

# North Dakota REV-E-NEWS



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## MESSAGE FROM THE DIRECTOR

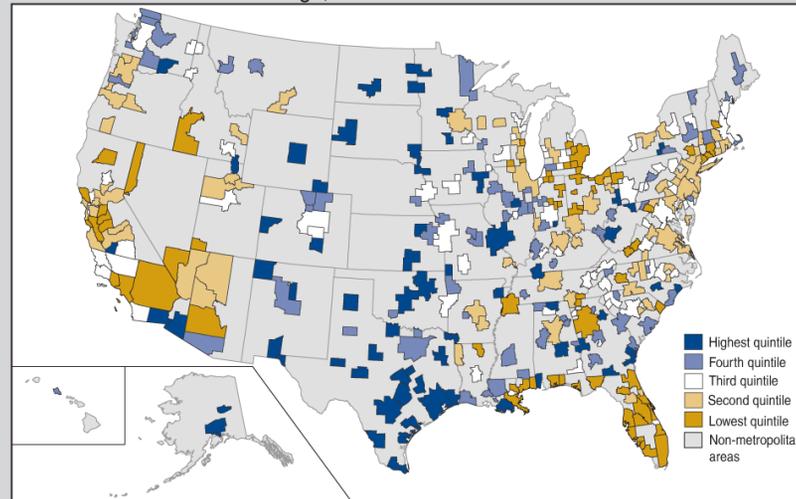
Economists continue to debate the projected severity and duration of the nation's current economic recession. However, in North Dakota, there is little to debate regarding the health of the state's economy. Economic indicators remain positive and various news reports highlight North Dakota's enviable position among the states.

A June report from *Stateline.org* highlights the decline many states are realizing in personal income tax collections, an important revenue source for most states. The report indicates that "personal income taxes paid to states plummeted 26 percent, or \$28.8 billion, in the first four months of 2009, compared with the same time period last year.... Arizona saw the steepest decline, a whopping 54.9 percent, followed by South Carolina, Michigan, California, and Vermont, all by more than 30 percent. Only Utah, Alabama and North Dakota saw gains." In fact, North Dakota realized a 15 percent increase in personal income tax collections during that period.

An August report from the U.S. Bureau of Economic Analysis (BEA) also highlights

personal income growth. As indicated on the map below, this report shows that all three metropolitan statistical areas (MSAs) in North Dakota exhibited the highest level of personal income growth from 2007 to 2008. According to the BEA, "personal income growth slowed in 322 MSAs, increased in 42, and remained unchanged in 2 MSAs. On average, MSA personal income grew 3.3 percent in 2008, down from 6.0 percent in 2007." In comparison to the 3.3 percent growth nationally, personal income grew by 5.4 percent in Bismarck, 8.3 percent in Fargo, and 6.3 percent in Grand Forks.

Personal Income: Percent Change, 2007 - 2008



U.S. Bureau of Economic Analysis

## OIL ACTIVITY

The legislative revenue forecast for the 2009-11 biennium is based on gradually increasing oil price and production. The biennium was anticipated to begin with oil prices at \$40 per barrel and production of 205,000 barrels per day; by June 30, 2011, price is projected to increase to \$55 per barrel and production is anticipated to grow to 225,000 barrels per day. Currently, the price of North Dakota crude is around \$61 per barrel. Production jumped to a new record high in June, with preliminary production estimated to be nearly 215,000 barrels per day. The current rig count is 42, on the rise from recent months, but still 38 rigs fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:



	June 2009	May 2009	April 2009
ND sweet crude price per barrel	\$60.57	\$50.71	\$42.68
Production (barrels/day)	215,000	206,100	196,700
Drilling permits	32	32	44
Producing wells	4,409	4,291	4,252
Rig count	39	34	41

Comments or Questions?

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**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
**Compared to the Legislative Forecast**  
**2009-11 Biennium**  
**July 2009**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	May 2009 Leg. Forecast	Actual	Variance	Percent	May 2009 Leg. Forecast	Actual	Variance	Percent
Sales Tax	51,581,000	52,196,545	615,545	1.2%	51,581,000	52,196,545	615,545	1.2%
Motor Vehicle Excise Tax	2,873,000	5,209,697	2,336,697	81.3%	2,873,000	5,209,697	2,336,697	81.3%
Individual Income Tax	42,294,000	46,919,357	4,625,357	10.9%	42,294,000	46,919,357	4,625,357	10.9%
Corporate Income Tax		2,173,959	2,173,959	100.0%		2,173,959	2,173,959	100.0%
Insurance Premium Tax		278,129	278,129	100.0%		278,129	278,129	100.0%
Financial Institutions Tax								
Oil & Gas Production Tax								
Oil Extraction Tax								
Gaming Tax	475,123	805,869	330,746	69.6%	475,123	805,869	330,746	69.6%
Lottery								
Cigarette & Tobacco Tax	2,038,000	2,103,695	65,695	3.2%	2,038,000	2,103,695	65,695	3.2%
Wholesale Liquor Tax	608,000	708,549	100,549	16.5%	608,000	708,549	100,549	16.5%
Coal Conversion Tax								
Mineral Leasing Fees	1,600,000	808,015	(791,985)	-49.5%	1,600,000	808,015	(791,985)	-49.5%
Departmental Collections	1,033,123	1,064,177	31,054	3.0%	1,033,123	1,064,177	31,054	3.0%
Interest Income	235,029	429,848	194,819	82.9%	235,029	429,848	194,819	82.9%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer	295,000,000	295,000,000	0	0.0%	295,000,000	295,000,000	0	0.0%
Other Transfers	161,000	162,693	1,693	1.1%	161,000	162,693	1,693	1.1%
<b>Total Revenues and Transfers</b>	<b>397,898,275</b>	<b>407,860,533</b>	<b>9,962,258</b>	<b>2.5%</b>	<b>397,898,275</b>	<b>407,860,533</b>	<b>9,962,258</b>	<b>2.5%</b>

**STATEMENT OF GENERAL FUND REVENUES AND FORECASTS**  
*Compared to the Previous Biennium Revenues*  
**2009-11 Biennium**  
**July 2009**

Revenues and Transfers	Fiscal Month				Biennium To Date			
	July 2007	July 2009	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	39,740,478	52,196,545	12,456,067	31.3%	39,740,478	52,196,545	12,456,067	31.3%
Motor Vehicle Excise Tax	5,475,955	5,209,697	(266,258)	-4.9%	5,475,955	5,209,697	(266,258)	-4.9%
Individual Income Tax	38,744,480	46,919,357	8,174,877	21.1%	38,744,480	46,919,357	8,174,877	21.1%
Corporate Income Tax	936,022	2,173,959	1,237,936	132.3%	936,022	2,173,959	1,237,936	132.3%
Insurance Premium Tax	2,772	278,129	275,357	9933.5%	2,772	278,129	275,357	9933.5%
Financial Institutions Tax	140,614		(140,614)	-100.0%	140,614		(140,614)	-100.0%
Oil & Gas Production Tax	10,168,579		(10,168,579)	-100.0%	10,168,579		(10,168,579)	-100.0%
Oil Extraction Tax	4,160,728		(4,160,728)	-100.0%	4,160,728		(4,160,728)	-100.0%
Gaming Tax	566,844	805,869	239,025	42.2%	566,844	805,869	239,025	42.2%
Lottery								
Cigarette & Tobacco Tax	2,024,892	2,103,695	78,803	3.9%	2,024,892	2,103,695	78,803	3.9%
Wholesale Liquor Tax	612,919	708,549	95,630	15.6%	612,919	708,549	95,630	15.6%
Coal Conversion Tax	2,056,977		(2,056,977)	-100.0%	2,056,977		(2,056,977)	-100.0%
Mineral Leasing Fees	516,637	808,015	291,379	56.4%	516,637	808,015	291,379	56.4%
Departmental Collections	1,053,142	1,064,177	11,035	1.0%	1,053,142	1,064,177	11,035	1.0%
Interest Income	430,940	429,848	(1,093)	-0.3%	430,940	429,848	(1,093)	-0.3%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil Tax Trust Fund-Transfer		295,000,000	295,000,000	100.0%		295,000,000	295,000,000	100.0%
Other Transfers	159,658	162,693	3,035	1.9%	159,658	162,693	3,035	1.9%
<b>Total Revenues and Transfers</b>	<b>106,791,637</b>	<b>407,860,533</b>	<b>301,068,895</b>	<b>281.9%</b>	<b>106,791,637</b>	<b>407,860,533</b>	<b>301,068,895</b>	<b>281.9%</b>

## VARIANCES

July 2009, the first month of the 2009-11 biennium, provides a good start to the new biennium with revenues of \$407.9 million, \$10.0 million more than estimated in the May 2009 legislative forecast. Notable variances for the month are as follows:

- **Sales tax** collections for the month of July closely tracked the legislative forecast, exceeding estimates by \$615,000, or 1.2 percent. Current month collections exceeded July 2007 by \$12.5 million.
- **Motor vehicle excise tax** collections exceeded the legislative forecast by \$2.3 million, or 81.3 percent. Although projected to decline significantly as the national economy lingers in recession, motor vehicle sales in North Dakota have remained strong.
- **Individual income tax** collections exceeded projections by a wide margin -- \$4.6 million, or 10.9 percent. The variance is related to growth in both withholding and estimated tax payments.
- **Corporate income tax** collections were anticipated to be \$0 in July. Usually, corporate tax collections during the first quarter of each fiscal year are deposited in the Tax Department's corporate refund reserve account rather than the general fund. However, due to a large balance in the refund reserve account, a portion of July collections were deposited in the general fund.
- **Oil and gas tax** collections for the month are \$0. Oil and gas collections received by the state in July are counted as revenue for June, the month of production. Oil and gas collections for the 2009-11 biennium will begin with the month of August.
- **Mineral leasing fees** were \$800,000 lower than anticipated. These revenues are received by the state as a result of mineral extraction on federal lands within the boundaries of the state and are shared equally with the counties within which the minerals are produced.
- **Permanent Oil Tax Trust Fund transfer** was \$295.0 million, as mandated by 2009 Senate Bill No. 2199. This transfer is to provide funding for the mill levy reduction program authorized by the 2009 legislature.