October 29, 1999

North Dakota REV-E-NEWS

From Rod Backman, Director
Office of Management and Budget
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After the first three months of the biennium, North Dakota's general fund revenue collections are $5.6 million ahead of projections. We are now estimating the ending balance at June 30, 2001 to be nearly $35 million, compared to the $11.3 million estimate when the legislature adjourned.

North Dakota's agricultural industry continues to struggle due to low commodity prices resulting from weak global demand. North Dakota is expected to receive approximately $250 million in emergency farm assistance. Although these payments will help farmers considerably, low prices will continue to hinder our agriculture industry.

North Dakota's unemployment rate in September was 2.4 percent compared to the national unemployment rate for September of 4.2 percent. Non-agriculture wage and salary employment was up over the year in four major industries. The largest gain was in finance, insurance and real estate, which experienced a 2.6 percent increase. Construction followed with an increase of 1.8 percent. Wholesale trade increased by 0.9 percent and the services industry was up by 0.4 percent.

RFA believes North Dakota's economy will continue to underperform the regional and national averages, which is consistent with our forecast. North Dakota's tight labor market constrains job growth and the weakness in Asia will continue to dampen demand for agricultural and energy products.

Oil Activity

North Dakota currently has ten rigs operating in the state compared with seven rigs one year ago. Oil production in August averaged 88,499 barrels of oil per day compared to the forecast of 96,004 barrels of oil per day.

The price of sweet crude in September was $19.39 per barrel compared to our forecast of $10.68 per barrel. The current price of oil is in the $19 per barrel range.

Revenue Variances

Sales tax collections in September exceeded projections by $1.1 million or 4.7 percent. Biennium-to-date collections are now $2.8 million or 3.9 percent ahead of projections.

Motor vehicle excise tax collections exceeded projections by $103,239 or 2.1 percent, which brings the biennium-to-date collections to $270,240 or 1.9 percent ahead of projections.

(Continued on Page 4 – **Revenue Variances)**

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

	FISCAL MONTH				BIENNIUM TO DATE			
REVENUES AND TRANSFERS	**Legislative Forecast**	**Actual**	**Variance**	**Percent**	**Legislative Forecast**	**Actual**	**Variance**	**Percent**
Sales Tax	$ 22,586,000.00	$ 23,656,365.58	1,070,365.58	4.7%	$ 71,174,000.00	$ 73,939,602.86	2,765,602.86	3.9%
Motor Vehicle Excise Tax	4,953,000.00	5,056,239.38	103,239.38	2.1%	14,155,000.00	14,425,240.37	270,240.37	1.9%
Individual Income Tax	9,432,000.00	10,357,504.53	925,504.53	9.8%	40,085,000.00	41,830,842.35	1,745,842.35	4.4%
Corporate Income Tax	9,626,000.00	7,162,843.30	(2,463,156.70)	-25.6%	12,913,000.00	10,766,156.41	(2,146,843.59)	-16.6%
Insurance Premium Tax	1,000,000.00	346,173.46	(653,826.54)	-65.4%	1,140,000.00	1,949,336.54	809,336.54	71.0%
Financial Institutions Tax	1,000.00	452,881.00	451,881.00	45188.1%	69,000.00	458,295.00	389,295.00	564.2%
Oil & Gas Production Tax	949,000.00	827,830.61	(121,169.39)	-12.8%	2,656,000.00	3,167,834.02	511,834.02	19.3%
Gaming Tax	15,000.00	259,732.40	244,732.40	1631.5%	2,850,000.00	2,709,347.47	(140,652.53)	-4.9%
Interest Income	471,000.00	543,580.43	72,580.43	15.4%	1,117,000.00	1,478,629.92	361,629.92	32.4%
Oil Extraction Tax	581,000.00	769,784.09	188,784.09	32.5%	1,617,000.00	2,156,603.58	539,603.58	33.4%
Cigarette and Tobacco Tax	2,039,000.00	2,128,825.92	89,825.92	4.4%	5,954,000.00	6,143,210.89	189,210.89	3.2%
Departmental Collections	1,044,000.00	1,945,942.32	901,942.32	86.4%	3,377,000.00	3,852,929.78	475,929.78	14.1%
Wholesale Liquor Tax	457,426.00	473,052.81	15,626.81	3.4%	923,788.00	929,381.81	5,593.81	0.6%
Coal Severance Tax	996,000.00	918,487.12	(77,512.88)	-7.8%	2,872,000.00	2,796,773.64	(75,226.36)	-2.6%
Coal Conversion Tax	1,048,000.00	1,031,959.45	(16,040.55)	-1.5%	3,070,000.00	2,888,427.44	(181,572.56)	-5.9%
Mineral Leasing Fees	220,000.00	198,532.99	(21,467.01)	-9.8%	660,000.00	688,578.72	28,578.72	4.3%
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	200,000.00	234,968.59	34,968.59	17.5%	200,000.00	265,041.76	65,041.76	32.5%
Total Revenues and Transfers	55,618,426.00	56,364,703.98	746,277.98	1.3%	165,005,364.00	170,618,808.56	5,613,444.56	3.4%

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

	FISCAL MONTH				BIENNIUM TO DATE			
REVENUES AND TRANSFERS	**September, 1997**	**September, 1999**	**Variance**	**Percent**	**1999**	**2001**	**Variance**	**Percent**
Sales Tax	$ 22,849,835.03	$ 23,656,365.58	$ 806,530.55	3.5%	$ 66,517,410.65	$ 73,939,602.86	$ 7,422,192.21	11.2%
Motor Vehicle Excise Tax	3,989,731.71	5,056,239.38	1,066,507.67	26.7%	13,560,948.66	14,425,240.37	864,291.71	6.4%
Individual Income Tax	9,113,950.89	10,357,504.53	1,243,553.64	13.6%	37,681,296.73	41,830,842.35	4,149,545.62	11.0%
Corporate Income Tax	12,358,269.87	7,162,843.30	(5,195,426.57)	-42.0%	16,327,522.98	10,766,156.41	(5,561,366.57)	-34.1%
Insurance Premium Tax	1,521,572.70	346,173.46	(1,175,399.24)	-77.2%	1,562,773.07	1,949,336.54	386,563.47	24.7%
Financial Institutions Tax	983.00	452,881.00	451,898.00	45971.3%	85,302.89	458,295.00	372,992.11	437.3%
Oil & Gas Production Tax	1,004,835.85	827,830.61	(177,005.24)	-17.6%	3,967,499.17	3,167,834.02	(799,665.15)	-20.2%
Gaming Tax	14,968.76	259,732.40	244,763.64	1635.2%	2,849,468.82	2,709,347.47	(140,121.35)	-4.9%
Interest Income	1,833,898.68	543,580.43	(1,290,318.25)	-70.4%	2,856,840.61	1,478,629.92	(1,378,210.69)	-48.2%
Oil Extraction Tax	847,533.92	769,784.09	(77,749.83)	-9.2%	2,858,917.76	2,156,603.58	(702,314.18)	-24.6%
Cigarette and Tobacco Tax	2,105,355.32	2,128,825.92	23,470.60	1.1%	6,322,033.67	6,143,210.89	(178,822.78)	-2.8%
Departmental Collections	1,044,708.33	1,945,942.32	901,233.99	86.3%	3,327,645.50	3,852,929.78	525,284.28	15.8%
Wholesale Liquor Tax	456,133.62	473,052.81	16,919.19	3.7%	1,461,364.58	929,381.81	(531,982.77)	-36.4%
Coal Severance Tax	983,202.03	918,487.12	(64,714.91)	-6.6%	2,758,840.75	2,796,773.64	37,932.89	1.4%
Coal Conversion Tax	986,097.29	1,031,959.45	45,862.16	4.7%	2,905,035.78	2,888,427.44	(16,608.34)	-0.6%
Mineral Leasing Fees	243,645.82	198,532.99	(45,112.83)	-18.5%	919,899.16	688,578.72	(231,320.44)	-25.1%
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	39,335.28	234,968.59	195,633.31	497.3%	117,725.71	265,041.76	147,316.05	125.1%
TOTAL REVENUES AND TRANSFERS	$ 59,394,058.10	$ 56,364,703.98	$ (3,029,354.12)	-5.1%	$ 166,221,635.49	$ 170,618,808.56	$ 4,397,173.07	2.6%

Revenue Variances

Individual income tax collections were ahead of projections by $925,505 or 9.8 percent. This is the result of strong withholdings and estimated payments. Biennium-to-date collections are $1.7 million or 4.4 percent ahead of projections.

Corporate income tax collections fell below forecast by $2.5 million or 25.6 percent in September. Because of the large amount of refund requests, $3.5 million more than was anticipated was transferred to the refund reserve account to provide for these refunds. As a result, biennium-to-date collections are $2.1 million or 16.6 percent below projections.

Insurance premium tax collections fell behind projections for the month of September. However, this is purely due to the timing of the collections. Biennium-to-date collections are $809,337 or 71 percent ahead of projections.

Another case of timing is the financial institutions tax, where we show collections exceeding projections by $451,881. Because banks have such a wide time frame for which to file their returns, it is extremely difficult to cashflow these collections. However, by the end of the biennium, collections are usually pretty close to the forecast.

Oil and gas production tax collections fell below forecast by $121,169 or 12.8 percent. This shortfall is due to lower oil production than forecast. Although, the price of oil has improved drastically, it wasn't enough to make up for the lower production numbers. Biennium-to-date collections are now $511,834 or 19.3 percent ahead of projections.

Oil extraction tax collections exceeded projections by $188,784, which would seem unusual since oil and gas production collections fell below forecast. However, audit collections in September caused collections to exceed projections. Biennium-to-date collections are now $539,604 or 33.4 percent ahead of projections.

Departmental collections exceeded projections in September by $901,942 or 86.4 percent. The Insurance Department is required to transfer any amount in excess of $1.5 million in the Insurance Regulatory Trust fund at the end of each biennium. This transfer was made in September in the amount of $1,032,846 and accounts for the majority of the September variance. Biennium-to-date collections are now $475,930 or 14.1 percent ahead of projections for departmental collections.

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Comments or Questions???

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