

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

	2007-09 Biennium		2009-11 Biennium	
Beginning balance		\$143,270,662		\$474,841,147
Add estimated revenues				
Oil and gas gross production and extraction tax collections	\$477,537,026		\$354,092,000	
Total estimated revenues		477,537,026 ¹		
Other adjustments				
Changes allocations to the oil and gas impact grant fund (2009 HB 1304)			(2,000,000)	
Increases allocation to the oil and gas research fund (2009 SB 2051)			(1,000,000)	
Changes cap on allocation to counties (2009 HB 1304)			(28,000,000)	
Total adjustments				323,092,000 ^{2,3}
Total available		\$620,807,688		\$797,933,147
Less estimated 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)	15,000,000			
Higher education (2007 HB 1003; 2009 SB 2003)	7,783,315		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 estimated expenditures and transfers		145,966,541		746,175,100
Estimated ending balance		\$474,841,147		\$51,758,047

¹Estimated revenues - 2007-09 - The February 2009 legislative revenue forecast for the 2007-09 biennium projects state oil and gas gross production tax and oil extraction tax revenues to exceed \$71 million by \$477.5 million; therefore, \$477.5 million is projected to be transferred to the permanent oil tax trust fund during the biennium.

²Estimated revenues - 2009-11 - The February 2009 legislative revenue forecast for the 2009-11 biennium projects state oil and gas gross production tax and oil extraction tax revenues to exceed \$71 million by \$354.1 million; however, the 2009 Legislative Assembly approved bills that increase the county share of taxes and allocation to the oil and gas impact grant fund (House Bill No. 1304) and increase the transfer to the oil and gas research fund (Senate Bill No. 2051) which are anticipated to reduce oil and gas tax collections by \$31 million. Therefore, \$323.1 million is projected to be transferred to the permanent oil tax trust fund during the biennium.

³Oil 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. Depending on oil prices, the incentive rates under Chapter 57-51.1 could become effective in October 2009.

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.

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.