

ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND FOR THE 2005-07 AND 2007-09 BIENNIUMS (REFLECTING THE 2007-09 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2005-07 Biennium		2007-09 Biennium	
Beginning balance		\$50,369,096		\$128,294,681
Add estimated revenues				
Oil and gas production tax and oil extraction tax collections	\$158,543,405*		\$167,036,607*	
Total estimated revenues		158,543,405 ¹		167,036,607 ²
Total available		\$208,912,501		\$295,331,288
Less estimated expenditures and transfers				
Transfer to the general fund (Section 32 of 2005 HB 1015)	\$55,300,000			
Parks and Recreation Department - International Music Camp grant for International Arts Center (2005 SB 2228)	350,000			
Office of Management and Budget - Repayment of loans for centers of excellence (Section 12 of 2005 SB 2018)	16,000,000			
Office of Management and Budget - Repayment of additional loans for centers of excellence (2007 SB 2015)	5,300,000 ³			
Department of Human Services - Medicaid management information system project (Section 8 of 2005 HB 1012)	3,667,820			
Property tax relief			\$116,700,000 ⁴	
Total estimated expenditures and transfers		80,617,820		116,700,000
Estimated ending balance		\$128,294,681		\$178,631,288

***NOTE: Based on preliminary review, it appears the executive forecast may be overstating the counties' share of oil and gas production tax collections and understating the state's share. We have asked the Office of Management and Budget and the Tax Department to review the projection.**

¹Estimated revenues - 2005-07 - The December 2006 revised revenue forecast for the 2005-07 biennium projects state oil and gas production tax and oil extraction tax revenues to exceed \$71 million by \$158.5 million; therefore, \$158.5 million is projected to be transferred to the permanent oil tax trust fund during the biennium.

²Estimated revenues - 2007-09 - The December 2006 executive budget revenue forecast for the 2007-09 biennium projects state oil and gas production tax and oil extraction tax revenues to exceed \$71 million by \$167 million; therefore, \$167 million is projected to be transferred to the permanent oil tax trust fund during the biennium.

³Office of Management and Budget - Borrowing authority contingency - Section 13 of Senate Bill No. 2018 (2005) provides a \$5 million contingency appropriation from Bank of North Dakota loan proceeds for the purpose, upon Emergency Commission and Budget Section approval, of providing funding for centers of excellence. The Office of Management and Budget is to request funding from the 60th Legislative Assembly to repay the loans from proceeds in the permanent oil tax trust fund, which is requested in the amount of \$5.3 million in Senate Bill No. 2015.

⁴Property tax relief - The executive budget recommends a continuing appropriation of \$116.7 million from the permanent oil tax trust fund for property tax relief.

FUND HISTORY

North Dakota Century Code Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that all revenues deposited in the general fund during a biennium and derived from taxes imposed on oil and gas under Chapters 57-51 (Oil and Gas Gross Production Tax) and 57-51.1 (Oil Extraction Tax) which exceed \$71 million are to be transferred into the permanent oil tax trust fund. The State Treasurer is to transfer the interest earned on the fund to the general fund at the end of each fiscal year. The principal of the permanent oil tax trust fund may only be spent upon a two-thirds vote of the members elected to each house of the Legislative Assembly.