

GENERAL FUND REVENUES - KEY RECOMMENDATIONS AND ECONOMIC ASSUMPTIONS

General fund revenue growth - General fund revenues, **excluding transfers** and beginning balance, for the 2009-11 biennium are anticipated to increase by 7.6 percent, or \$189 million, from the revised 2007-09 revenue forecast and by 30.1 percent, or \$618.7 million, from the original 2007-09 revenue forecast.

Taxable sales and purchases - Sales and use tax collections are estimated to increase by \$63.4 million, or 5.9 percent, during the 2009-11 biennium, resulting in additional general fund revenues of \$63.4 million compared to the revised 2007-09 forecast.

Motor vehicle excise tax - Motor vehicle excise tax collections are expected to total \$129.5 million in 2009-11, an increase of \$1.2 million from the revised 2007-09 forecast of \$128.3 million, but a reduction of \$13.1 million, or 9.2 percent, from the 2007-09 revised estimate of general fund and highway fund collections from this tax of \$142.6 million. For the 2007-09 biennium, 10 percent of motor vehicle excise tax collections were deposited in the highway fund pursuant to Sections 13 and 15 of House Bill No. 1012 (2007). This allocation is effective only for the 2007-09 biennium. Therefore, the 2009-11 biennium revenue estimates include these collections only in the general fund rather than the general fund and highway fund.

Individual income tax - Individual income tax collections are expected to increase by 9.9 percent, or \$61 million, for an anticipated total of \$675.5 million during the 2009-11 biennium. This amount reflects a revenue reduction of \$100 million relating to income tax relief. This compares to the revised forecast for 2007-09 of \$614.5 million and the original 2007-09 forecast of \$497.8 million. The original and revised forecast amounts for the 2007-09 biennium reflect a revenue reduction of \$101 million relating to property tax income tax credits. These credits are effective only for the 2007 and 2008 tax years.

Corporate income tax - Corporate income tax collections are expected to increase by 3.9 percent, or \$9.9 million, for an anticipated total of \$262.8 million during the 2009-11 biennium. Corporate income tax collections are currently projected to total \$252.9 million during the 2007-09 biennium, compared to the original 2007-09 forecast of \$148.6 million. The amounts for the 2007-09 biennium reflect a revenue reduction of \$11 million relating to property tax income tax credits. These credits are effective only for the 2007 and 2008 tax years.

Oil and gas tax collections - Total state oil and gas tax collections are expected to increase from \$636 million in 2007-09 to \$676.5 million in 2009-11. North Dakota Century Code 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 \$565 million will be transferred to the permanent oil tax trust fund for the 2007-09 biennium. The executive budget recommends increasing the general fund share of oil and gas taxes from the current level of \$71 million to \$110 million per biennium, increasing the maximum biennial allocations of oil and gas revenues to the oil and gas impact fund from the current level of \$6 million to \$20 million, increasing the maximum allocations of gross production tax collections to individual counties by \$1 million per year, and increasing the maximum biennial allocation to the oil and gas research fund from the current level of \$3 million to \$5 million. The executive budget anticipates \$566.5 million will be transferred to the permanent oil tax trust fund for the 2009-11 biennium.

Oil prices - North Dakota crude oil prices averaged \$43.87 per barrel in November 2008. Oil prices are anticipated to gradually increase to \$59 per barrel during fiscal year 2009. Prices are expected to fluctuate between \$59 and \$66 during the 2009-11 biennium, with an average price of \$61 per barrel in fiscal year 2010 and \$63 per barrel in fiscal year 2011.

Oil production - Oil production for September 2008 averaged 188,246 barrels per day and is anticipated to increase to 200,000 barrels per day by the end of the 2007-09 biennium. Oil production is anticipated to increase to 210,000 barrels per day during fiscal year 2010 and continue to increase to approximately 215,000 barrels per day by the end of fiscal year 2011.

Coal conversion - Coal conversion tax collections are expected to total \$42.2 million in 2009-11, a decrease of \$5.2 million from 2007-09. The decrease is primarily due to tax exemptions granted to Coal Creek Station Units 1 and 2 for repowering projects, pursuant to NDCC Chapter 57-60.

Permanent oil tax trust fund transfer - The 2007 Legislative Assembly transferred \$115 million from the permanent oil tax trust fund to the general fund during the 2007-09 biennium. The Governor is not recommending a transfer from the permanent oil tax trust fund to the general fund during the 2009-11 biennium; however, the Governor is recommending a \$300 million continuing appropriation from the permanent oil tax trust fund for the property tax relief proposal.

Mill and Elevator Association transfers - The 2009-11 executive budget recommends a transfer of \$2.5 million from Mill and Elevator Association profits to the general fund for the 2009-11 biennium. The executive budget also recommends repealing the \$5 million transfer from the mill to the general fund for the 2007-09 biennium. The mill reported a loss of approximately \$800,000 in fiscal year 2008 and a \$12 million loss for the first quarter of fiscal year 2009.

Lands and minerals transfers - The Governor recommends general fund transfers from the lands and minerals trust fund of \$43.5 million in 2009-11, an increase of \$28.5 million approved by the Legislative Assembly for the 2007-09 biennium. Additional funds are available in the lands and minerals trust fund due to increased oil activity on state-owned lands.