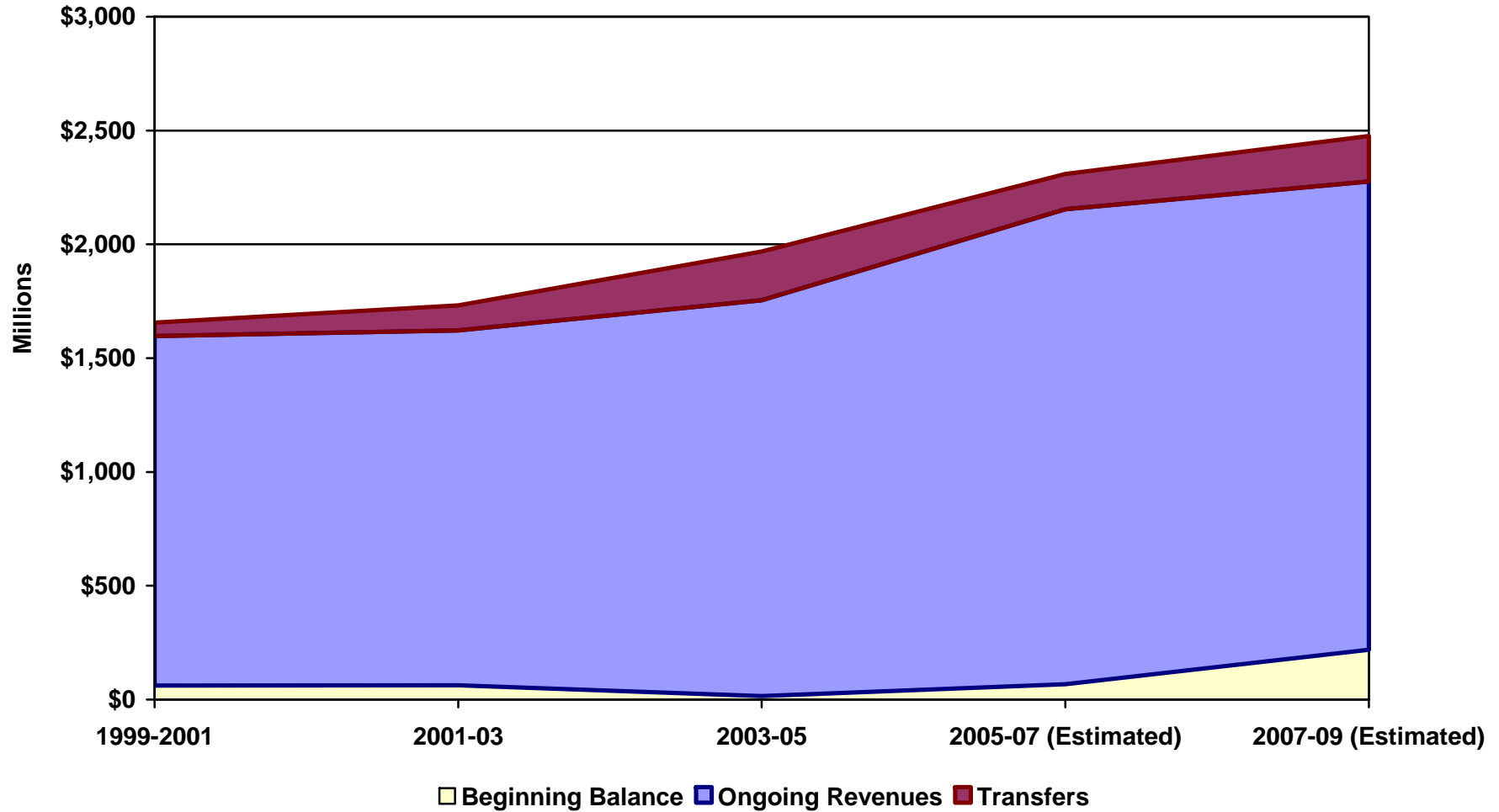


REVENUES SUMMARY

Based on the 2007-09 biennium legislative revenue forecast, general fund revenues, excluding transfers, for the 2007-09 biennium are anticipated to be \$2,057.9 million, which is 1.4 percent, or \$28.8 million, less than the 2005-07 biennium revised (April 2007) revenue forecast of \$2,086.7 million. The 2007 Legislative Assembly reduced ongoing revenues by \$148.5 million, including \$120.9 million relating to the impact of Senate Bill No. 2032 for property tax credits and marriage penalty tax relief. Total 2007-09 biennium revenues, including the estimated beginning balance and transfers are estimated to be \$2,475.6 million, which is \$166.2 million, or 7.2 percent, more than total 2005-07 biennium revenues, including the estimated beginning balance and transfers of \$2,309.4 million.

The following is a summary of revenues for the 1999-2001 through 2007-09 bienniums:



	1999-2001	2001-03	2003-05	2005-07 (Estimated)	2007-09 (Estimated)
Beginning balance	\$61,114,425	\$62,240,652	\$14,790,311	\$68,015,056	\$218,350,170
Ongoing revenues	1,535,718,248	1,559,444,550	1,739,132,961	2,086,666,406	2,057,905,909
Transfers	59,539,802	110,433,690 ¹	214,265,069	154,723,928	199,374,056
Total	\$1,656,372,475	\$1,732,118,892	\$1,968,188,341	\$2,309,405,390	\$2,475,630,135

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

The executive budget (November 2006) general fund revenue forecast, excluding transfers, was estimated to be \$2,079.3 million and \$2,206.8 million, respectively, for the 2005-07 and 2007-09 bienniums. The Office of Management and Budget presented a revised revenue forecast in February 2007 for the 2005-07 and 2007-09 bienniums. Total general fund revenues were estimated to **increase by \$6.1 million** for the 2005-07 biennium and **increase by \$1.3 million** for the 2007-09 biennium as compared to the executive budget revenue forecast.

Major areas of 2007-09 biennium **revenue growth** as compared to the revised 2005-07 biennium revenue forecast include:

- Taxable sales and purchases are estimated to increase by \$66.8 million, or 7.9 percent (see **Sales and Use Taxes** section below).
- Gaming tax collections are estimated to increase by \$2.3 million, or 12.6 percent (see **Gaming Taxes** section below).
- Interest income is estimated to increase by \$4.3 million, or 13.4 percent.

Major areas of 2007-09 biennium **revenue reduction** as compared to the revised 2005-07 biennium revenue forecast include:

- Individual income tax collections are estimated to decline by \$55.6 million, or 10.1 percent (see **Income Taxes** section below).
- Corporate income tax collections are estimated to decline by \$40.4 million, or 21.4 percent (see **Income Taxes** section below).
- Motor vehicle excise tax collections are estimated to decline by \$8 million, or 6.6 percent (see **Motor Vehicle Excise Taxes** section below).

The 2007 Legislative Assembly approved the following bills which have a major impact on revenues:

Income Taxes

- **Senate Bill No. 2032** creates an income tax credit for property taxes paid and reduces the individual income "marriage penalty." All North Dakotans who pay property taxes on residential, agricultural, or commercial land will receive a 10 percent tax credit on their 2007 and 2008 income taxes. The property tax credits and the "marriage penalty" tax relief provisions of Senate Bill No. 2032 are estimated to reduce individual income tax collections by \$109.9 million and corporate income tax collections by \$11 million during the 2007-09 biennium.
- **House Bill No. 1018**, the appropriation bill for the Department of Commerce, provides for various business initiatives. The fiscal impacts of these initiatives are anticipated to reduce individual income tax collections by \$1 million and corporate income tax collections by \$3.5 million.
- **House Bill No. 1233** authorizes the sale of all or part of the income tax credit for installation of wind energy devices. This bill is anticipated to reduce corporate income tax collections by \$3 million.

Sales and Use Taxes

- **House Bill No. 1049** phases out sales taxes on heating fuels. This bill is anticipated to reduce sales and use tax collections by \$4.6 million during the 2007-09 biennium.
- **Senate Bill No. 2225** eliminates the bingo sales tax and implements a bingo excise tax. This bill is anticipated to reduce sales and use tax collections by \$3.4 million (see **Gaming Taxes** section below).
- **Senate Bill No. 2298** changes the sales tax exemption for certain power plant and agricultural processing facility construction. This bill is anticipated to reduce sales and use tax collections by \$2.2 million.

Motor Vehicle Excise Taxes

- **House Bill No. 1012** provides for 10 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 \$12.6 million.

Gaming Taxes

- **Senate Bill No. 2225** eliminates the bingo sales tax and implements a bingo excise tax. This bill is anticipated to increase gaming tax collections by \$2.2 million.

Oil Taxes

North Dakota Century Code 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 2007 revised revenue forecast for the 2007-09 biennium, total oil and gas collections are estimated to be \$229.6 million, of which \$71 million is to be allocated to the general fund and \$158.6 million to the permanent oil tax trust fund. The following bills approved by the 2007 Legislative Assembly are anticipated to reduce oil and gas gross production and oil extraction tax collections to the permanent oil tax trust fund by \$12.6 million, from \$158.6 million to \$146 million.

- **House Bill No. 1044** changes the distribution formula for oil and gas gross production tax, increasing the county share to 100 percent for the first \$1 million of revenue from oil production in each county. This bill is anticipated to decrease the amount of oil and gas gross production taxes deposited into the permanent oil tax trust fund by \$5.9 million.
- **House Bill No. 1128** increases the transfer of the state's share of the oil and gas gross production tax and oil extraction tax revenues to the oil and gas research fund by \$1.7 million, from \$1.3 million to \$3 million.
- **House Bill No. 1279** eliminates the expiration date of the shallow gas gross production tax exemption which will result in \$1.1 million less revenue to the permanent oil tax trust fund.
- **Senate Bill No. 2178** increases the maximum amount of gross production tax revenues counties can receive, provided the county levies a specified number of mills for various road purposes. This bill is anticipated to decrease the amount of oil and gas gross production taxes deposited into the permanent oil tax trust fund by \$2 million.
- **Senate Bill No. 2397** changes the oil extraction tax from 6.5 percent to 2 percent on horizontal wells drilled in the Bakken formation for the first 75,000 barrels of oil produced, or the first 18 months, whichever comes first. This bill is anticipated to decrease the amount of oil extraction taxes deposited into the permanent oil tax trust fund by \$1.9 million.

Major Tax and Fee Increase Bills

The following is a summary of bills approved by the 2007 Legislative Assembly that provide for tax or fee increases:

Bill No.	Description	Estimated General Fund Impact Due to Increase	Estimated Other Funds Impact Due to Increase
1004	Provides for the State Department of Health to establish fees based on the cost of conducting inspections and licensing of tanning facilities. The fees are to be deposited in the department's operating fund for associated costs. House Bill No. 1154 provides for the regulation of tanning facilities.		\$32,300
1126	Continues the tax rates on parimutuel wagering, which would have decreased as of July 1, 2008.	\$307,625	740,966
1505	Provides for the State Department of Health to regulate the practice of tattooing, body piercing, branding, subdermal implants, and scarification. The State Department of Health is to establish fees based on the cost of licensing and conducting inspections. The fees are to be deposited in the department's operating fund.		Fees not yet determined

**GENERAL FUND REVENUE ESTIMATES FOR THE 2005-07 AND 2007-09 BIENNIUMS
AND ACTUAL COLLECTIONS FOR PRIOR BIENNIUMS**

	Actual		Estimated		2007-09 Increase	2007-09 Percentage Increase
	2001-03	2003-05	2005-07	2007-09	(Decrease)	(Decrease)
	Biennium	Biennium	Biennium ¹	Biennium ²	Compared to 2005-07	Compared to 2005-07
Beginning balance	\$62,240,652	\$14,790,311	\$68,015,056	\$218,350,170	\$150,335,114	221.0%
Revenue source						
Sales and use tax	\$640,618,364	\$717,758,293	\$849,739,753	\$916,540,678	\$66,800,925	7.9%
Motor vehicle excise tax	119,592,232	128,010,103	121,605,559	113,558,900	(8,046,659)	(6.6%)
Individual income tax	396,153,000	452,547,326	553,446,952	497,816,000	(55,630,952)	(10.1%)
Corporate income tax	88,417,166	102,926,972	188,974,587	148,569,848	(40,404,739)	(21.4%)
Insurance premium tax	48,990,027	56,284,535	53,884,876	55,470,000	1,585,124	2.9%
Business privilege tax	6,257,389	4,958,673	8,372,320	9,400,000	1,027,680	12.3%
Cigarette and tobacco tax	39,313,360	39,476,712	45,991,081	47,366,000	1,374,919	3.0%
Oil and gas production tax	39,159,000 ³	45,534,044 ³	45,774,119 ³	39,839,000 ³	(5,935,119)	(13.0%)
Oil extraction tax	22,841,000 ³	25,465,956 ³	25,225,881 ³	31,161,000 ³	5,935,119	23.5%
Coal conversion tax	46,878,511	47,196,831	48,522,047	47,447,000	(1,075,047)	(2.2%)
Gaming tax	27,612,652	20,850,911	18,427,165	20,753,844	2,326,679	12.6%
Lottery	0	7,269,005	12,600,000	11,155,000	(1,445,000)	(11.5%)
Wholesale liquor tax	11,155,834	11,889,465	12,646,589	12,679,000	32,411	0.3%
Mineral leasing fees	6,440,513	11,024,583	14,871,893	13,000,000	(1,871,893)	(12.6%)
Interest income	8,509,483	6,935,015	32,125,070	36,420,000	4,294,930	13.4%
Departmental collections	57,506,019	61,004,537	54,458,514	56,729,639	2,271,125	4.2%
Total revenues	\$1,559,444,550	\$1,739,132,961	\$2,086,666,406	\$2,057,905,909	(\$28,760,497)	(1.4%)
Transfers and other sources						
Sale of DD loans	\$2,004,257 ⁴	\$0	\$0	\$0	\$0	0.0%
Transfer - Bank of North Dakota	60,000,000	60,000,000	60,000,000	60,000,000	0	0.0%
Transfer - Bank of North Dakota (contingent)	18,699,787 ⁵	0	0	0	0	0.0%
Transfer - Student loan trust	9,000,000	26,258,969	9,000,000	3,100,000	(5,900,000)	(65.6%)
Transfer - Mill and Elevator	6,000,000	5,000,000	5,000,000	5,000,000	0	0.0%
Transfer - Gas tax administration	1,363,392	1,396,200	1,400,000	1,274,056	(125,944)	(9.0%)
Transfer - Lands and minerals trust fund	3,545,102	2,000,000	6,800,000	15,000,000	8,200,000	120.6%
Transfer - Permanent oil tax trust fund	0	11,910,000	55,300,000	115,000,000	59,700,000	108.0%
Transfer - State bonding fund	0	2,800,000	0	0	0	0.0%
Transfer - Water development trust fund	9,733,820	10,070,373	0	0	0	0.0%
Transfer - Health care trust fund	0	35,911,035	16,900,000	0	(16,900,000)	(100.0%)
Transfers - Other	87,332	2,461,911	323,928	0	(323,928)	(100.0%)
Total transfers and other sources	\$110,433,690	\$157,808,488	\$154,723,928	\$199,374,056	\$44,650,128	28.9%
Total beginning balance, revenues, and transfers	\$1,732,118,892	\$1,911,731,760	\$2,309,405,390	\$2,475,630,135	\$166,224,745	7.2%
Federal fiscal relief payments	\$0	\$56,456,581 ⁶	\$0	\$0	\$0	0.0%
Total revenues, including federal fiscal relief payments	\$1,732,118,892	\$1,968,188,341	\$2,309,405,390	\$2,475,630,135	\$166,224,745	7.2%

¹ Revised 2005-07 revenue forecast (February 2007).

² Legislative amounts for the 2007-09 biennium.

³ From 1999 through 2003, North Dakota Century Code (NDCC) Section 57-51.1-07.2 provided that if, at the end of any biennium, oil and gas production and extraction tax collections during the biennium exceed \$62 million, the excess amount must be transferred from the general fund to the permanent oil tax trust fund. Interest on money in the fund is transferred to the general fund.

Section 26 of 2003 Senate Bill No. 2015 amended NDCC Section 57-51.1-07.2 so that all revenues deposited in the general fund during a biennium that are derived from the oil and gas gross production tax which exceed \$71 million are to be transferred into the permanent oil tax trust fund instead of the prior \$62 million limit.

Total oil and gas collections are estimated to be \$237.9 million for the 2005-07 biennium, resulting in \$166.9 million being transferred to the permanent oil tax trust fund at the end of the biennium.

Based on the February 2007 revised revenue forecast for the 2007-09 biennium, total oil and gas collections are estimated to exceed \$71 million by \$158.6 million; however, the 2007 Legislative Assembly approved bills that increase the county share of taxes (House Bill No. 1044 and Senate Bill No. 2178), increase transfers to the oil and gas research fund (House Bill No. 1128), decrease shallow gas gross production taxes (House Bill No. 1279) and change oil extraction tax rates (Senate Bill No. 2397); which are anticipated to reduce oil and gas gross production and oil extraction tax collections by \$12.6 million.

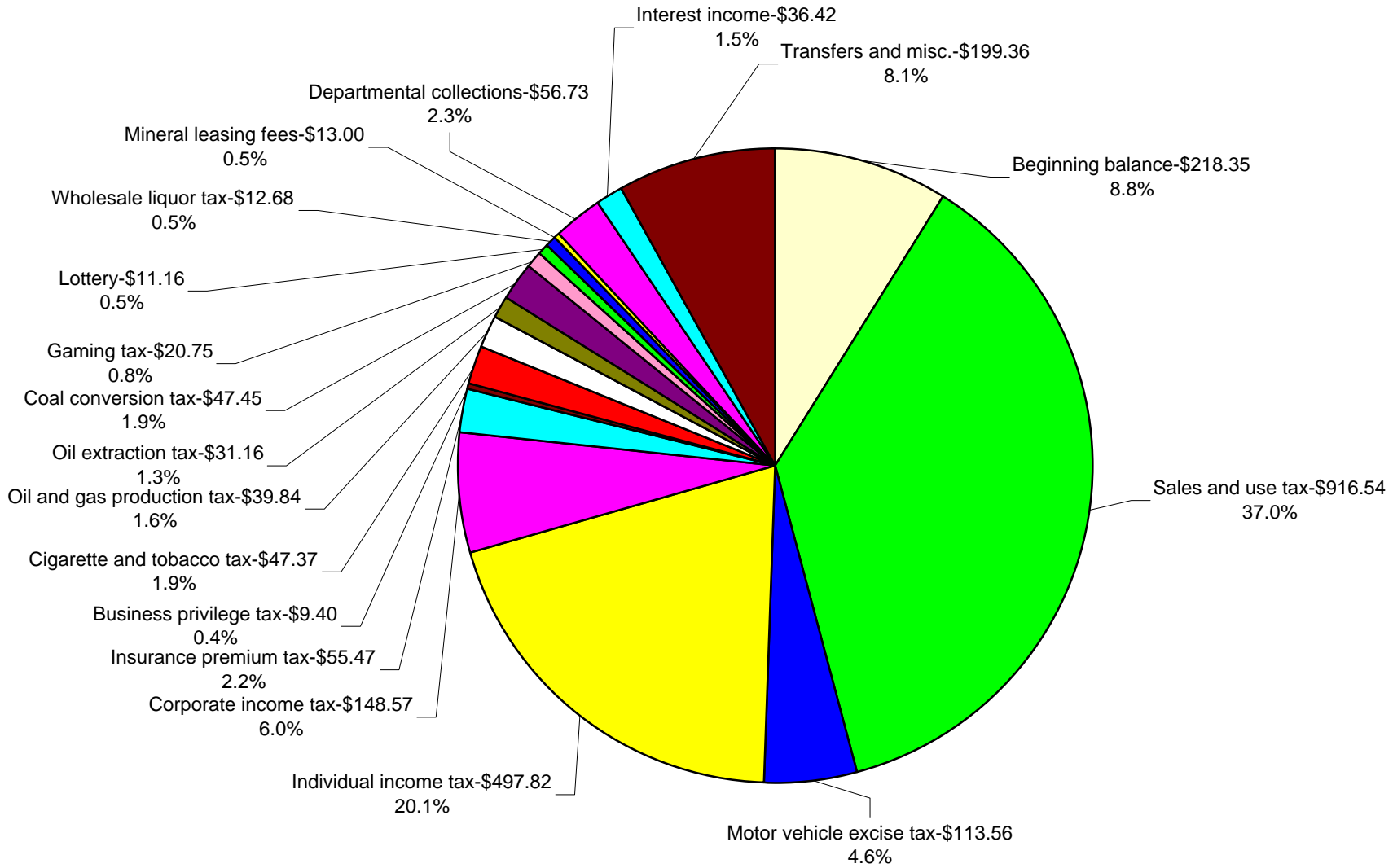
⁴ The 2001 Legislative Assembly authorized that, at the request of the director of the Office of Management and Budget, the Department of Human Services sell the outstanding loans of the developmental disabilities revolving loan fund No. 1 to the Bank of North Dakota and deposit the proceeds in the general fund.

⁵ In addition to the \$60 million transfer from the Bank of North Dakota, the 2001 Legislative Assembly provided for a contingent Bank of North Dakota transfer if actual general fund revenues are less than projected for the 2001-03 biennium. The amount transferred was limited to the lesser of \$25 million or the actual revenue shortfall and the Bank's capital structure may not be reduced below \$140 million.

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

2007-09 ESTIMATED GENERAL FUND REVENUES

Total 2007-09 Estimated General Fund Revenues - \$2,475.63
(Amounts Shown in Millions)



2005-07 ESTIMATED GENERAL FUND REVENUES

Total 2005-07 Estimated General Fund Revenues - \$2,309.41
(Amounts Shown in Millions)

