

June 2002



North Dakota

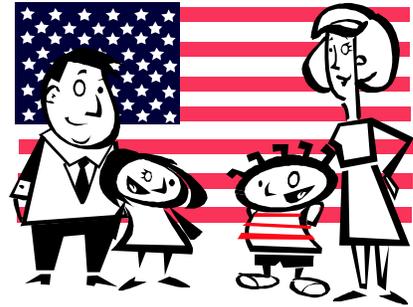
REV-E-NEWS

**From Rod Backman, Director
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As of the end of May, the projected ending balance for the biennium is down to \$2.8 million. The culprit is individual income tax collections, which are down considerably as a result of large capital losses. We anticipate the preliminary revenue forecast now to be completed by the middle of July. The Advisory Council on Revenue Forecasting recently gave us their input, and we are now continuing discussions with *Economy.com* prior to finalizing the forecast.

According to *Economy.com*, the economic recovery is continuing, although at a slower pace, as a result of businesses remaining reluctant to resume expanding. A positive economic development is the stabilization in corporate profitability, which has been helped by lower energy and material costs, lower interest rates, and strong productivity gains.

In North Dakota, we are encouraged that the sales tax revenue has not dipped below forecast even though collections for individual income tax have fallen. This indicates that the economy is running relatively smoothly in spite of the dip in taxes on income.



**Have a
Safe and Happy
4th of July!!**

Comments or Questions???

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Oil Activity

April oil production was estimated at 84,163 barrels per day, slightly down from March's average production of 84,752 barrels per day. 11 oil rigs are currently drilling in

North Dakota compared to 17 one year ago. The current price of oil is in the range of \$21 per barrel.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to December 2001 Revised Forecast
2001-03 BIENNIUM
May 2002

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	December 2001 Revised Forecast	Actual	Variance	Percent	December 2001 Revised Forecast	Actual	Variance	Percent
Sales Tax	27,450,000.00	\$ 26,679,631.47	\$ (770,368.53)	-2.8%	\$ 286,377,000.00	\$ 288,671,747.75	\$ 2,294,747.75	0.8%
Motor Vehicle Excise Tax	5,045,000.00	5,169,029.96	124,029.96	2.5%	53,901,000.00	56,093,256.12	2,192,256.12	4.1%
Individual Income Tax	18,508,000.00	14,392,484.59	(4,115,515.41)	-22.2%	204,185,000.00	188,632,355.23	(15,552,644.77)	-7.6%
Corporate Income Tax	3,311,000.00	3,073,288.29	(237,711.71)	-7.2%	37,375,000.00	34,840,972.67	(2,534,027.33)	-6.8%
Insurance Premium Tax	2,600,000.00	4,336,592.01	1,736,592.01	66.8%	17,396,000.00	22,330,012.65	4,934,012.65	28.4%
Financial Institutions Tax	48,000.00	30,990.00	(17,010.00)	-35.4%	2,376,000.00	3,578,346.00	1,202,346.00	50.6%
Oil & Gas Production Tax	1,616,000.00	2,099,466.96	483,466.96	29.9%	16,735,000.00	18,252,849.20	1,517,849.20	9.1%
Gaming Tax	1,951,000.00	2,457,198.64	506,198.64	25.9%	11,416,555.00	12,753,875.58	1,337,320.58	11.7%
Interest Income	419,000.00	151,127.65	(267,872.35)	-63.9%	4,815,056.00	3,259,775.24	(1,555,280.76)	-32.3%
Oil Extraction Tax	983,000.00	845,352.55	(137,647.45)	-14.0%	10,260,000.00	9,584,638.12	(675,361.88)	-6.6%
Cigarette & Tobacco Tax	1,487,000.00	1,639,603.37	152,603.37	10.3%	17,984,000.00	18,478,046.43	494,046.43	2.7%
Departmental Collections	1,200,000.00	1,379,703.30	179,703.30	15.0%	23,366,130.00	26,359,110.32	2,992,980.32	12.8%
Wholesale Liquor Tax	435,262.00	462,838.65	27,576.65	6.3%	4,908,851.00	4,995,393.57	86,542.57	1.8%
Coal Conversion Tax	2,035,000.00	1,937,783.90	(97,216.10)	-4.8%	21,940,000.00	21,317,821.13	(622,178.87)	-2.8%
Mineral Leasing Fees	325,000.00	796,061.59	471,061.59	144.9%	2,800,373.00	2,728,807.21	(71,565.79)	-2.6%
Bank of North Dakota-Transfer					15,000,000.00	15,000,000.00		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer			-	0.0%	681,696.00	681,696.00	-	0.0%
Other Transfers		2,047.00	2,047.00	100.0%		70,384.47	70,384.47	100.0%
Total Revenues and Transfers	67,413,262.00	65,453,199.93	(1,960,062.07)	-2.9%	731,517,661.00	727,629,087.69	(3,888,573.31)	-0.5%

**COMPARISON TO PREVIOUS BIENNIUM REVENUES
2001-03 BIENNIUM
MAY 2002**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	May 2000	May 2002	Variance	Percent	1999-01	2001-03	Variance	Percent
Sales Tax	\$ 29,756,028.45	\$ 26,679,631.47	\$ (3,076,396.98)	-10.3%	\$ 277,513,701.01	\$ 288,671,747.75	\$ 11,158,046.74	4.0%
Motor Vehicle Excise Tax	5,223,476.89	5,169,029.96	(54,446.93)	-1.0%	49,901,847.80	56,093,256.12	6,191,408.32	12.4%
Individual Income Tax	19,781,087.75	14,392,484.59	(5,388,603.16)	-27.2%	186,327,632.18	188,632,355.23	2,304,723.05	1.2%
Corporate Income Tax	1,450,181.67	3,073,288.29	1,623,106.62	111.9%	38,256,070.33	34,840,972.67	(3,415,097.66)	-8.9%
Insurance Premium Tax	4,240,260.64	4,336,592.01	96,331.37	2.3%	18,465,595.84	22,330,012.65	3,864,416.81	20.9%
Financial Insitutions Tax	112,619.00	30,990.00	(81,629.00)	-72.5%	2,358,716.16	3,578,346.00	1,219,629.84	51.7%
Oil & Gas Production Tax	3,113,442.78	2,099,466.96	(1,013,975.82)	-32.6%	18,600,889.71	18,252,849.20	(348,040.51)	-1.9%
Gaming Tax	2,677,091.76	2,457,198.64	(219,893.12)	-8.2%	12,665,255.78	12,753,875.58	88,619.80	0.7%
Interest Income	612,036.87	151,127.65	(460,909.22)	-75.3%	5,923,344.12	3,259,775.24	(2,663,568.88)	-45.0%
Oil Extraction Tax	1,613,507.48	845,352.55	(768,154.93)	-47.6%	11,492,533.43	9,584,638.12	(1,907,895.31)	-16.6%
Cigarette & Tobacco Tax	1,465,318.59	1,639,603.37	174,284.78	11.9%	19,430,641.27	18,478,046.43	(952,594.84)	-4.9%
Departmental Collections	1,220,579.08	1,379,703.30	159,124.22	13.0%	19,519,503.76	26,359,110.32	6,839,606.56	35.0%
Wholesale Liquor Tax	455,938.27	462,838.65	6,900.38	1.5%	4,397,006.14	4,995,393.57	598,387.43	13.6%
Coal Severance Tax	836,810.78	0.00	(836,810.78)	-100.0%	10,305,032.53	775,793.99	(9,529,238.54)	-92.5%
Coal Conversion Tax	1,008,118.70	1,937,783.90	929,665.20	92.2%	11,395,346.21	20,542,027.14	9,146,680.93	80.3%
Mineral Leasing Fees	425,175.80	796,061.59	370,885.79	87.2%	3,286,900.81	2,728,807.21	(558,093.60)	-17.0%
Bank of North Dakota-Transfer					15,000,000.00	15,000,000.00	-	0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer			-	0.0%	690,304.00	681,696.00	(619,919.53)	-89.8%
Other Transfers	30,753.79	2,047.00	(28,706.79)	100.0%	1,889,400.23	70,384.47	1,819,015.76	96.3%
Total Revenues and Transfers	74,022,428.30	65,453,199.93	(8,569,228.37)	-11.6%	707,419,721.31	727,629,087.69	20,209,366.38	2.9%

Revenue Variances

The following comments are based on May revenue collections compared to the December 2001 revised revenue forecast.

Sales tax collections fell below projections in May by \$770,369 or 2.8 percent. This monthly shortfall is likely due to timing. Some of April's collections were actually receipts for May. Biennium-to-date collections are now \$2.3 million or 0.8 percent ahead of projections.

Motor vehicle excise tax collections exceeded projections by \$124,030 or 2.5 percent for the month of May. Biennium-to-date collections are now \$2.2 million or 4.1 percent ahead of projections.

Individual income tax collections fell behind forecast by \$4.1 million or 22.2 percent, bringing biennium-to-date collections to \$15.6 million or 7.6 percent below projections. We continue to believe this shortfall is the result of a large drop in capital gains realized and increased capital losses.

Corporate income tax collections fell below projections in May by \$237,712 or 7.2 percent which brings the biennium-to-date collections to \$2.5 million or 6.8 percent below forecast.

Insurance premium taxes exceeded the monthly forecast by \$1.7 million or 66.8 percent.

This overage is partially due to timing and partially due to the fact that insurance premiums have increased. The biennium-to-date collections are now \$4.9 million or 28.4 percent ahead of projections.

Oil and gas production tax exceeded projections in May by \$483,467 or 29.9 percent. Again, this is due to the strong price of oil. Oil extraction tax collections fell below projections for the month by \$137,647. Although the price of oil is good, several exemptions are available to oil companies for the oil extraction tax, which sometimes results in oil and gas production tax collections exceeding forecast and oil extraction tax collections falling below forecast.

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