

# ANALYSIS OF THE PERMANENT OIL TAX TRUST FUND FOR THE 2007-09 AND 2009-11 BIENNIUMS (REFLECTING THE 2009-11 BIENNIUM EXECUTIVE BUDGET RECOMMENDATION)

	2007-09 Biennium		2009-11 Biennium	
Beginning balance		\$143,270,662		\$562,539,147
Add estimated revenues				
Oil and gas production and extraction tax collections based on current law	\$564,985,026 <sup>1</sup>		\$629,208,000	
Total estimated revenues		564,985,026		629,208,000
Adjustments in executive budget recommendation				
Increase general fund share (2009 HB 1015)			(\$39,000,000) <sup>2</sup>	
Increase cap on allocations to the oil and gas impact grant fund (2009 SB 2013)			(14,000,000) <sup>3</sup>	
Increase allocation to the oil and gas research fund (2009 SB 2014)			(2,000,000) <sup>4</sup>	
Increase cap on allocation to counties (2009 SB 2013)			(7,700,000) <sup>5</sup>	
Total adjustments				(\$62,700,000)
Total available		\$708,255,688		\$1,129,047,147
Less estimated expenditures and transfers				
Transfer to the general fund (Section 12 of 2007 SB 2032)	\$115,000,000			
Office of Management and Budget - Centers of excellence (Section 14 of 2007 HB 1018)	15,000,000 <sup>6</sup>			
Higher Education (Section 10 of 2007 HB 1003)	7,783,315 <sup>7</sup>			
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 <sup>8</sup>			
Agricultural research and extension services operating pool (Section 11 of 2007 HB 1020)	750,000 <sup>9</sup>			
Property tax relief (Section 15 of 2009 HB 1013)			\$300,000,000 <sup>10</sup>	
Total estimated expenditures and transfers		145,716,541		300,000,000
Estimated ending balance		\$562,539,147		\$829,047,147

<sup>1</sup>Estimated collections reflect actual collections of \$343,619,952 through October 2008 and **December 2008 revised revenue projections** of \$221,365,074 for the remainder of the biennium.

<sup>2</sup>The executive budget recommends increasing the general fund share of oil and gas taxes from the current level of \$71 million to \$110 million.

<sup>3</sup>The executive budget recommends increasing the maximum biennial allocation to the oil and gas impact grant fund from the current level of \$6 million to \$20 million.

<sup>4</sup>The executive budget recommends increasing the maximum biennial allocation to the oil and gas research fund from the current level of \$3 million to \$5 million.

<sup>5</sup>The executive budget recommends increasing the caps on allocations to individual counties by \$1 million per year for an estimated additional \$7.7 million in revenues to counties.

<sup>6</sup>Centers of excellence - Section 14 of House Bill No. 1018 (2007) provided an appropriation of \$15 million from the permanent oil tax trust fund to the Office of Management and Budget for centers of excellence grants.

<sup>7</sup>Higher education - Section 10 of House Bill No. 1003 (2007) provided that Section 3 of the bill includes \$7,783,315 from the permanent oil tax trust fund to the North Dakota University System, 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.

<sup>8</sup>Veterans Home facility - Section 1 of Senate Bill No. 2418 (2007) provided 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.

<sup>9</sup>Agricultural research and extension services operating pool - Section 11 of House Bill No. 1020 (2007) provided 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.

<sup>10</sup>The executive budget recommends a continuing appropriation of \$300 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 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.