

ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND 2001-03 AND 2003-05 BIENNIUMS

	<u>2001-03 Biennium</u>	<u>2003-05 Biennium</u>
Beginning balance	\$13,179,298 ¹	\$11,910,000
Add estimated revenues		
Oil and gas production tax and oil extraction tax collections	<u>\$6,674,494</u>	<u>\$734,700</u>
Total estimated revenues	<u>6,674,494²</u>	<u>734,700⁵</u>
Total available	\$19,853,792	\$12,644,700
Less estimated expenditures		
Department of Human Services deficiency appropriation (Section 2 of 2003 Senate Bill No. 2025)	\$7,943,792 ³	\$0
Transfer to the general fund (Section 6 of 2003 Senate Bill No. 2015)	0	11,910,000
Total estimated expenditures	<u>7,943,792⁴</u>	<u>11,910,000⁴</u>
Estimated ending balance	<u>\$11,910,000</u>	<u>\$734,700</u>

NOTE: North Dakota Century Code (NDCC) Section 57-51.1-07.2 (1997 Senate Bill No. 2366) establishes a permanent oil tax trust fund and provides that at the end of each biennium beginning after June 30, 1997, all revenues deposited in the general fund during that 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 \$62 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. Section 26 of 2003 Senate Bill No. 2015 amends Section 57-51.1-07.2 to provide that all revenue deposited in the general fund during that biennium and derived from taxes imposed on oil and gas and which exceed \$71 million, rather than \$62 million, must be transferred to the permanent oil tax trust fund.

¹ Beginning balance - July 1, 2001 - The general fund revenues derived from oil and gas production taxes and oil extraction taxes totaled \$75,179,298 for the 1999-2001 biennium. Since revenues exceeded the \$62 million statutory limit, \$13,179,298 was transferred into the permanent oil tax trust fund on June 30, 2001. Any interest earned is deposited in the general fund.

² Estimated revenues - 2001-03 - The revised revenue forecast for the 2001-03 biennium projects oil and gas production tax and oil extraction tax revenues deposited in the general fund to exceed \$62 million by \$6,674,494. Therefore, there is a projected transfer of \$6,674,494 to the permanent oil tax trust fund at the end of the biennium.

³ Deficiency payment - Section 2 of 2003 Senate Bill No. 2025 provides an appropriation of \$7,943,762 from the permanent oil tax trust fund to the Department of Human Services for certain medical assistance expenses.

⁴ Estimated expenditures - Pursuant to NDCC Section 57-51.1-07.2, 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.

⁵ Estimated revenues - 2003-05 - The revenue forecast for the 2003-05 biennium projects sufficient oil and gas production tax and oil extraction tax revenues to transfer \$734,700 into the permanent oil tax trust fund. Section 26 of 2003 Senate Bill No. 2015 amends NDCC Section 57-51.1-07.2 to provide that all revenue deposited in the general fund which exceeds \$71 million must be transferred to the permanent oil tax trust fund. The 2003-05 biennium oil and gas production tax and oil extraction tax revenues are projected to exceed \$71 million by \$734,700, including the effect of 2003 House Bill No. 1145 which provides for a 24-month exemption from gross production tax for new or recompleted shallow gas wells, which is anticipated to reduce oil and gas production tax by \$13,300.