



**From Rod Backman, Director
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August was a good month for tax revenues. Collections were \$6.1 million ahead of projections for the month of August and are now \$4.8 million ahead of projections for the first two months of the biennium. While this is encouraging, we can't assume we will continue to see over-ages such as this. Considering the current state of agriculture, we will need this cushion later in the fiscal year.

Although the agriculture sector is still struggling from low prices and adverse weather, a positive note is that taxable sales and purchases increased by 3.8 percent over the same period one year ago. Another positive note is the strength in the price of oil, which is now around \$20 per barrel and not expected to fall back anytime soon. In July and August alone, the general fund has gained nearly \$1 million in

tax revenues over what was forecast, due to the price of oil.

The Office of Management and Budget has signed a two year contract effective September 1, 1999, with Regional Financial Associates, Inc. (RFA) for economic forecasting services. The cost of the contract for the two year period is \$44,000. We are confident that RFA will provide good service and are looking forward to working with them.

Oil Activity

Oil production in July averaged 89,762 barrels of oil per day. The current price of oil is around \$20 per barrel. Eight rigs are drilling in North Dakota which is the same number of rigs as one year ago.

OMB Turns Back \$1.5 Million

On June 30, 1999, the Office of Management and Budget turned back \$1.5 million or 9.5 percent of its \$15.9 million general fund appropriation for the 1997-99 biennium. The dollar amount of the turn-back is second only to 6-30-95 when OMB turned back \$1.6 million or 10.6 percent of its appropriation.

A portion of the turn-back can be attributed to cost cutting ideas generated by OMB staff. Almost \$250,000 less was paid to MDU in 1997-99 compared to 1995-97 for gas and electricity due in part to a renegotiated contract. OMB also saved approximately \$50,000 by renegotiating their contract with WEFA.

Some of the savings, however, are attributed to events beyond staff

control. For example, \$130,000 of the Emergency Contingency Fund was not spent by the Emergency Commission. Also, the Information Services Division of OMB adjusted data processing rates charged to state agencies to more accurately reflect costs. This resulted in a cost savings to OMB of over \$100,000.

At OMB our constant focus is on how we can do our jobs faster, better, and cheaper, with three main goals in mind - first, serving our customers; second, conserving the taxpayer's money; and third, setting an example for other agencies. We are very proud of the way our staff has held down spending. Actual spending at OMB for 97-99 was only 2% higher than it was in 91-93.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
1999-01 BIENNIUM
AUGUST, 1999

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	Legislative Forecast	Actual	Variance	Percent	Legislative Forecast	Actual	Variance	Percent
Sales Tax	\$ 29,987,000.00	\$ 32,936,090.92	2,949,090.92	9.8%	\$ 48,588,000.00	\$ 50,283,237.28	1,695,237.28	3.5%
Motor Vehicle Excise Tax	4,884,000.00	5,157,709.01	273,709.01	5.6%	9,202,000.00	9,369,000.99	167,000.99	1.8%
Individual Income Tax	14,801,000.00	16,215,726.48	1,414,726.48	9.6%	30,653,000.00	31,473,337.82	820,337.82	2.7%
Corporate Income Tax	1,289,000.00	1,632,998.72	343,998.72	26.7%	3,287,000.00	3,603,313.11	316,313.11	9.6%
Insurance Premium Tax	140,000.00	1,408,885.28	1,268,885.28	906.3%	140,000.00	1,603,163.08	1,463,163.08	1045.1%
Business Priv./Financial Inst. Tax	36,000.00	4,779.00	(31,221.00)	-86.7%	68,000.00	5,414.00	(62,586.00)	-92.0%
Oil & Gas Production Tax	880,000.00	1,086,769.33	206,769.33	23.5%	1,707,000.00	2,340,003.41	633,003.41	37.1%
Gaming Tax	1,957,000.00	1,419,633.07	(537,366.93)	-27.5%	2,835,000.00	2,449,615.07	(385,384.93)	-13.6%
Interest Income	471,000.00	758,477.67	287,477.67	61.0%	646,000.00	935,049.49	289,049.49	44.7%
Oil Extraction Tax	534,000.00	926,787.51	392,787.51	73.6%	1,036,000.00	1,386,819.49	350,819.49	33.9%
Cigarette and Tobacco Tax	1,968,000.00	1,904,850.85	(63,149.15)	-3.2%	3,915,000.00	4,014,384.97	99,384.97	2.5%
Departmental Collections	1,246,000.00	987,938.06	(258,061.94)	-20.7%	2,333,000.00	1,906,987.46	(426,012.54)	-18.3%
Wholesale Liquor Tax	466,362.00	453,379.73	(12,982.27)	100.0%	466,362.00	456,329.00	(10,033.00)	100.0%
Coal Severance Tax	959,000.00	921,253.89	(37,746.11)	-3.9%	1,876,000.00	1,878,286.52	2,286.52	0.1%
Coal Conversion Tax	1,031,000.00	922,394.47	(108,605.53)	-10.5%	2,022,000.00	1,856,467.99	(165,532.01)	-8.2%
Mineral Leasing Fees	220,000.00	289,474.41	69,474.41	31.6%	440,000.00	490,045.73	50,045.73	11.4%
Bank of North Dakota - Transfer								
State Mill and Elevator - Transfer								
Gas Tax Admin. - Transfer					172,576.00	172,576.00	0.00	0.0%
Other Transfers		30,073.17	30,073.17	100.0%		30,073.17		100.0%
Total Revenues and Transfers	60,869,362.00	67,057,221.57	6,187,859.57	9.2%	109,386,938.00	114,254,104.58	4,837,093.41	4.4%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
1999-01 BIENNIUM
AUGUST, 1999

<u>REVENUES AND TRANSFERS</u>	FISCAL MONTH				BIENNIUM TO DATE			
	August, 1997	August, 1999	Variance	Percent	1999	2001	Variance	Percent
Sales Tax	\$ 25,837,077.15	\$ 32,936,090.92	\$ 7,099,013.77	27.5%	\$ 43,667,575.62	\$ 50,283,237.28	\$ 6,615,661.66	15.2%
Motor Vehicle Excise Tax	4,581,823.46	5,157,709.01	575,885.55	12.6%	9,571,216.95	9,369,000.99	(202,215.96)	-2.1%
Individual Income Tax	14,767,732.79	16,215,726.48	1,447,993.69	9.8%	28,567,345.84	31,473,337.82	2,905,991.98	10.2%
Corporate Income Tax	1,544,417.64	1,632,998.72	88,581.08	5.7%	3,969,253.11	3,603,313.11	(365,940.00)	-9.2%
Insurance Premium Tax	-	1,408,885.28	1,408,885.28	100.0%	41,200.37	1,603,163.08	1,561,962.71	3791.1%
Business Privilege Tax	4,481.00	4,779.00	298.00	910.6%	84,319.89	5,414.00	(78,905.89)	-93.6%
Oil & Gas Production Tax	1,152,709.94	1,086,769.33	(65,940.61)	-5.7%	2,962,663.32	2,340,003.41	(622,659.91)	-21.0%
Gaming Tax	1,956,620.61	1,419,633.07	(536,987.54)	-27.4%	2,834,500.06	2,449,615.07	(384,884.99)	-13.6%
Interest Income	648,095.31	758,477.67	110,382.36	17.0%	1,022,941.93	935,049.49	(87,892.44)	-8.6%
Oil Extraction Tax	1,102,551.27	926,787.51	(175,763.76)	-15.9%	2,011,383.84	1,386,819.49	(624,564.35)	-31.1%
Cigarette and Tobacco Tax	2,095,005.91	1,904,850.85	(190,155.06)	-9.1%	4,216,678.35	4,014,384.97	(202,293.38)	-4.8%
Departmental Collections	1,046,268.95	987,938.06	(58,330.89)	-5.6%	2,282,937.17	1,906,987.46	(375,949.71)	-16.5%
Wholesale Liquor Tax	474,354.30	453,379.73	(20,974.57)	-4.4%	1,005,230.96	456,329.00	(548,901.96)	-54.6%
Coal Severance Tax	941,207.60	921,253.89	(19,953.71)	-2.1%	1,775,638.72	1,878,286.52	102,647.80	5.8%
Coal Conversion Tax	982,970.22	922,394.47	(60,575.75)	-6.2%	1,918,938.49	1,856,467.99	(62,470.50)	-3.3%
Mineral Leasing Fees	541,772.17	289,474.41	(252,297.76)	-46.6%	676,253.34	490,045.73	(186,207.61)	-27.5%
Bank of North Dakota - Transfer								
State Mill and Elevator - Transfer								
Gas Tax Admin. - Transfer					141,109.00	172,576.00	31,467.00	22.3%
Other Transfers	78,390.43	30,073.17			78,390.43	30,073.17	(48,317.26)	
TOTAL REVENUES AND TRANSFERS	\$ 57,755,478.75	\$ 67,057,221.57	\$ 9,350,060.08	16.2%	\$ 106,827,577.39	\$ 114,254,104.58	\$ 7,426,527.19	7.0%

Revenue Variances

August sales tax collections exceeded projections by \$2.9 million or 9.8 percent. A portion of this variances is attributed to timing as a result of July ending on a weekend and some of the collections for July being processed in August. Another reason for the variance is related to the strength of the construction sector in North Dakota. After the first two months of the biennium, sales tax collections are \$1.7 million or 3.5 percent ahead of projections.

Individual income tax collections exceeded projections by \$1.4 million or 9.6 percent. This strength reflects strong individual income tax withholdings. In addition, extensions from the 1998 filing season are still coming in. After the first two months of the biennium, individual income tax collections are ahead of projections by \$820,337 or 2.7 percent.

Corporate income tax collections have come in somewhat ahead of forecast and are now \$316,313 or 9.6 percent ahead of forecast after the first two months of the biennium.

Insurance premium tax collections in August were \$1.3 million ahead of forecast, primarily as a result of timing. The general fund cashflow anticipated less collections in August and more in September.

As a result of increased oil prices, oil and gas production tax collections were \$206,769 or 23.5 percent ahead of collections in August while collections for oil extraction tax were \$392,787 or 73.6 percent ahead of collections. After the first two months of the biennium, collections for oil taxes are nearly \$1 million ahead of projections.

Comments or Questions???

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