Tax	526,000	582,847	56,847	10.8%	12,059,000	13,433,197	1,374,197	11.4%
Coal Conversion Tax	1,878,000	2,121,163	243,163	12.9%	45,447,000	47,284,117	1,837,117	4.0%
Mineral Leasing Fees	1,000,000	937,619	(62,381)	-6.2%	13,150,000	28,611,553	15,461,553	117.6%
Departmental Collections	2,125,000	1,987,709	(137,291)	-6.5%	53,078,639	58,874,570	5,795,931	10.9%
Interest Income	1,375,000	2,475,181	1,100,181	80.0%	32,545,000	44,102,558	11,557,558	35.5%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					115,000,000	115,000,000		0.0%
Other Transfers		16,435	16,435	100.0%	4,374,056	4,547,682	173,626	4.0%
<b>Total Revenues and Transfers</b>	<b>72,428,130</b>	<b>87,858,916</b>	<b>15,430,786</b>	<b>21.3%</b>	<b>2,098,082,245</b>	<b>2,561,941,484</b>	<b>463,859,239</b>	<b>22.1%</b>

\* Oil and gas production and extraction tax collections totaled \$19.8 million in May. 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 May, oil tax collections totaling \$460.4 million have been transferred, or are available for transfer, 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**  
**May 2009**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	May <u>2007</u>	May <u>2009</u>	<u>Variance</u>	<u>Percent</u>	<u>2005-07</u>	<u>2007-09</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	39,748,138	30,172,622	(9,575,516)	-24.1%	797,504,460	997,634,776	200,130,315	25.1%
Motor Vehicle Excise Tax	6,520,504	5,386,287	(1,134,217)	-17.4%	119,861,929	124,331,951	4,470,023	3.7%
Individual Income Tax	12,066,325	30,504,059	18,437,735	152.8%	568,917,092	665,004,356	96,087,264	16.9%
Corporate Income Tax	3,647,401	2,978,644	(668,757)	-18.3%	210,863,348	219,543,474	8,680,126	4.1%
Insurance Premium Tax	4,240,901	7,219,894	2,978,993	70.2%	49,379,804	63,573,397	14,193,593	28.7%
Financial Institutions Tax	566,304	11,271	(555,033)	-98.0%	9,702,362	10,489,637	787,274	8.1%
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	1,545,334	1,687,043	141,709	9.2%	17,723,774	19,754,738	2,030,965	11.5%
Lottery					6,300,000	5,300,000	(1,000,000)	-15.9%
Cigarette & Tobacco Tax	1,874,781	1,778,142	(96,639)	-5.2%	42,603,130	43,455,479	852,349	2.0%
Wholesale Liquor Tax	491,665	582,847	91,182	18.5%	12,176,736	13,433,197	1,256,461	10.3%
Coal Conversion Tax	1,933,226	2,121,163	187,936	9.7%	47,326,400	47,284,117	(42,282)	-0.1%
Mineral Leasing Fees	1,119,469	937,619	(181,850)	-16.2%	14,451,634	28,611,553	14,159,919	98.0%
Departmental Collections	1,964,250	1,987,709	23,459	1.2%	50,647,733	58,874,570	8,226,836	16.2%
Interest Income	2,420,343	2,475,181	54,839	2.3%	31,258,217	44,102,558	12,844,341	41.1%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Oil Tax Trust Fund-Transfer					55,300,000	115,000,000	59,700,000	108.0%
Other Transfers	15,655	16,435	780	5.0%	19,150,325	4,547,682	(14,602,643)	-76.3%
<b>Total Revenues and Transfers</b>	<b>78,154,296</b>	<b>87,858,916</b>	<b>9,704,620</b>	<b>12.4%</b>	<b>2,154,166,942</b>	<b>2,561,941,484</b>	<b>407,774,542</b>	<b>18.9%</b>

\* Oil and gas production and extraction tax collections totaled \$19.8 million in May. 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 May, oil tax collections totaling \$460.4 million have been transferred, or are available for transfer, to the permanent oil tax trust fund and are not reflected on this report.

## VARIANCES

May 2009 revenues are \$87.9 million, \$15.4 million more than projected in the original legislative forecast. Actual collections were \$3.6 million more than estimated in the executive revenue forecast and approximately \$4.5 million more than estimated in the May 2009 legislative forecast. Biennium to date collections exceed the original forecast by \$463.9 million, or 22.1 percent, and exceed the November 2008 forecast by \$57.3 million. Notable variances for the month are as follows:

- **Sales tax** collections for the month of May are short of the original legislative forecast by \$6.0 million. A portion of this variance is likely attributable to timing and may be corrected in June. A portion of the variance may also be attributable to delays in filing relating to spring flooding disasters. Despite the drop in May collections, biennium to date collections still exceed the legislative forecast by \$132.7 million, or 15.3 percent, and exceed the previous biennium by over \$200.0 million.
- **Motor vehicle excise tax** collections are less than projections by \$150,000 for the month. Biennium to date collections exceed the forecast by nearly \$16.0 million, or 14.7 percent. Contrary to the national trend, auto sales in North Dakota have increased. Current biennium excise tax collections exceed the prior biennium by nearly 4.0 percent.
- **Individual income tax** collections continue to outpace the original forecast. May collections exceed the original forecast by \$18.5 million for

the month and \$184.1 million for the biennium. The May variance is primarily attributable to strong payroll withholding, a reflection of the healthy labor market and low unemployment in North Dakota.

- **Corporate income tax** collections nearly match the original forecast for the month, missing the forecast by only \$50,000. Corporate tax collections have continually exceeded the original forecast thus far during the biennium and are currently \$85.0 million, or 63.1 percent, higher than originally estimated.
- **Insurance premium tax** collections exceed the forecast by \$2.9 million for the month, bringing the biennium to date variance to over \$11.6 million. Collections exceed the previous biennium by \$14.2 million, or 28.7 percent. The insurance premium tax is calculated as a percentage of insurance premiums. The continual growth in this tax type indicates a general increase in insurance premium rates.
- **Oil and gas tax** collections for the month are \$19.8 million. Because the \$71.0 million general fund cap was reached in November 2007, the entire \$19.8 million will be deposited in the permanent oil tax trust fund. The current price of North Dakota crude is approximately \$58 per barrel with production of 196,400 barrels per day in April.
- **Interest income** exceeds the original forecast by over \$1.1 million for the month and by over \$11.5 million for the biennium to date.

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