

## ECONOMIC ASSUMPTIONS AND CONDITIONS USED IN THE 2007-09 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION

**General fund revenue growth** - General fund revenues, **excluding transfers** and beginning balance for the 2007-09 biennium, are anticipated to increase by 6.1 percent, or \$127.5 million, from the revised 2005-07 revenue forecast and by 24 percent, or \$426.6 million, from the original 2005-07 revenue forecast.

**Taxable sales and purchases** - Taxable sales and purchases are estimated to increase by \$77.9 million, or 9.18 percent, during the 2007-09 biennium, resulting in additional general fund revenues of \$86.2 million as compared to the revised 2005-07 forecast.

**Individual income tax** - Individual income tax collections are expected to increase by 9.9 percent, or \$54.7 million, for an anticipated total of \$608 million of individual income tax revenues during the 2007-09 biennium. This compares to the revised forecast for 2005-07 of \$553.3 million and the original 2005-07 forecast of \$464.3 million.

**Corporate income tax** - Corporate income tax collections are expected to decline by 12.4 percent or \$23.2 million, for an anticipated total of \$164.6 million of corporate income tax revenues during the 2007-09 biennium. Corporate income tax collections are projected to reach a historic high of \$187.8 million during the 2005-07 biennium due in part to one-time audit collections. The original forecast for 2005-07 was \$83.8 million.

**Oil and gas tax collections** - Total state oil and gas tax collections are expected to increase from \$229.5 million in 2005-07 to \$238 million in 2007-09. North Dakota Century Code (NDCC) Section 57-51.1-07.2 provides that if oil and gas production and oil extraction tax collections during a

biennium exceed \$71 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. An estimated \$158.5 million will be transferred to the permanent oil tax trust fund for the 2005-07 biennium and \$167 million for the 2007-09 biennium.

**Oil prices** - North Dakota crude oil prices averaged \$50.68 per barrel in November 2006. Oil prices are anticipated to average \$50 per barrel during fiscal year 2007 and into the first year of the 2007-09 biennium before declining to an average price of \$45 per barrel during the second year of the 2007-09 biennium.

**Oil production** - Oil production for September 2006 averaged 113,112 barrels per day and is anticipated to increase to 115,000 barrels per day by the end of the 2005-07 biennium. Oil production is anticipated to increase to 116,000 barrels per day during fiscal year 2008 and continue to increase to approximately 119,000 barrels per day by the end of fiscal year 2009.

**Lottery income** - North Dakota voters approved an initiated measure in November 2002 to amend the constitution and allow North Dakota to join a multistate lottery. The 2005-07 revised revenue forecast anticipates \$12 million of general fund revenues from the lottery, an increase of \$2 million from the original 2005-07 legislative revenue forecast. The 2007-09 executive budget anticipates \$11.6 million of general fund revenues from the lottery.