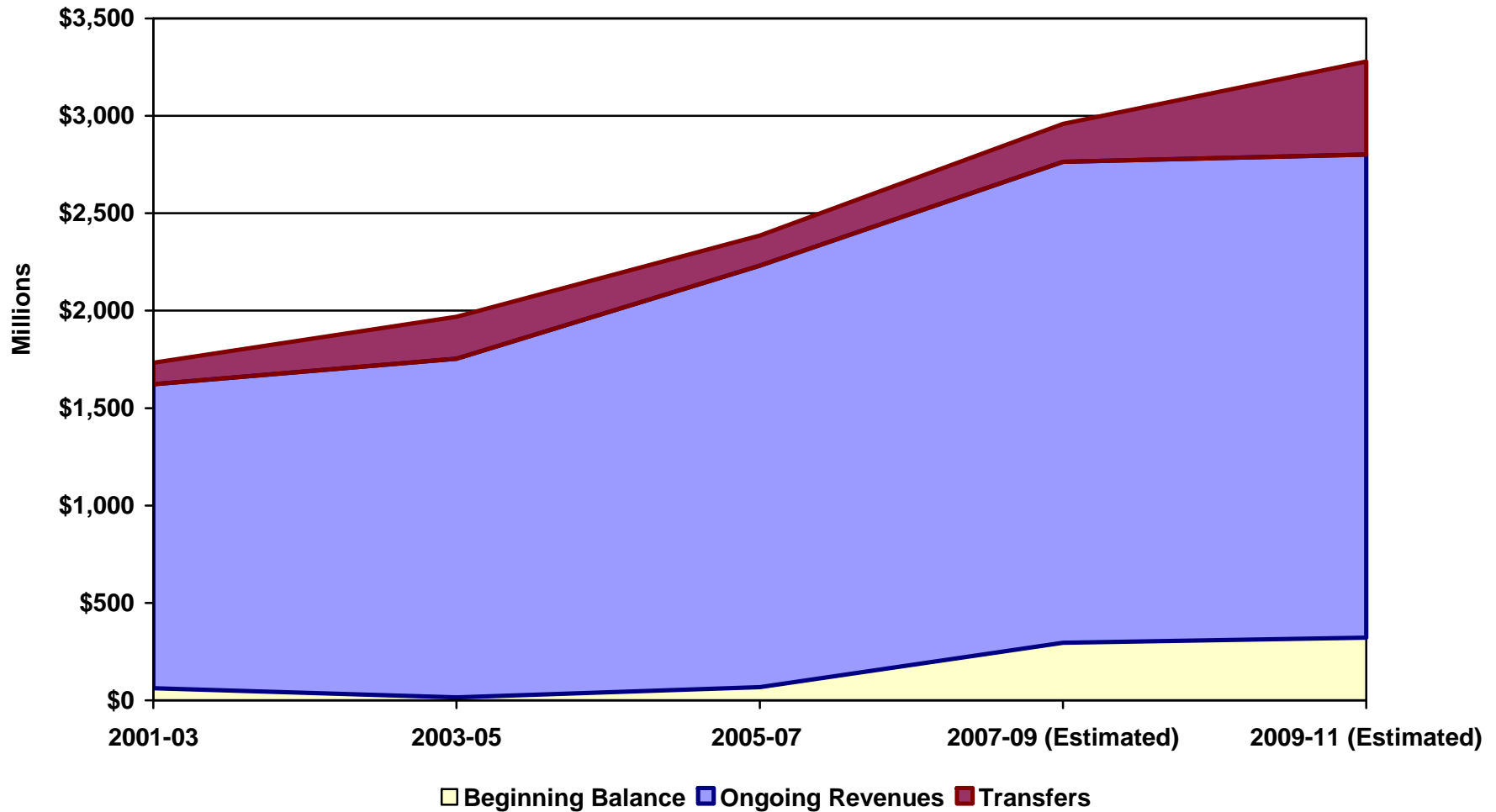


GENERAL FUND REVENUE SUMMARY

TOTAL REVENUES

Based on the 2009-11 biennium legislative revenue forecast, total 2009-11 biennium general fund revenues, including the estimated beginning balance, ongoing revenues, and transfers are estimated to be \$3,278.9 million, which is \$320.8 million, or 10.8 percent, more than total 2007-09 biennium revenues of \$2,958.1 million and an **increase of \$103.2 million** compared to the executive budget recommendation of \$3,175.7 million.

The following is a summary of revenues for the 2001-03 through 2009-11 bienniums:



| | 2001-03 | 2003-05 | 2005-07 | 2007-09 (Estimated) | 2009-11 (Estimated) |
|-------------------|-----------------|--------------------------|-----------------|---------------------|---------------------|
| Beginning balance | \$62,240,652 | \$14,790,311 | \$68,015,056 | \$295,541,176 | \$321,091,738 |
| Ongoing revenues | 1,559,444,550 | 1,739,132,961 | 2,162,706,208 | 2,468,201,627 | 2,480,779,286 |
| Transfers | 110,433,690 | 214,265,069 ¹ | 154,710,132 | 194,374,056 | 477,023,836 |
| Total | \$1,732,118,892 | \$1,968,188,341 | \$2,385,431,396 | \$2,958,116,859 | \$3,278,894,860 |

¹This amount includes \$56,456,581 of federal fiscal relief funding received by the state, \$50,000,000 in direct payments, and \$6,456,581 received as enhanced federal medical assistance percentage (FMAP) reimbursements relating to 2001-03 biennium expenditures but were not received until the 2003-05 biennium.

BEGINNING BALANCE

The executive budget (December 2008) estimated general fund beginning balances were \$295.5 million and \$391.8 million, respectively, for the 2007-09 and 2009-11 bienniums. The Legislative Assembly adopted a revised revenue forecast in February 2009 for the 2007-09 and 2009-11 bienniums. Based on this forecast, it was anticipated that the 2009-11 beginning balance would increase by \$18.9 million compared to the executive budget revenue forecast. Based on the 2009-11 legislative general fund revenue forecast, the July 1, 2009, beginning balance is estimated to be \$321 million, a **decrease of \$70.8 million** compared to the executive budget forecast.

Other major legislative action affecting the July 1, 2009, beginning general fund balance includes:

- **House Bill No. 1023** decreases 2007-09 general fund deficiency appropriations included in the executive budget by \$2 million.
- **House Bill No. 1083** changes the filing date for monthly sales tax filers for May in odd-numbered years. This bill is estimated to have a one-time effect on general fund revenues. As a result, 2007-09 biennium general fund revenues are estimated to decrease by \$15.56 million, resulting in a lower 2009-11 biennium beginning balance.
- **Senate Bill No. 2012** provides \$59.9 million in cost-sharing funds for weather-related costs and provides a transfer of \$43 million to the state disaster relief fund.
- **Senate Bill No. 2393** provides \$1 million for emergency snow removal grants for the 2007-09 biennium.
- The 2009-11 legislative revenue forecast estimates unspent general fund authority for the 2007-09 biennium to be \$32.2 million, an increase of \$22.2 million from the executive budget forecast. In addition, **House Bill No. 1012** includes provisions affecting the Department of Human Services' unspent 2007-09 appropriation authority resulting in increasing the estimated beginning balance by \$30.03 million. Therefore, 2007-09 biennium unspent general fund appropriation authority is anticipated to total \$62,230,000.

ONGOING REVENUES

The executive budget (December 2008) general fund revenue forecast, excluding transfers, was estimated to be \$2,487.5 million and \$2,676.6 million, respectively, for the 2007-09 and 2009-11 bienniums. The Legislative Assembly adopted a revised revenue forecast in February 2009 for the 2007-09 and 2009-11 bienniums. Total general fund revenues were estimated to **decrease by \$3.3 million** for the 2007-09 biennium and **decrease by \$93 million** for the 2009-11 biennium as compared to the executive budget revenue forecast.

Based on the 2009-11 biennium legislative revenue forecast, general fund revenues, excluding transfers, for the 2009-11 biennium are anticipated to be \$2,480.8 million, which is .5 percent, or \$12.6 million, more than the 2007-09 biennium revised revenue forecast of \$2,468.2 million. The 2009 Legislative Assembly reduced ongoing revenues by \$195.8 million, including \$100 million relating to the impact of Senate Bill No. 2199 providing income tax relief, as compared to the executive budget revenue forecast.

Major areas of 2009-11 biennium **revenue growth** as compared to the revised 2007-09 biennium revenue forecast include:

- Taxable sales and purchases are estimated to increase by \$42.9 million, or 4.0 percent (see **Sales and Use Taxes** section below).
- Individual income tax collections are estimated to increase by \$40.97 million, or 6.7 percent (see **Income Taxes** section below).
- Mineral leasing fees are estimated to increase by \$1.2 million, or 5.5 percent.

Major areas of 2009-11 biennium **revenue reduction** as compared to the revised 2007-09 biennium revenue forecast include:

- Interest income is estimated to decline by \$12.2 million, or 31.2 percent.
- Gaming tax collections are estimated to decline by \$3.5 million, or 17.2 percent (see **Gaming Taxes** section below).
- Motor vehicle excise tax collections are estimated to decline by \$39.9 million, or 31.4 percent (see **Motor Vehicle Excise Taxes** section below).

The 2009 Legislative Assembly approved the following bills, which have a major impact on revenues:

Income Taxes

- **Senate Bill No. 2199** amends the corporate, individual, estate, and trust tax rates. The reduced income tax rate provisions of Senate Bill No. 2199 are estimated to reduce individual income tax collections by \$90 million and corporate income tax collections by \$10 million during the 2009-11 biennium.
- **House Bill No. 1256** provides an income tax deduction of 30 percent for certain qualified dividends on the state's primary individual income tax form--ND-1. This reduction is anticipated to reduce individual income tax collections by \$4.6 million during the 2009-11 biennium.
- **House Bill No. 1428** raises the maximum aggregate amount of income tax credits available for renaissance zone investments from \$5 million to \$7.5 million. This bill is anticipated to reduce income tax collections by a maximum of \$2.5 million.
- **House Bill No. 1209** creates an individual income tax credit for premiums paid for long-term care partnership plan insurance coverage. This bill is anticipated to reduce individual income tax collections by \$1.5 million.

Sales and Use Taxes

- **Senate Bill No. 2040** provides a sales and use tax exemption for expanding or constructing telecommunications infrastructure. This bill is anticipated to reduce sales and use tax collections by \$4.7 million during the 2009-11 biennium.

Motor Vehicle Excise Taxes

- **Senate Bill No. 2012** provides for 25 percent of motor vehicle excise tax collections to be deposited in the highway fund rather than the general fund. This bill is anticipated to reduce general fund motor vehicle excise tax collections by \$30.5 million.
- **Senate Bill No. 2184** excludes motor vehicle manufacturers' incentives and discounts from the motor vehicle excise tax. This bill is anticipated to reduce general fund motor vehicle tax collections by \$4.6 million.

Gaming Taxes

- **House Bill No. 1317** reduces the pull tab excise tax from 4.5 percent to 3 percent. This bill is anticipated to reduce gaming tax collections by \$3.7 million.

Oil Taxes

North Dakota Century Code (NDCC) Section 57-51.1-07.2 provides that all revenues deposited in the general fund during a biennium that are derived from the oil and gas gross production and oil extraction tax collections which exceed \$71 million are to be transferred into the permanent oil tax trust fund. Based on the February 2009 revised revenue forecast for the 2009-11 biennium, total oil and gas tax collections are estimated to be \$425.1 million, of which \$71 million is to be deposited in the general fund and \$354.1 million in the permanent oil tax trust fund. The following bills approved by the 2009 Legislative Assembly are anticipated to reduce oil and gas gross production and oil extraction tax collections to the permanent oil tax trust fund by \$31 million, from \$354.1 million to \$323.1 million.

- **House Bill No. 1304** increases the allocation to the oil and gas impact grant fund from \$6 million to \$8 million and changes the distribution formula for oil and gas gross production tax, increasing the county share, removing the population-based caps, and allocating \$500,000 annually to cities in oil-producing counties that have a population greater than 7,500. This bill is anticipated to decrease the amount of oil and gas gross production taxes deposited into the permanent oil tax trust fund by \$30 million for the 2009-11 biennium.
- **Senate Bill No. 2051** increases the transfer of the state's share of oil and gas gross production tax and oil extraction tax revenues to the oil and gas research fund by \$1 million, from \$3 million to \$4 million.

Oil extraction tax incentive rates under NDCC Chapter 57-51.1 did not become effective on May 1, 2009, as anticipated in the February 2009 legislative forecast. As a result, oil extraction tax rate incentives approved by the 2009 Legislative Assembly in House Bill No. 1235 became effective. The net effect of these two changes,

if they do not change again prior to June 30, 2011, is estimated to increase permanent oil tax trust fund revenues by \$16.5 million for the period beginning May 1, 2009, and ending June 30, 2011. The amount discussed above does not reflect this estimated increase. Depending on oil prices, the incentive rates under Chapter 57-51.1 could become effective in October 2009.

The forecasted oil tax revenue collections are based on a number of factors, including tax rate incentives and exemptions, oil prices, oil production, etc. The February 2009 legislative forecast estimated oil prices to range from \$40 to \$45 per barrel in the first year of the 2009-11 biennium and \$50 to \$55 per barrel in the second year. The estimated average daily production rate is approximately 213,000 barrels for the 2009-11 biennium. Actual prices, production, and other factors throughout the 2009-11 biennium could increase or decrease actual oil tax revenue collections by amounts that increase or decrease the \$16.5 million discussed above.

TRANSFERS

The February 2009 revised revenue forecast did not change the executive budget (December 2008) estimated total transfers of \$194.4 million and \$107.3 million, respectively, for the 2007-09 and 2009-11 bienniums. The 2009 Legislative Assembly provided for 2009-11 biennium transfers to the general fund of \$477.0 million, an increase of \$369.7 million compared to the executive budget forecast.

Major legislative action affecting the 2009-11 biennium transfers to the general fund includes:

- **House Bill No. 1015** provides for a transfer of \$140 million from the permanent oil tax trust fund and **Senate Bill No. 2199** provides for a transfer of \$295 million from the permanent oil tax trust fund for property tax relief.
- **Senate Bill No. 2013** reduces the transfer from the lands and minerals trust fund from \$43.5 million to \$35 million.
- **Senate Bill No. 2014** removes the \$60 million transfer from the Bank of North Dakota, authorizes up to \$1 million to be transferred from the Bank of North Dakota to the general fund relating to the Ag PACE disaster program, and bases Mill and Elevator transfers on the level of Mill and Elevator profits each year. The anticipated transfer for the 2009-11 biennium is \$4.7 million, an increase of \$2.2 million compared to the executive recommendation of \$2.5 million.

OTHER MAJOR TAX AND FEE CHANGE BILLS

The following is a summary of other bills approved by the 2009 Legislative Assembly that provide for major tax or fee changes:

| Bill No. | Description | Estimated General Fund Impact Due to Increase | Estimated Other Funds Impact Due to Increase |
|----------|---|---|--|
| 1141 | Provides for an increase in the licensing and renewal fees charged to surplus lines insurance producers and consultants. The fees are to be deposited in the insurance regulatory trust fund. | | \$98,580 |
| 1306 | Provides for a restricted license for subsequent offenders participating in the 24/7 sobriety program | | \$110,000 |
| 1368 | Provides for an initial fee of \$250 for certification of reduced ignition cigarettes. The fees are to be deposited in the Reduced Cigarette Ignition Propensity and Firefighter Protection Act enforcement fund. | | \$225,000 |
| 1402 | Provides for reinstatement of wheat checkoff promotion fees at the current rate, which would have decreased as of July 1, 2009 | | \$1,512,000 |
| 1484 | Increases the maximum facility fee for hazardous chemicals. Fifty percent of the fees would be provided as grants to counties and 50 percent would be deposited in the hazardous chemical fund. | | \$70,000 |
| 2046 | Provides for a fee for Life Safety Code surveys of all health facilities licensed by the State Department of Health. The fees are to be deposited in the department's operating fund for associated costs. | | \$106,230 |
| 2160 | Requires the licensing and registration of mortgage loan originators. The fees are to be deposited in the Department of Financial Institutions' regulatory fund. | | \$209,400 |
| 2203 | Increases the barley checkoff from the current rate of 10 mills to 20 mills | | \$1,240,000 |

| Bill No. | Description | Estimated General Fund Impact Due to Increase | Estimated Other Funds Impact Due to Increase |
|-----------------|---|--|---|
| 2208 | Increases the assessment on flax from the current rate of 2 cents per bushel to 3 cents per bushel. The assessment on canola and sunflower is increased from the current rate of 3 cents per bushel to 4 cents per bushel. | | \$2,770,181 |
| 2350 | Creates an assessment of three one-hundredths of 1 cent per gallon of ethanol produced in North Dakota. The funding is provided on a continuing appropriation basis to the North Dakota Ethanol Council, which was created by this bill. | | \$190,800 |
| 2378 | Increases the off-highway vehicle tax from \$5 to \$15. The fees are to be deposited in the off-highway vehicle fund for use by the Parks and Recreation Department, upon appropriation from the Legislative Assembly, to establish off-highway vehicle facilities and use areas, to provide safety and education programs, and for enforcement of registration requirements. | | \$260,000 |
| 2415 | Adds a new concealed weapons permit category, increases the concealed weapons permit fees from \$25 to \$45, and eliminates the general fund share of the permit fee | (\$82,764) | \$340,956 |