

March 2003



North Dakota

REV-E-NEWS

**From Pam Sharp, Interim Director
Office of Management and Budget
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Our thoughts and prayers are with the U.S. troops in Iraq.

The economic outlook for the nation hinges on how quickly the war in Iraq is over and what kind of economic stimulus fiscal policymakers are able to come up with. Assuming the war is over by summer, the economy should quickly gain traction. Job growth should resume by this fall and the nation's unemployment rate should begin to decline by the end of the year.

“The economic outlook for the nation hinges on how quickly the war in Iraq is over and what kind of economic stimulus fiscal policymakers are able to come up with.”

In *Economy.com's* presentation to the House and Senate Appropriations Committees on March 7, Steve Cochrane stated that North Da-

kota's economy is performing better than our neighboring states. *Economy.com* expects North Dakota to reach a new peak in employment growth in the second half of 2003.

North Dakota's January 2003 statewide employment level was up 3,050 from the January 2002 level. Nine of the 13 major industries showed an increase over the year. The retail trade had the largest increase of 900 jobs, educational and health services was second, with an increase of 800 jobs.

North Dakota continues to have one of the lowest unemployment rates in the nation. The January 2003 unemployment rate for North Dakota was 4.8 percent, up slightly from December's rate of 4.0 percent. The United States unemployment rate for January 2003 was 5.7 percent.

Oil Activity

Currently there are 10 oil rigs drilling in North Dakota compared to 10 rigs drilling one year ago. There is nothing to indicate that rig counts will increase significantly over the next six months.

January oil production averaged 82,278 barrels per day, down from December's average of 83,224 barrels per day. The price of oil is in the range of \$30 per barrel.

Comments or Questions???

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STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to November 2002 Executive Forecast
2001-03 BIENNIUM
February 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	November 2002 Executive Forecast	Actual	Variance	Percent	November 2002 Executive Forecast	Actual	Variance	Percent
Sales Tax	30,789,000	26,358,077	(4,430,923)	-14.4%	543,523,587	537,514,748	(6,008,839)	-1.1%
Motor Vehicle Excise Tax	4,374,000	3,941,509	(432,491)	-9.9%	101,330,695	99,385,577	(1,945,118)	-1.9%
Individual Income Tax	12,901,000	14,683,392	1,782,392	13.8%	318,492,631	323,400,427	4,907,796	1.5%
Corporate Income Tax	2,794,000	1,521,780	(1,272,220)	-45.5%	59,916,874	58,008,566	(1,908,308)	-3.2%
Insurance Premium Tax	2,149,000	5,604,011	3,455,011	160.8%	33,744,376	37,526,632	3,782,256	11.2%
Financial Institutions Tax	100,000	315,925	215,925	215.9%	3,182,058	3,143,347	(38,711)	-1.2%
Oil & Gas Production Tax	1,639,000	2,147,819	508,819	31.0%	33,322,966	35,242,257	1,919,291	5.8%
Gaming Tax	2,000,000	1,907,628	(92,372)	-4.6%	23,145,281	23,566,721	421,440	1.8%
Interest Income	236,000	51,038	(184,962)	-78.4%	7,230,888	6,555,775	(675,113)	-9.3%
Oil Extraction Tax	1,081,000	918,083	(162,917)	-15.1%	18,956,648	19,051,650	95,002	0.5%
Cigarette & Tobacco Tax	1,607,000	1,346,752	(260,248)	-16.2%	33,665,530	33,198,191	(467,339)	-1.4%
Departmental Collections	1,400,000	1,503,610	103,610	7.4%	50,557,273	50,865,023	307,750	0.6%
Wholesale Liquor Tax	382,000	403,898	21,898	5.7%	9,312,220	9,352,331	40,111	0.4%
Coal Conversion Tax	2,100,000	1,799,014	(300,986)	-14.3%	39,624,496	39,299,807	(324,689)	-0.8%
Mineral Leasing Fees	300,000	419,839	119,839	39.9%	5,275,495	5,587,507	312,012	5.9%
Bank of North Dakota-Transfer					45,000,000	45,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,192,968	1,192,968	-	0.0%
Other Transfers		0	0	0.0%	18,805,069	18,818,380	13,311	0.1%
Total Revenues and Transfers	63,852,000	62,922,375	(929,625)	-1.5%	1,346,279,055	1,346,709,909	430,854	0.0%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2001-03 BIENNIUM
February 2003

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	February 2001	February 2003	Variance	Percent	1999-01	2001-03	Variance	Percent
Sales Tax	25,825,791	26,358,077	532,286	2.1%	514,294,559	537,514,748	23,220,189	4.5%
Motor Vehicle Excise Tax	4,911,153	3,941,509	(969,644)	-19.7%	92,156,320	99,385,577	7,229,257	7.8%
Individual Income Tax	13,218,254	14,683,392	1,465,138	11.1%	321,587,911	323,400,427	1,812,517	0.6%
Corporate Income Tax	1,954,653	1,521,780	(432,873)	-22.1%	64,850,077	58,008,566	(6,841,511)	-10.5%
Insurance Premium Tax	1,981,327	5,604,011	3,622,684	182.8%	28,653,226	37,526,632	8,873,406	31.0%
Financial Institutions Tax	164,664	315,925	151,261	91.9%	2,677,086	3,143,347	466,261	17.4%
Oil & Gas Production Tax	976,037	2,147,819	1,171,782	120.1%	36,915,934	35,242,257	(1,673,677)	-4.5%
Gaming Tax	2,149,908	1,907,628	(242,281)	-11.3%	22,915,501	23,566,721	651,220	2.8%
Interest Income	698,501	51,038	(647,463)	-92.7%	15,504,122	6,555,775	(8,948,346)	-57.7%
Oil Extraction Tax	477,072	918,083	441,011	92.4%	22,550,707	19,051,650	(3,499,057)	-15.5%
Cigarette & Tobacco Tax	1,652,247	1,346,752	(305,495)	-18.5%	35,272,057	33,198,191	(2,073,866)	-5.9%
Departmental Collections	1,382,538	1,503,610	121,072	8.8%	35,331,970	50,865,023	15,533,054	44.0%
Wholesale Liquor Tax	382,511	403,898	21,387	5.6%	8,549,144	9,352,331	803,187	9.4%
Coal Severance Tax	1,026,149	-	(1,026,149)	-100.0%	18,761,200	775,794	(17,985,406)	-95.9%
Coal Conversion Tax	1,257,803	1,799,014	541,211	43.0%	21,214,565	38,524,013	17,309,448	81.6%
Mineral Leasing Fees	424,993	419,839	(5,154)	-1.2%	6,732,115	5,587,507	(1,144,607)	-17.0%
Bank of North Dakota-Transfer					15,000,000	45,000,000	30,000,000	200.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					1,208,032	1,192,968	(15,064)	-1.2%
Other Transfers	0	0	0	0.0%	2,142,859	18,818,380	16,675,520	778.2%
Total Revenues and Transfers	58,483,601	62,922,375	4,438,773	7.6%	1,266,317,385	1,346,709,909	80,392,525	6.3%

Revenue Variances

The following comments are based on the February revenue collections compared to the November 2002 executive revenue forecast. We will continue to track revenues to the November 2002 executive revenue forecast until the legislative session concludes and all legislative adjustments have been made to the March 2003 revenue forecast.

Sales tax collections in February fell below the monthly projection by \$4.4 million or 14.4 percent. While some of the shortfall may be due to timing, it is possible that a large part of the shortfall may be due to low consumer confidence. Biennium-to-date collections are now \$6.0 million or 1.1 percent behind projections.

Motor vehicle excise tax collections fell below forecast by \$432,491 or 9.9 percent in February, bringing the biennium-to-date collections to \$1.9 million below projections.

Individual income tax collections exceeded the monthly projections by \$1.8 million or 13.8 percent in February, which brings biennium-to-date

collections to \$4.9 million or 1.5 percent ahead of projections. We won't know until the middle of May – after the tax filing season is completed – how individual income tax collections for calendar 2002 will fare compared to the forecast.

Corporate income tax collections fell below monthly projections by \$1.3 million or 45.5 percent bringing biennium-to-date collections to \$1.9 million below forecast.

Insurance premium tax collections exceeded the monthly projection by \$3.5 million. Some of this overage could be due to timing. Biennium-to-date collections are now \$3.8 million or 11.2 percent ahead of projections.

Oil and gas production tax collections exceeded the monthly projection by \$508,819 or 31.0 percent, while oil extraction tax collections fell below the forecast for the month by \$162,917.

In total monthly collections for February fell below projections by \$929,525 or 1.5 percent.

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