

A Difference That Makes A Difference



The Blessing and Curse of a Booming Economy

While many states are pinching pennies, North Dakota is dealing with an economic boom and an overflowing state treasury. What's the secret to North Dakota's good fortune? It's mostly geography. The state just happens to be the location of certain fortuitous events that predate the Great Recession—and we mean way predate the Great Recession, like by 417 million years. Somewhere around that time, a large oil deposit formed under what is now the border between North Dakota and Canada. The first well sunk to try to tap that oil was drilled on land owned by a farmer named Henry Bakken; what is now known as the Bakken Formation is believed to hold a massive 4.3 billion barrels of oil.

While the Bakken Formation's potential had been known for a long time, it wasn't until relatively recently that the technology to tap that oil cost-effectively became available. Coincidentally, that technology came online and opened up the taps on the Bakken Formation pretty much at the same time the United States was hit by the worst financial crisis in five generations. Geology was thus a difference that made a big difference to this state. The happy coincidence that the sea of fossil fuel on which it sat was newly open to extraction meant that North Dakota pretty much missed the financial hard times of the Great Recession.

Taxes on oil and gas production netted the state \$839 million in fiscal year 2011–2012 and are expected to generate \$1 billion a year for the state's bottom line into the foreseeable future. That's a big number for a

small-population state such as North Dakota. While other states have been struggling just to make ends meet, North Dakota has been increasing its biennial budgets by 12 percent.

Economically, North Dakota is like some sort of alternate universe compared with many places that are still struggling economically. The state has more jobs than workers—at one point in Williams County there were nine jobs available for every person seeking work. The average oil and gas worker there earns north of \$90,000 per year. Average household income in municipalities such as Stanley (population 1,458) has jumped 130 percent in a decade.

While the oil boom means that North Dakota does not have to worry about budget deficits, the effects are not all positive. The state is undergoing a population boom that is straining public services and creating housing shortages. A new two-bedroom apartment can set you back \$3,500 a month, and that's if you can find one to rent. The housing shortage is so bad that 25 percent of the high school students in Watford City are considered homeless. State and local governments are frantically trying to build the infrastructure to support the massive growth triggered by the oil boom but are having a hard time keeping up.

Still, states that are struggling to make ends meet might be forgiven if they look at North Dakota's problems with envy. At least North Dakota has extra money to deal with its problems, which is more than many states can say.