

November 2001



North Dakota REV-E-NEWS

**From Rod Backman, Director
Office of Management and Budget
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The Office of Management and Budget, the Tax Department and Economy.com are now working on new revenue projections for the 2001-03 biennium. This is considered a review forecast and will serve to simply give more information about the revenue picture in light of the changing economy. The Advisory Council on Revenue Forecasting will meet the first week in December to discuss any changes Economy.com may present. We hope to finalize the revenue forecast before Christmas.

Nationally, real gross domestic product (GDP), which fell by 0.4 percent in the third quarter is expected to fall by as much as 2 percent in the current quarter and could possibly fall again in the first quarter of next year. According to Economy.com, there is no significant global or U.S. regional economy that has been able to avoid the negative economic fallout of recent events.

Economy.com expects the economy to contract through early next year, even under the most optimistic of assumptions.

The Federal Reserve has cut its funds rate target to a 40 year low of 2 percent and Congress and the administration will appropriate as much as an additional \$100 billion in spending on top of

\$55 billion in monies already appropriated since the attacks.

According to Economy.com, the key to whether the downturn in the economy will be short or long is whether consumers dramatically pull back on their spending. By most measures, consumer confidence has plunged; retail sales are exceptionally weak, and domestic auto makers are offering 0 percent interest rates to keep their sales from collapsing. The severity of the economy's problems are most evident in the job market. The national economy has lost almost one million jobs since employment peaked in March. Job losses are widespread across nearly all industries.

In North Dakota, nonfarm wage and salary employment totaled 330,650 in September compared to 330,850 one year ago. Employment was up over the year in five of the nine major industries. Those with increases were government; retail trade; transportation, communications and utilities; construction, and services. The largest decrease was in the manufacturing industry, which lost 450 jobs, followed by finance, insurance and real estate, and wholesale trade. Mining remained unchanged over the year.

Oil Activity

Oil production in September averaged 85,857 barrels per day, down from 86,300 in August. The revenue forecast assumed oil production would be 91,430 in September.

The current price of oil in North Dakota is in the range of \$13 per barrel, which compares to the projected price of

\$22 per barrel for this month.

The rig count is down to 13 rigs in North Dakota compared to 15 rigs one year ago. The rig count decreased by five rigs since last month due to the beginning of winter, and falling oil prices.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to March 2001 Legislative Forecast
2001-03 BIENNIUM
OCTOBER 2001

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	2001 Legislative Forecast	Actual	Variance	Percent	2001 Legislative Forecast	Actual	Variance	Percent
Sales Tax	31,974,000.00	\$ 32,899,379.05	\$ 925,379.05	2.9%	\$ 102,076,000.00	\$ 103,939,789.69	\$ 1,863,789.69	1.8%
Motor Vehicle Excise Tax	5,009,000.00	6,437,071.66	1,428,071.66	28.5%	19,778,000.00	21,147,718.80	1,369,718.80	6.9%
Individual Income Tax	16,295,000.00	16,392,039.16	97,039.16	0.6%	62,742,000.00	60,073,043.94	(2,668,956.06)	-4.3%
Corporate Income Tax	2,888,000.00	3,135,315.84	247,315.84	8.6%	2,888,000.00	3,305,308.31	417,308.31	14.4%
Insurance Premium Tax	100,000.00	77,240.00	(22,760.00)	-22.8%	1,336,000.00	2,268,699.42	932,699.42	69.8%
Financial Insitutions Tax		190,977.00	190,977.00	100.0%		373,525.00	373,525.00	100.0%
Oil & Gas Production Tax	1,886,000.00	1,813,740.28	(72,259.72)	-3.8%	7,743,000.00	6,585,686.44	(1,157,313.56)	-14.9%
Gaming Tax	468,000.00	957,139.21	489,139.21	104.5%	2,861,000.00	3,929,303.89	1,068,303.89	37.3%
Interest Income	724,000.00	557,793.32	(166,206.68)	-23.0%	2,496,000.00	2,008,819.08	(487,180.92)	-19.5%
Oil Extraction Tax	1,147,000.00	1,313,166.15	166,166.15	14.5%	4,714,000.00	4,083,234.36	(630,765.64)	-13.4%
Cigarette & Tobacco Tax	1,711,000.00	1,634,242.33	(76,757.67)	-4.5%	7,249,000.00	7,246,980.94	(2,019.06)	0.0%
Departmental Collections	980,000.00	1,054,048.57	74,048.57	7.6%	11,250,000.00	11,916,732.71	666,732.71	5.9%
Wholesale Liquor Tax	435,172.00	405,856.28	(29,315.72)	-6.7%	1,868,257.00	1,853,457.33	(14,799.67)	-0.8%
Coal Conversion Tax	1,954,000.00	1,856,733.80	(97,266.20)	-5.0%	8,158,000.00	7,557,408.81	(600,591.19)	-7.4%
Mineral Leasing Fees	400,000.00	318,727.70	(81,272.30)	-20.3%	1,360,000.00	966,729.00	(393,271.00)	-28.9%
Bank of North Dakota-Transfer								
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	170,424.00	170,424.00	-	0.0%	340,848.00	340,848.00	-	0.0%
Other Transfers		65.91	65.91	100.0%		62,448.88	62,448.88	100.0%
Total Revenues and Transfers	66,141,596.00	69,213,960.26	3,072,364.26	4.6%	236,860,105.00	237,659,734.60	799,629.60	0.3%

**COMPARISON TO PREVIOUS BIENNIUM REVENUES
1999-01 BIENNIUM
OCTOBER 2001**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	October 1999	October 2001	Variance	Percent	2001	2003	Variance	Percent
Sales Tax	\$ 24,825,965.02	\$ 32,899,379.05	\$ 8,073,414.03	32.5%	\$ 98,765,567.88	\$ 103,939,789.69	\$ 5,174,221.81	5.2%
Motor Vehicle Excise Tax	4,463,988.47	6,437,071.66	1,973,083.19	44.2%	18,889,228.84	21,147,718.80	2,258,489.96	12.0%
Individual Income Tax	10,014,829.08	16,392,039.16	6,377,210.08	63.7%	51,845,671.43	60,073,043.94	8,227,372.51	15.9%
Corporate Income Tax	854,249.12	3,135,315.84	2,281,066.72	267.0%	11,620,405.53	3,305,308.31	(8,315,097.22)	-71.6%
Insurance Premium Tax	38,832.59	77,240.00	38,407.41	98.9%	1,988,169.13	2,268,699.42	280,530.29	14.1%
Financial Institutions Tax	(463,925.00)	190,977.00	654,902.00	-141.2%	(5,630.00)	373,525.00	379,155.00	-6734.5%
Oil & Gas Production Tax	1,241,895.56	1,813,740.28	571,844.72	46.0%	4,409,729.58	6,585,686.44	2,175,956.86	49.3%
Gaming Tax	1,364,313.84	957,139.21	(407,174.63)	-29.8%	4,073,661.31	3,929,303.89	(144,357.42)	-3.5%
Interest Income	434,175.51	557,793.32	123,617.81	28.5%	1,912,805.43	2,008,819.08	96,013.65	5.0%
Oil Extraction Tax	1,363,669.10	1,313,166.15	(50,502.95)	-3.7%	3,520,272.68	4,083,234.36	562,961.68	16.0%
Cigarette & Tobacco Tax	1,910,497.83	1,634,242.33	(276,255.50)	-14.5%	8,053,708.72	7,246,980.94	(806,727.78)	-10.0%
Departmental Collections	979,357.13	1,054,048.57	74,691.44	7.6%	4,832,286.91	11,916,732.71	7,084,445.80	146.6%
Wholesale Liquor Tax	428,095.11	405,856.28	(22,238.83)	-5.2%	1,357,476.92	1,853,457.33	495,980.41	36.5%
Coal Severance Tax	974,160.31	0.00	882,573.49	90.6%	3,770,933.95		(3,770,933.95)	-100.0%
Coal Conversion Tax	1,035,207.81	1,856,733.80	(716,480.11)	-69.2%	3,923,635.25	7,557,408.81	3,633,773.56	92.6%
Mineral Leasing Fees	249,977.39	318,727.70	(249,977.39)	-159.0%	938,556.11	966,729.00	28,172.89	3.0%
Bank of North Dakota-Transfer							-	
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	172,576.00	170,424.00			345,152.00	340,848.00	(282,703.12)	-81.9%
Other Transfers	1,500,350.00	65.91	1,500,284.09	100.0%	1,765,391.76	62,448.88	1,702,942.88	96.5%
Total Revenues and Transfers	51,388,214.87	69,213,960.26	17,825,745.39	34.7%	222,007,023.43	237,659,734.60	15,652,711.17	7.1%

Revenue Variances

Sales tax collections in October exceeded the monthly projection by nearly \$1 million or 2.9 percent. Biennium-to-date collections are \$1.9 million or 1.8 percent ahead of projections.

It appears the 0 percent financing offered by auto makers has spurred the sale of motor vehicles in North Dakota. Collections in October were \$1.4 million or 28.5 percent ahead of projections, which leaves biennium-to-date collections \$1.4 million or 6.9 percent ahead of projections.

Individual income tax collections were just slightly over forecast in October, \$97,039 or 0.6 percent. Biennium-to-date collections are now \$2.7 million or 4.3 percent behind projections. We believe this shortfall for the first four months of the biennium is due to the timing of the collections.

Corporate income tax collections exceeded projections for October by \$247,316 or 8.6 percent. Biennium-to-date collections are \$417,308 or 14.4 percent

ahead of projections.

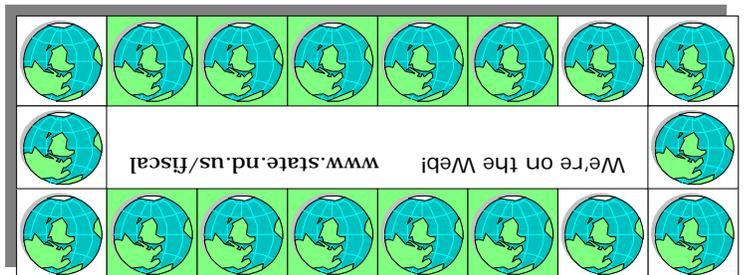
Gaming tax collections exceeded monthly projections by \$489,139. Most of this overage is due to the timing of the collections. After October, biennium-to-date collections are \$1.1 million or 37.3 percent ahead of projections.

Oil and gas production tax collections for October fell below the monthly forecast by \$72,260 or 3.8 percent and oil extraction tax collections exceeded monthly revenue projections due to audit collections and the lag in the filing of returns.

Comments or Questions???

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