

**ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND
FOR THE 2007-09 AND 2009-11 BIENNIUMS**

| | 2007-09 Biennium | | 2009-11 Biennium | |
|--|------------------|---------------|------------------------|----------------------------|
| | Actual | | Estimated | |
| Beginning balance | | \$143,270,662 | | \$489,727,016 |
| Add revenues | | | | |
| Oil and gas gross production and extraction tax collections | \$484,256,596 | | \$488,452,148 | |
| Total revenues | | 484,256,596 | | 488,452,148 ^{1,2} |
| Total available | | \$627,527,258 | | \$978,179,164 |
| Less expenditures and transfers | | | | |
| Transfer to the general fund (2007 SB 2032; 2009 HB 1015) | \$115,000,000 | | \$140,000,000 | |
| Office of Management and Budget - Centers of excellence (2007 HB 1018) | 8,379,459 | | | |
| Transfer to centers of excellence fund (2009 SB 2018) | | | 6,620,541 ³ | |
| Higher education (2007 HB 1003; 2009 SB 2003) | 6,237,557 | | 10,750,000 | |
| Grant assistance payments to tribally controlled community colleges (2007 HB 1395; 2009 HB 1394) | 700,000 | | 700,000 | |
| Veterans' Home facility (2007 SB 2418) | 6,483,226 | | | |
| Agricultural research and extension services operating pool (2007 HB 1020) | 750,000 | | | |
| Livestock disaster assistance (2009 HB 1015) | 250,000 | | | |
| Dickinson Research Center (2009 SB 2020) | | | 925,000 | |
| Property tax relief - Transfer to general fund (2009 SB 2199) | | | 295,000,000 | |
| Property tax relief - Transfer to property tax relief sustainability fund (2009 SB 2199) | | | 295,000,000 | |
| Water project grants (2009 HB 1305) | | | 2,792,000 | |
| Prairie Public Broadcasting (2009 HB 1015) | | | 1,008,100 | |
| Total expenditures and transfers | | 137,800,242 | | 752,795,641 |
| Ending balance | | \$489,727,016 | | \$225,383,523 |

¹Estimated collections reflect actual collections of \$179,436,555 through April 2010 and **original legislative projections** of \$309,015,593 for the remainder of the biennium.

²Oil extraction tax incentive rates under North Dakota Century Code Chapter 57-51.1 did not become effective on May 1, 2009, as anticipated in the February 2009 legislative forecast. As a result, oil extraction tax rate incentives approved by the 2009 Legislative Assembly in House Bill No. 1235 became effective. The net effect of these two changes, if they do not change again prior to June 30, 2011, is estimated to increase permanent oil tax trust fund revenues by \$16.5 million for the period beginning May 1, 2009, and ending June 30, 2011. The amount shown does not reflect this estimated increase. Due to increases in oil prices, the extraction tax incentives provided in 2009 House Bill No. 1235 are effective only for well completion through October 31, 2009. Depending on oil prices, the incentive rates under Chapter 57-51.1 could become effective in October 2010.

The forecasted oil tax revenue collections are based on a number of factors, including tax rate incentives and exemptions, oil prices, oil production, etc. Actual prices, production, and other factors throughout the 2009-11 biennium could increase or decrease actual oil tax revenue collections by amounts that increase or decrease the \$16.5 million discussed above.

³Section 27 of 2009 Senate Bill No. 2018 allows the Department of Commerce to continue any unspent funds appropriated for the centers of excellence program for the 2007-09 biennium to the 2009-11 biennium. The Office of Management and Budget is to transfer any unexpended funds from the appropriations to the centers of excellence fund at the end of the 2007-09 biennium. Pursuant to this directive, the Office of Management and Budget transferred \$6,620,541, the amount remaining from the \$15 million appropriation for the 2007-09 biennium, from the permanent oil tax trust fund to the centers of excellence fund.

NOTE: The estimated June 30, 2011, balance made at the end of the 2009 legislative session was \$51,758,047. The increase in the estimated balance of \$173,625,476 is due to the actual July 1, 2009, balance of \$489,727,016 being \$14,885,869 more than the July 1, 2009, balance estimated at the close of the 2009 legislative session of \$474,841,147 and 2009-11 revised estimated revenues being \$165,360,148 more than the previous estimate of \$323,092,000 due to increased oil production and oil prices.

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.