

**HOUSE BILL NO. 1186**

Introduced by

Representatives Kempenich, B. Anderson, Brandenburg, Schatz

Senators Elkin, Patten

1 A BILL ~~for an Act to amend and reenact section 54-44-16 of the North Dakota Century Code,~~  
2 ~~relating to oil and gas tax revenue hedging;~~ for an Act to provide for a pilot project regarding oil  
3 and gas tax revenue hedging; to provide for a report to the legislative management; and to  
4 provide an appropriation.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 ~~— **SECTION 1. AMENDMENT.** Section 54-44-16 of the North Dakota Century Code is~~  
7 ~~amended and reenacted as follows:~~

8 ~~— **54-44-16. Oil and gas tax revenue put options hedging.**~~

9 ~~— Upon request of the director of the office of management and budget and upon approval by~~  
10 ~~the industrial commission, the state investment board Bank of North Dakota may purchase oil~~  
11 ~~put options and enter swap agreements or any other hedging strategies with designated~~  
12 ~~counterparts approved by the industrial commission for the office of management and budget.~~  
13 ~~The purchase of put option execution of any hedging strategies must be designed to offset~~  
14 ~~reduced state general fund oil and gas tax revenues due to oil and gas prices falling below~~  
15 ~~selected levels included in the legislative revenue forecast at the conclusion of the most~~  
16 ~~recently adjourned legislative assembly. Put options may be purchased only at such times that~~  
17 ~~the purchase assures that oil tax revenues plus the revenues from the sale of put options will be~~  
18 ~~in excess of the oil tax revenues estimated for that level of production by the most recently~~  
19 ~~adjourned legislative assembly. The office of management and budget shall report any~~  
20 ~~purchases of put option execution of hedging strategies to the budget section of the legislative~~  
21 ~~management.~~

22 **SECTION 1. OIL AND GAS TAX REVENUE HEDGING PILOT PROJECT - ADVISORY**  
23 **COMMITTEE - REPORT TO LEGISLATIVE MANAGEMENT.** During the 2019-20 interim, an  
24 advisory committee shall oversee a pilot project regarding oil and gas tax revenue hedging. At

1 the direction of the advisory committee and using funds in an oil and gas tax revenue hedging  
2 fund at the Bank of North Dakota, the Bank shall enter swap agreements or any other hedging  
3 strategies with designated counterparts approved by the advisory committee. The execution of  
4 hedging strategies must be designed to offset reduced state general fund oil and gas tax  
5 revenues due to oil and gas prices falling below selected levels included in the legislative  
6 revenue forecast at the conclusion of the most recently adjourned legislative assembly. The  
7 members of the advisory committee are entitled to receive reimbursement for reasonable and  
8 necessary expenses incurred while performing duties for the advisory committee at the same  
9 level as state officials. The advisory committee shall report the results of the pilot project and  
10 any recommendations regarding oil and gas tax revenue hedging to the legislative management  
11 before August 1, 2020. The advisory committee is composed of:

- 12 1. Two members chosen by the North Dakota petroleum council;
- 13 2. The director of the office of management and budget;
- 14 3. One member of the legislative assembly appointed by the majority leader of the  
15 senate;
- 16 4. One member of the legislative assembly appointed by the majority leader of the house  
17 of representatives;
- 18 5. One representative of the Bank of North Dakota;
- 19 6. The executive director of the Indian affairs commission; and
- 20 7. The agriculture commissioner.

21 **SECTION 2. APPROPRIATION.** There is appropriated out of any moneys in the general  
22 fund in the state treasury, not otherwise appropriated, the sum of \$100,000, or so much of the  
23 sum as may be necessary, to the Bank of North Dakota for the purpose of conducting the pilot  
24 project regarding oil and gas tax revenue hedging, for the biennium beginning July 1, 2019, and  
25 ending June 30, 2021.