

ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND FOR THE 2005-07 AND 2007-09 BIENNIUMS

	2005-07 Biennium		2007-09 Biennium	
Beginning balance		\$50,369,096		\$136,666,681
Add estimated revenues				
Oil and gas production tax and oil extraction tax collections	\$166,915,405		\$158,593,607	
Adjustments				
HB 1044 - Increases county share			(5,900,000)	
HB 1128 - Increases transfer to oil and gas research fund			(1,700,000)	
HB 1279 - Decreases shallow gas gross production taxes			(1,100,000)	
SB 2178 - Increase county share			(2,000,000)	
SB 2397 - Changes oil extraction tax rates			(1,876,200)	
Total estimated revenues		166,915,405 ¹		146,017,407 ²
Total available		\$217,284,501		\$282,684,088
Less estimated expenditures and transfers				
Transfer to the general fund (Section 32 of 2005 HB 1015; Section 12 of 2007 SB 2032)	\$55,300,000		\$115,000,000	
Parks and Recreation Department - International Music Camp grant for International Arts Center (2005 SB 2228)	350,000			
Department of Human Services - Medicaid management information system project (Section 8 of 2005 HB 1012)	3,667,820			
Office of Management and Budget - Repayment of loans for centers of excellence (Section 12 of 2005 SB 2018; Section 7 of 2007 HB 1014)	21,300,000			
Office of Management and Budget - Centers of excellence (Section 14 of 2007 HB 1018)			15,000,000 ³	
Higher Education (Section 10 of 2007 HB 1003)			7,783,315 ⁴	
Grant assistance payments to tribally controlled community colleges (Section 6 of 2007 HB 1395)			700,000	
Veterans Home facility (Section 1 of 2007 SB 2418)			6,483,226 ⁵	
Agriculture research and extension operating pool (Section 11 of 2007 HB 1020)			750,000 ⁶	
Total estimated expenditures and transfers		80,617,820		145,716,541
Estimated ending balance		\$136,666,681		\$136,967,547

¹Estimated revenues - 2005-07 - The February 2007 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 \$166.9 million; therefore, \$166.9 million is projected to be transferred to the permanent oil tax trust fund during the biennium.

²Estimated revenues - 2007-09 - The February 2007 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 \$158.6 million; however, proposed legislation increases the county share of taxes and transfers to the oil and gas research fund, decreases shallow gas gross production taxes, and changes oil extraction tax rates. Therefore, \$146 million is projected to be transferred to the permanent oil tax trust fund during the biennium.

³Centers of excellence - Section 14 of House Bill No. 1018 (2007) provides an appropriation of \$15 million from the permanent oil tax trust fund to the Office of Management and Budget for providing funding for centers of excellence. Of this amount, up to \$10 million is available for Budget Section approval at its first meeting after September 1, 2007, and up to \$5 million and any unawarded funds remaining from the \$10 million allocation are available for Budget Section approval at its first meeting after September 1, 2008.

⁴Higher education - Section 10 of House Bill No. 1003 (2007) provides that Section 3 of the bill includes \$7,783,315 from the permanent oil tax trust fund of which \$2,773,800 is for Northern Tier Network infrastructure, \$4,109,515 is for steamline projects at the State College of Science, Valley City State University, and Minot State University - Bottineau, and \$900,000 is for the service rig program at Williston State College for the biennium beginning July 1, 2007, and ending June 30, 2009.

⁵Veterans Home facility - Section 1 of Senate Bill No. 2418 (2007) provides a contingent appropriation of \$6,483,226 from the permanent oil tax trust fund to the Veterans Home to demolish the existing Veterans Home and to build a new structure. The appropriation from the permanent oil tax trust fund is to only be made available upon the Veterans Home obtaining approval for a federal state home construction grant from the federal Department of Veterans Affairs.

⁶Agriculture research and extension operating pool - Section 11 of House Bill No. 1020 (2007) provides that the appropriation from the permanent oil tax trust fund as provided in subdivision 4 of Section 3 of the bill is to be available only for providing funding for operations of the Dickinson Research Center and the amount provided is to be limited to the lesser of \$750,000 or the amount actual oil revenues are less than budgeted for the research center for the biennium beginning July 1, 2007, and ending June 30, 2009.

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 Chapter 57-51 (oil and gas gross production tax) and Chapter 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. House Concurrent Resolution No. 3045 proposes a new section to the Constitution of North Dakota, if approved by voters in the 2008 general election, relating to the establishment of a permanent oil tax trust fund from oil and gas taxes in excess of \$100 million as adjusted.