

August 2004



North Dakota

REV-E-NEWS

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Economy.com predicts continued growth and economic expansion for North Dakota. *Economy.com* has recently completed its tax base forecast for North Dakota, which is the basis for the preliminary revenue forecast for the 2005-07 biennium, as explained below.

The preliminary revenue forecast

shows that during the current biennium we can expect additional general fund revenue of \$33.3 million, plus \$16.8 million in oil tax revenue that will be deposited in the permanent oil tax trust fund. During the 2005-07 biennium we should realize increased general fund revenues of \$102.5 million.

Preliminary Revenue Forecast

The preliminary revenue forecast for the 2005-07 biennium was completed in July and is shown on page four of this newsletter. The preliminary forecast includes a revised revenue forecast for fiscal year 2005. However, the original legislative forecast is still used for comparative purposes as actual revenues are collected and variances are reported.

For the 2003-05 biennium, the revised revenue forecast shows an increase of \$33.3 million over the original legislative forecast, not considering the impact of the \$56.5 million in federal fiscal relief payments received by the state.

The majority of the 2003-05 biennium increase is attributable to sales and use tax collections, which are anticipated to exceed the legislative forecast by \$34.9 million. Motor vehicle excise tax collections also show strong growth and are expected to exceed the legislative forecast by over \$3 million. Lottery collections are expected to exceed the legislative estimate by a significant amount – actual collections

are anticipated to be \$4.5 million compared to the legislative estimate of \$1.4 million. Oil taxes are also anticipated to exceed the legislative forecast. However, the general fund portion of these taxes is capped at \$71.0 million, with the excess being deposited in the permanent oil tax trust fund. For that reason, general fund oil taxes are not affected by the revised forecast. However, by June 30, 2005, \$16.8 million is anticipated to be deposited in the permanent oil tax trust fund.

For the 2005-07 biennium, the preliminary forecast shows revenue growth of \$102.5 million compared to the original legislative forecast for the 2003-05 biennium. The tax type showing the greatest increase is sales and use taxes, increasing by \$75.8 million over the 2003-05 legislative forecast. Motor vehicle excise taxes are anticipated to increase by \$7.9 million and individual income taxes by \$31.6 million. Lottery collections are anticipated to provide \$7.1 million to the general fund in the 2005-07 biennium.

Revenue Variances

July revenues closely matched the legislative forecast. Actual revenues exceed the forecast by \$320,000, or 0.5 percent. Biennium to date revenues exceed the legislative forecast by \$27.6 million, or 2.9 percent, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state and deposited in the general fund.

Sales tax collections continue to reflect strong economic growth. July collections exceeded the monthly forecast by \$2.4 million, or 8.0 percent. Biennium to date collections exceed the legislative forecast by \$20.5 million, or nearly 6.0 percent.

Motor vehicle excise tax also exceeded the monthly forecast by 8.0 percent. Biennium to date collections exceed the legislative forecast by \$2.6 million, or 3.9 percent.

Individual income tax collections fell short of the legislative forecast by \$3.6 million. This is a timing issue and electronic payments received by the Tax Department in early August indicate the shortfall will be corrected in August.

Oil taxes exceeded the monthly forecast by \$1.5 million. Biennium to date collections exceed the legislative forecast by \$7.9 million, an increase of 19.7 percent.

Coal conversion taxes fell short of the legislative forecast by \$470,000 for the month, reflecting the Dakota Gasification Plant maintenance shutdown.

Mineral leasing fees continue to exceed the legislative forecast as a result of increased oil activity. Monthly collections exceeded the forecast by \$225,000; biennium to date collections exceed forecast by \$1.2 million, or 44.0 percent.

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
July 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>	March 2003 <u>Leg. Forecast</u>	<u>Actual</u>	<u>Variance</u>	<u>Percent</u>
Sales Tax	30,581,000	33,012,555	2,431,555	8.0%	351,477,000	371,955,518	20,478,518	5.8%
Motor Vehicle Excise Tax	5,174,000	5,589,302	415,302	8.0%	67,453,000	70,099,060	2,646,060	3.9%
Individual Income Tax	20,241,000	16,629,252	(3,611,748)	-17.8%	232,818,000	229,521,775	(3,296,225)	-1.4%
Corporate Income Tax		46,247	46,247	100.0%	45,889,000	40,303,330	(5,585,670)	-12.2%
Insurance Premium Tax		109,043	109,043	100.0%	27,412,000	28,385,411	973,411	3.6%
Financial Institutions Tax		30,253	30,253	100.0%	2,600,000	2,676,324	76,324	2.9%
Oil & Gas Production Tax	1,774,000	3,165,321	1,391,321	78.4%	23,923,000	31,421,761	7,498,761	31.3%
Gaming Tax	300,000	434,679	134,679	44.9%	11,900,000	11,856,976	(43,024)	-0.4%
Lottery					280,000	1,431,000	1,151,000	411.1%
Interest Income	96,000	36,416	(59,584)	-62.1%	6,098,000	2,369,404	(3,728,596)	-61.1%
Oil Extraction Tax	1,198,000	1,317,497	119,497	10.0%	16,213,000	16,608,522	395,522	2.4%
Cigarette & Tobacco Tax	1,599,000	1,777,205	178,205	11.1%	20,228,000	21,552,616	1,324,616	6.5%
Departmental Collections	1,312,500	633,447	(679,053)	-51.7%	29,589,148	33,220,994	3,631,846	12.3%
Wholesale Liquor Tax	568,000	627,641	59,641	10.5%	6,342,000	6,537,599	195,599	3.1%
Coal Conversion Tax	2,031,000	1,561,467	(469,533)	-23.1%	25,567,000	25,994,283	427,283	1.7%
Mineral Leasing Fees	300,000	524,873	224,873	75.0%	2,715,000	3,910,196	1,195,196	44.0%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	174,525	174,525		0.0%	872,625	872,625		0.0%
Other Transfers					36,410,000	36,647,634	237,634	0.7%
Total	65,349,025	65,669,721	320,696	0.5%	937,786,773	965,365,027	27,578,254	2.9%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief -Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	65,349,025	65,669,721	320,696	0.5%	937,786,773	1,021,821,608	84,034,835	9.0%

**COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
July 2004**

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	July <u>2002</u>	July <u>2004</u>	Variance	Percent	<u>2001-03</u>	<u>2003-05</u>	Variance	Percent
Sales Tax	35,818,988	33,012,555	(2,806,433)	-7.8%	344,483,322	371,955,518	27,472,197	8.0%
Motor Vehicle Excise Tax	4,980,034	5,589,302	609,267	12.2%	65,659,709	70,099,060	4,439,351	6.8%
Individual Income Tax	20,547,138	16,629,252	(3,917,886)	-19.1%	217,304,229	229,521,775	12,217,546	5.6%
Corporate Income Tax	32,902	46,247	13,345	40.6%	41,407,200	40,303,330	(1,103,870)	-2.7%
Insurance Premium Tax		109,043	109,043	100.0%	23,347,204	28,385,411	5,038,207	21.6%
Financial Insitutions Tax	406,297	30,253	(376,044)	-92.6%	2,971,845	2,676,324	(295,521)	-9.9%
Oil & Gas Production Tax	2,205,529	3,165,321	959,793	43.5%	22,736,256	31,421,761	8,685,505	38.2%
Gaming Tax	462,514	434,679	(27,836)	-6.0%	14,199,736	11,856,976	(2,342,760)	-16.5%
Lottery					-	1,431,000	1,431,000	100.0%
Interest Income	83,464	36,416	(47,048)	-56.4%	5,613,156	2,369,404	(3,243,751)	-57.8%
Oil Extraction Tax	1,030,655	1,317,497	286,842	27.8%	11,497,392	16,608,522	5,111,129	44.5%
Cigarette & Tobacco Tax	1,710,135	1,777,205	67,070	3.9%	21,877,717	21,552,616	(325,101)	-1.5%
Departmental Collections	9,427,502	633,447	(8,794,055)	-93.3%	37,739,392	33,220,994	(4,518,398)	-12.0%
Wholesale Liquor Tax	538,295	627,641	89,346	16.6%	6,032,077	6,537,599	505,522	8.4%
Coal Conversion Tax	1,902,174	1,561,467	(340,708)	-17.9%	25,230,676	25,994,283	763,607	3.0%
Mineral Leasing Fees	485,913	524,873	38,960	8.0%	3,465,497	3,910,196	444,699	12.8%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer	170,424	174,525		0.0%	852,120	872,625	20,505	2.4%
Other Transfers					85,309	36,647,634	36,562,324	100.0%
Total	79,801,964	65,669,721	(14,132,243)	-17.7%	874,502,838	965,365,027	90,862,189	10.4%
Federal Fiscal Relief Payments						50,000,000	50,000,000	100.0%
Federal Fiscal Relief - Medicaid FMAP						6,456,581	6,456,581	100.0%
Total Revenues and Transfers	79,801,964	65,669,721	(14,132,243)	-17.7%	874,502,838	1,021,821,608	147,318,770	16.8%

Preliminary Revenue Forecast

GENERAL FUND REVENUES	2003-05 BIENNIUM			2005-07 BIENNIUM	
	2003 Legislative Forecast	03-05 Revised Forecast	Change	Preliminary Forecast	Change from 2003 Legislative Forecast
Sales and Use Tax	\$674,764,000	\$709,634,000	\$34,870,000	\$750,535,000	\$75,771,000
Motor Vehicle Excise Tax	126,784,840	129,854,000	3,069,160	134,704,000	7,919,160
Individual Income Tax	435,255,000	436,651,000	1,396,000	466,807,000	31,552,000
Corporate Income Tax	91,450,000	83,649,000	(7,801,000)	85,590,000	(5,860,000)
Business Privilege/Financial Inst. Tax	5,200,000	5,246,000	46,000	5,200,000	0
Oil & Gas Production Tax *	42,348,719	44,757,000	2,408,281	41,156,000	(1,192,719)
Oil Extraction Tax *	28,651,281	26,243,000	(2,408,281)	27,847,000	(804,281)
Cigarette and Tobacco Tax	36,709,000	38,803,000	2,094,000	36,148,000	(561,000)
Coal Conversion Tax	47,221,000	47,726,000	505,000	48,719,000	1,498,000
Insurance Premium Tax	55,869,000	57,587,000	1,718,000	60,400,000	4,531,000
Wholesale Liquor Tax	11,634,000	11,697,000	63,000	11,839,000	205,000
Gaming	23,145,000	21,487,000	(1,658,000)	20,130,000	(3,015,000)
Lottery	1,431,000	4,508,000	3,077,000	7,111,000	5,680,000
Departmental Collections	54,410,473	55,072,000	661,527	42,650,000	(11,760,473)
Interest	12,629,000	5,485,000	(7,144,000)	10,217,000	(2,412,000)
Mineral Leasing and Royalties	4,215,000	6,655,000	2,440,000	5,175,000	960,000
Total Revenues	\$1,651,717,313	\$1,685,054,000	\$33,336,687	\$1,754,228,000	\$102,510,687

* Transfers to the permanent oil tax trust fund are anticipated to be \$16.8 million during the 2003-05 biennium.

Comments or Questions???

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