

North Dakota REV-E-NEWS



Pam Sharp, Director

October 2009

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

MESSAGE FROM THE DIRECTOR

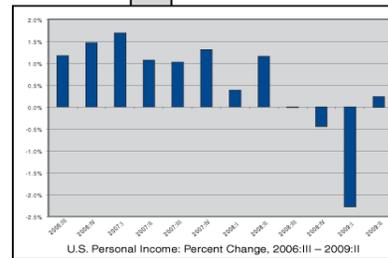
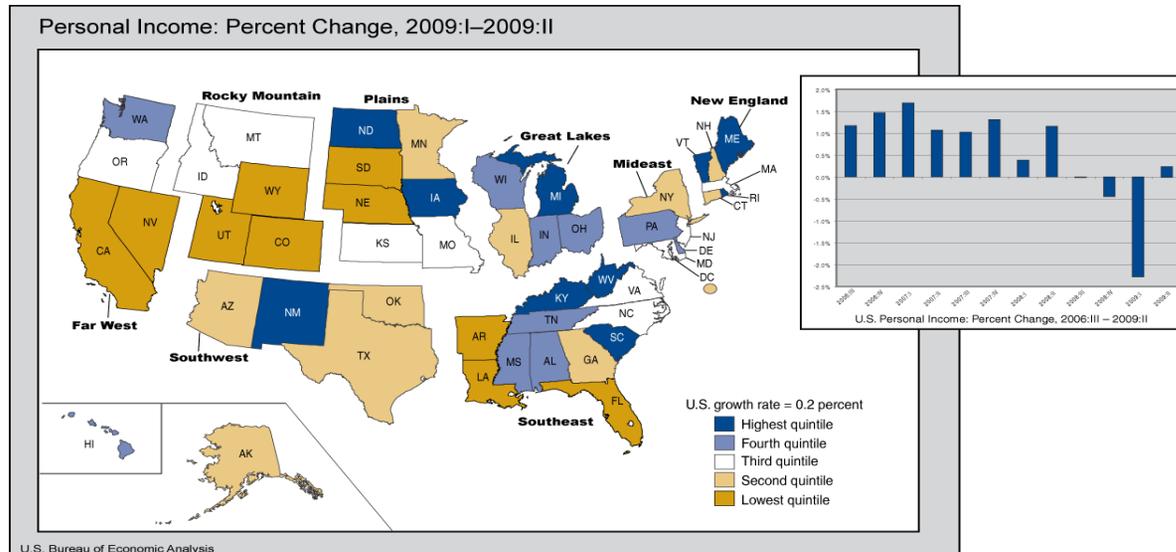
North Dakota Leads the Nation in Personal Income Growth!

High unemployment and stagnant personal income growth continue to plague most states. In addition to declining personal income tax collections, states are dealing with declining sales tax collections as consumers display their lack of confidence in the economy by limiting spending. Personal income tax and sales tax are significant revenue sources for most states and this has led to a nationwide crisis for state budgets. Although we are not completely insulated from the national recession, the ND economy continues to make headlines as we lead the nation in several areas.

An October 2009 news release from the Bureau of Economic Analysis (BEA) shows that nationwide, personal income grew by only .2 percent during the second quarter of 2009, less than the rate of inflation, which

was .3 percent. However, even though the average rate of growth was low, it was positive, the first growth in a year for the U.S. economy. ND ranked first in the nation with personal income growth of 1.5 percent. Other states in the top five were West Virginia at 1.2 percent, Iowa at 1.2 percent, Maine at 1.0 percent, and Kentucky at 1.0 percent. The map below, included in the BEA news release, shows the distribution of personal income growth among the states.

September revenues in ND continue to exceed the legislative forecast. Revenues for the month were \$10.5 million above the forecast. Excluding oil tax collections, all other general fund revenues were 1.2 percent above the forecast for the month.



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 was projected to increase to \$55 per barrel and production was anticipated to grow to 225,000 barrels per day. Currently, the price of North Dakota crude is around \$68 per barrel. Production continues to climb and set another new record in August – over 231,000 barrels per day. The current rig count is 58, on the rise, but still 27 rigs fewer than the number operating in the state one year ago. Price, production, and drilling activity are summarized on the following table:



	August 2009	July 2009	June 2009
ND sweet crude price per barrel	\$61.41	\$54.87	\$60.57
Production (barrels/day)	231,200	227,000	215,100
Drilling permits	40	33	32
Producing wells	4,541	4,460	4,409
Rig count	45	40	39

Comments or Questions?
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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2009-11 Biennium
September 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	40,577,000	40,214,823	(362,177)	-0.9%	146,919,000	138,643,308	(8,275,692)	-5.6%
Motor Vehicle Excise Tax	3,295,000	4,825,387	1,530,387	46.4%	9,417,000	14,090,247	4,673,247	49.6%
Individual Income Tax	16,516,000	18,890,599	2,374,599	14.4%	68,580,000	70,179,757	1,599,757	2.3%
Corporate Income Tax		113,631	113,631	100.0%		2,468,735	2,468,735	100.0%
Insurance Premium Tax	708,958	131,611	(577,347)	-81.4%	4,173,346	2,407,989	(1,765,357)	-42.3%
Financial Institutions Tax		257,545	257,545	100.0%		(389,524)	(389,524)	-100.0%
Oil & Gas Production Tax	2,386,000	3,471,257	1,085,257	45.5%	10,822,000	21,381,367	10,559,367	97.6%
Oil Extraction Tax	2,044,000	10,643,871	8,599,871	420.7%	3,828,000	21,547,974	17,719,974	462.9%
Gaming Tax	64,986	13,591	(51,395)	-79.1%	1,643,482	2,171,516	528,034	32.1%
Lottery								
Cigarette & Tobacco Tax	2,124,000	2,054,843	(69,157)	-3.3%	6,290,000	6,167,360	(122,640)	-1.9%
Wholesale Liquor Tax	546,000	543,853	(2,147)	-0.4%	1,707,000	1,949,472	242,472	14.2%
Coal Conversion Tax	1,782,000	2,103,454	321,454	18.0%	3,559,000	3,884,066	325,066	9.1%
Mineral Leasing Fees	(800,000)	(1,237,971)	(437,971)	54.7%	2,400,000	759,725	(1,640,275)	-68.3%
Departmental Collections	3,261,108	1,210,133	(2,050,975)	-62.9%	5,700,301	6,458,546	758,245	13.3%
Interest Income	1,328,262	1,102,126	(226,136)	-17.0%	2,757,242	2,662,398	(94,844)	-3.4%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil tax trust fund-Transfer					295,000,000	295,000,000	0	0.0%
Other Transfers		10,241	10,241	100.0%	161,000	175,015	14,015	8.7%
Total Revenues and Transfers	73,833,314	84,348,994	10,515,680	14.2%	562,957,371	589,557,951	26,600,580	4.7%

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

Revenues and Transfers	Fiscal Month				Biennium To Date			
	September 2007	September 2009	Variance	Percent	2007-09	2009-11	Variance	Percent
Sales Tax	32,016,445	40,214,823	8,198,378	25.6%	112,175,242	138,643,308	26,468,066	23.6%
Motor Vehicle Excise Tax	4,999,001	4,825,387	(173,614)	-3.5%	16,507,513	14,090,247	(2,417,266)	-14.6%
Individual Income Tax	9,670,646	18,890,599	9,219,952	95.3%	57,965,230	70,179,757	12,214,527	21.1%
Corporate Income Tax	130,622	113,631	(16,990)	-13.0%	1,374,209	2,468,735	1,094,526	79.6%
Insurance Premium Tax	691,648	131,611	(560,037)	-81.0%	4,074,224	2,407,989	(1,666,236)	-40.9%
Financial Institutions Tax	277,605	257,545	(20,060)	-7.2%	284,540	(389,524)	(674,064)	-236.9%
Oil & Gas Production Tax	7,852,972	3,471,257	(4,381,715)	-55.8%	24,294,300	21,381,367	(2,912,933)	-12.0%
Oil Extraction Tax	7,338,903	10,643,871	3,304,968	45.0%	19,042,463	21,547,974	2,505,511	13.2%
Gaming Tax	77,532	13,591	(63,941)	-82.5%	1,960,753	2,171,516	210,763	10.7%
Lottery								
Cigarette & Tobacco Tax	2,154,805	2,054,843	(99,962)	-4.6%	6,128,722	6,167,360	38,638	0.6%
Wholesale Liquor Tax	564,197	543,853	(20,344)	-3.6%	1,821,089	1,949,472	128,382	7.0%
Coal Conversion Tax	2,217,700	2,103,454	(114,245)	-5.2%	6,492,913	3,884,066	(2,608,846)	-40.2%
Mineral Leasing Fees	(694,489)	(1,237,971)	(543,482)	78.3%	905,960	759,725	(146,235)	-16.1%
Departmental Collections	5,062,651	1,210,133	(3,852,519)	-76.1%	7,549,109	6,458,546	(1,090,563)	-14.4%
Interest Income	2,435,452	1,102,126	(1,333,326)	-54.7%	5,055,575	2,662,398	(2,393,177)	-47.3%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Oil Tax Trust Fund-Transfer						295,000,000	295,000,000	100.0%
Other Transfers	1,198	10,241	9,043	754.9%	191,456	175,015	(16,441)	-8.6%
Total Revenues and Transfers	74,796,887	84,348,994	9,552,107	12.8%	265,823,298	589,557,951	323,734,653	121.8%

VARIANCES

September 2009 revenues were \$84.3 million, \$10.5 million more than projected in the legislative forecast. However, it should be noted that a portion of this variance is attributable to oil tax collections exceeding the legislative forecast by \$9.7 million for the month. Although oil tax collections exceed the legislative forecast, the result is that the \$71.0 million cap on oil tax deposits to the general fund will be reached sooner than expected. Additional oil tax collections will not result in additional general fund revenue for the biennium. Oil tax collections in excess of \$71.0 million will be deposited in the permanent oil tax trust fund. Notable variances for the month are as follows:

- **Sales tax** collections for the month of September are very close to legislative projections, falling short of the forecast by less than 1 percent. August collections fell significantly short of the forecast, resulting in the \$8.3 million biennium to date variance. However, sales tax collections in September 2009 were \$8.2 million higher than September 2007 and biennium to date collections in 2009-11 are nearly 24.0 percent higher than at the same point in the 2007-09 biennium.
- **Motor vehicle excise tax** collections again exceed the legislative forecast—by \$1.5 million for the month and \$4.7 million for the biennium to date. Although projected to decline significantly in the legislative forecast, motor vehicle sales have been bolstered by federal stimulus programs.
- **Individual income tax** collections exceed projections by \$2.4 million for the month. Biennium to date collections are \$1.6 million ahead of projections and exceed the 2007-09 biennium by \$12.2 million.
- **Corporate income tax** collections were anticipated to be \$0 in September. 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 an adequate balance in the refund reserve account, a portion of September collections were deposited in the general fund.
- **Oil and gas tax** collections for the month are \$14.1 million, \$9.7 million more than estimated in the legislative forecast. The legislative forecast assumed August prices would average \$46 per barrel and production 205,000 barrels per day. August prices averaged \$61 per barrel and production reached a new record high of 231,200 barrels per day.
- **Mineral leasing fees** were \$440,000 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.
- **Departmental collections** were \$2.1 million lower than anticipated due primarily to the timing of the statutorily required transfer from the insurance tax regulatory trust fund. NDCC Section 26.1-01-07.1 requires that any end of year balance in the insurance regulatory trust fund in excess of \$1.0 million be transferred to the general fund. The transfer was budgeted for September, but was actually made in August. The budgeted transfer amount was \$2.0 million; the actual amount transferred was \$2.4 million.

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