



North Dakota
REV-E-NEWS

**From Pam Sharp, Director
Office of Management and Budget
600 E. Blvd. Ave. , Dept 110 - Bismarck, ND 58505-0400**

Revenue collections in September were ahead of projections for the fourth consecutive month. Compared to the legislative revenue forecast, September collections were \$465,484 ahead of projections and compared to the more recent revenue forecast prepared in August, collections were ahead of projections by \$757,623. Most encouraging is the fact that sales tax collections were again very strong in September.

North Dakota taxable sales and purchases grew by 9.4 percent in the second quarter of 2004 compared to the same quarter one year ago. The industries showing the largest growth were: construction 39.9 percent; wholesale trade 16.9 percent; and manufacturing 15.5 percent.

North Dakota's non-seasonally adjusted unemployment rate of 3.9 percent was tied with Wyoming for the second low

est in the nation. The national unemployment rate for August was 5.4 percent.

Nationally, the economy had a strong September. Real gross domestic product (GDP) growth for the third quarter will likely be more than 4 percent according to *Economy.com*. Growth at the end of the third quarter was fueled by robust business spending on equipment and software, strong construction activity, and increased vehicle sales.

West Texas Intermediate oil, which is currently trading around \$50 per barrel is expected to be closer to \$35 per barrel a year from now. If the lower oil prices do come to pass, that will do much to support the economy in 2005. High oil prices have cut into this year's real GDP growth by at least a half percentage point, and the expected lower prices should add about as much to growth next year.

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) has awarded the Certificate of Achievement for Excellence in Financial Reporting to the Office of Management and Budget for its comprehensive annual financial report (CAFR) for fiscal year 2003. This is the highest form of recognition in the

area of governmental and financial reporting and its attainment represents a significant accomplishment by a government and its management.

This is the thirteenth consecutive year the State of North Dakota has received the award, and is the second CAFR prepared under the requirements of GASB 34.

Oil Activity

Oil production in North Dakota averaged approximately 85,806 barrels per day during August, up from July's production of 83,227 barrels per day. The number of rigs in the state is currently 21, compared to 18 one year ago.

The current Tesoro posted price for oil in North Dakota is approximately \$50 per barrel.



Have a Safe Halloween !!

STATEMENT OF GENERAL FUND REVENUES AND FORECASTS
Compared to the Legislative Forecast
2003-05 BIENNIUM
September 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	25,246,000	27,731,410	2,485,410	9.8%	410,820,000	436,597,948	25,777,948	6.3%
Motor Vehicle Excise Tax	5,934,000	6,299,245	365,245	6.2%	79,238,000	81,724,359	2,486,359	3.1%
Individual Income Tax	11,747,000	10,741,640	(1,005,360)	-8.6%	260,779,000	262,497,282	1,718,282	0.7%
Corporate Income Tax		715,154	715,154	100.0%	45,889,000	41,053,084	(4,835,916)	-10.5%
Insurance Premium Tax	1,600,000	346,266	(1,253,734)	-78.4%	30,962,000	32,795,517	1,833,517	5.9%
Financial Insitutions Tax		16,377	16,377	100.0%	2,600,000	2,695,609	95,609	3.7%
Oil & Gas Production Tax	1,888,000	2,078,130	190,130	10.1%	27,624,000	35,268,385	7,644,385	27.7%
Gaming Tax	300,000	26,606	(273,394)	-91.1%	14,400,000	13,425,134	(974,866)	-6.8%
Lottery					280,000	1,431,000	1,151,000	411.1%
Interest Income	446,000	172,922	(273,078)	-61.2%	6,990,000	2,687,371	(4,302,629)	-61.6%
Oil Extraction Tax	1,274,000	1,236,551	(37,449)	-2.9%	18,711,000	19,349,919	638,919	3.4%
Cigarette & Tobacco Tax	1,677,000	1,766,269	89,269	5.3%	23,578,000	25,072,191	1,494,191	6.3%
Departmental Collections	1,562,500	1,098,324	(464,176)	-29.7%	35,646,609	39,841,313	4,194,704	11.8%
Wholesale Liquor Tax	508,000	471,749	(36,251)	-7.1%	7,368,000	7,490,959	122,959	1.7%
Coal Conversion Tax	2,098,000	2,055,714	(42,286)	-2.0%	29,768,000	29,821,213	53,213	0.2%
Mineral Leasing Fees	(150,000)	(161,212)	(11,212)	7.5%	2,865,000	4,329,742	1,464,742	51.1%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					872,625	872,625		0.0%
Other Transfers		839	839	100.0%	36,410,000	36,649,951	239,951	0.7%
Total	54,130,500	54,595,984	465,484	0.9%	1,064,801,234	1,103,603,602	38,802,368	3.6%
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	54,130,500	54,595,984	465,484	0.9%	1,064,801,234	1,160,060,183	95,258,949	8.9%

COMPARISON TO PREVIOUS BIENNIUM REVENUES
2003-05 BIENNIUM
September 2004

REVENUES AND TRANSFERS	FISCAL MONTH				BIENNIUM TO DATE			
	September 2002	September 2004	Variance	Percent	2001-03	2003-05	Variance	Percent
Sales Tax	28,487,380	27,731,410	(755,971)	-2.7%	399,015,587	436,597,948	37,582,361	9.4%
Motor Vehicle Excise Tax	5,402,740	6,299,245	896,505	16.6%	76,644,695	81,724,359	5,079,665	6.6%
Individual Income Tax	9,753,909	10,741,640	987,731	10.1%	241,745,631	262,497,282	20,751,651	8.6%
Corporate Income Tax	3,301,035	715,154	(2,585,881)	-78.3%	44,725,874	41,053,084	(3,672,790)	-8.2%
Insurance Premium Tax	1,137,164	346,266	(790,898)	-69.6%	26,393,376	32,795,517	6,402,141	24.3%
Financial Insitutions Tax	9,672	16,377	6,705	69.3%	2,982,058	2,695,609	(286,449)	-9.6%
Oil & Gas Production Tax	1,336,648	2,078,130	741,483	55.5%	25,248,966	35,268,385	10,019,419	39.7%
Gaming Tax	436,399	26,606	(409,793)	-93.9%	16,795,281	13,425,134	(3,370,147)	-20.1%
Lottery						1,431,000	1,431,000	100.0%
Interest Income	203,059	172,922	(30,137)	-14.8%	6,050,888	2,687,371	(3,363,516)	-55.6%
Oil Extraction Tax	1,187,964	1,236,551	48,587	4.1%	13,630,648	19,349,919	5,719,270	42.0%
Cigarette & Tobacco Tax	1,727,747	1,766,269	38,522	2.2%	25,434,530	25,072,191	(362,339)	-1.4%
Departmental Collections	2,146,280	1,098,324	(1,047,956)	-48.8%	40,887,273	39,841,313	(1,045,959)	-2.6%
Wholesale Liquor Tax	411,550	471,749	60,200	14.6%	6,981,220	7,490,959	509,739	7.3%
Coal Conversion Tax	2,004,675	2,055,714	51,039	2.5%	29,260,496	29,821,213	560,717	1.9%
Mineral Leasing Fees	78,294	(161,212)	(239,506)	-305.9%	4,045,495	4,329,742	284,247	7.0%
Bank of North Dakota-Transfer					30,000,000	30,000,000		0.0%
State Mill & Elevator-Transfer								
Gas Tax Admin-Transfer					852,120	872,625	20,505	2.4%
Other Transfers	399	839	440	110.3%	71,249	36,649,951	36,578,702	100.0%
Total	57,624,914	54,595,984	(3,028,930)	-5.3%	990,765,387	1,103,603,602	112,838,215	11.4%
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	57,624,914	54,595,984	(3,028,930)	-5.3%	990,765,387	1,160,060,183	169,294,796	17.1%

Revenue Variances

The following comments on revenue variances are based on September revenue collections compared to the 2003 legislative forecast.

September revenue collections exceeded the legislative forecast by \$465,484, while biennium-to-date collections exceeded the legislative forecast by \$38.8 million, excluding the impact of the \$56.5 million in federal fiscal relief payments received by the state and deposited into the general fund.

Compared to the preliminary revenue forecast that was completed in August, September revenues exceeded projections by \$757,623.

Sales tax collections in September exceeded the monthly projections by \$2.5 million or 9.8 percent. Biennium-to-date collections are now \$25.8 million or 6.3 percent ahead of the legislative forecast.

Motor vehicle excise tax collections exceeded monthly projections by \$365,245. Most of this variance relates to the correction of an accounting error in the previous month. Biennium-to-date collections are now \$2.5 million or 3.1 percent ahead of the legislative forecast.

Insurance premium tax collections fell behind the monthly projection by \$1.3 million, however, this shortfall reflects a timing issue in which some of September's revenue was actually collected in August. Biennium-to-date collections are \$1.8 million or 5.9 percent ahead of the legislative forecast.

Oil and gas production tax collections exceeded the legislative forecast only slightly, and oil extraction tax collections fell slightly below projections in spite of the high price of oil. This was due to some corrections from prior distributions and also due to production in some counties that are still receiving a 75 percent allocation until they reach collections of \$1.0 million, at which time their allocation drops to 50 percent.

Comments or Questions???

Call

Pam Sharp, Director

Phone: 701-328-4904

Fax : 701-328-3230

E-mail :

sfranklin@state.nd.us

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at*

www.discovernd.com

