

## OIL TAX REVENUE COLLECTIONS AND ALLOCATIONS SUMMARY

This memorandum provides a summary of oil tax revenue collections, oil production and prices, and oil tax revenue allocations. The first page compares the current month to the previous month. The second page compares the biennium-to-date for the 2015-17 biennium to the same number of months for the 2013-15 biennium. The third page provides a comparison of actual and forecasted collections and allocations. The fourth page provides information on the distribution of oil and gas gross production tax collections to political subdivisions for the current month and for the biennium-to-date.

### MONTHLY SUMMARY Oil Tax Revenue Collections

The schedule below provides a comparison of actual to originally forecasted oil tax revenue collections for the months of March and April 2017.

|  | March<br>2017  | April<br>2017  | Increase (Decrease) |            |
|--|----------------|----------------|---------------------|------------|
|  |                |                | Amount              | Percentage |
| <b>Actual collections</b>              |                |                |                     |            |
| Oil and gas gross production tax       | \$65,112,645   | \$70,553,010   | \$5,440,365         | 8.4%       |
| Oil extraction tax                     | 59,520,142     | 63,081,831     | 3,561,689           | 6.0%       |
| Total actual collections               | \$124,632,787  | \$133,634,841  | \$9,002,054         | 7.2%       |
| <b>Forecasted collections</b>          |                |                |                     |            |
| Oil and gas gross production tax       | \$84,278,832   | \$76,433,280   | (\$7,845,552)       | (9.3%)     |
| Oil extraction tax                     | 84,278,832     | 76,433,280     | (7,845,552)         | (9.3%)     |
| Total forecasted collections           | \$168,557,664  | \$152,866,560  | (\$15,691,104)      | (9.3%)     |
| <b>Increase (decrease) to forecast</b> |                |                |                     |            |
| Amount                                 | (\$43,924,877) | (\$19,231,719) |                     |            |
| Percentage                             | (26.1%)        | (12.6%)        |                     |            |

### Oil Production and Prices

The schedule below provides information on actual and originally forecasted average daily production and average daily price of oil per barrel for the months of January and February 2017. Monthly oil tax revenue collections reflect production from 2 months prior. For example, April 2017 oil tax revenue collections relate to February 2017 oil production. Actual oil prices shown reflect Flint Hills Resources (FHR) posted prices and West Texas Intermediate (WTI) posted prices.

|  | January<br>2017 | February<br>2017 | Increase (Decrease) |            |
|--|-----------------|------------------|---------------------|------------|
|  |                 |                  | Amount              | Percentage |
| <b>Actual average daily production and price</b>     |                 |                  |                     |            |
| Average daily production of oil in barrels           | 981,380         | 1,034,168        | 52,788              | 5.4%       |
| Average daily price - FHR                            | \$40.51         | \$42.74          | \$2.23              | 5.5%       |
| Average daily price - WTI                            | \$52.61         | \$53.46          | \$0.85              | 1.6%       |
| <b>Forecasted average daily production and price</b> |                 |                  |                     |            |
| Average daily production of oil in barrels           | 1,100,000       | 1,100,000        | 0                   | 0.0%       |
| Average daily price of oil per barrel                | \$51.49         | \$51.70          | \$0.21              | 0.4%       |

### Oil Tax Revenue Allocations

The schedule below provides information on the total oil tax revenue allocations to state funds, the Three Affiliated Tribes, and political subdivisions for the months of March and April 2017.

|  | March<br>2017 | April<br>2017 | Increase (Decrease) |            |
|--|---------------|---------------|---------------------|------------|
|  |               |               | Amount              | Percentage |
| Legacy fund                                | \$34,183,141  | \$36,492,205  | \$2,309,064         | 6.8%       |
| Three Affiliated Tribes                    | 10,688,987    | 11,994,157    | 1,305,170           | 12.2%      |
| Oil and gas research fund                  | 0             | 0             | 0                   | N/A        |
| Oil and gas impact grant fund              | 4,114,035     | 4,837,586     | 723,551             | 17.6%      |
| Political subdivisions                     | 21,693,763    | 22,784,527    | 1,090,764           | 5.0%       |
| Abandoned well reclamation fund            | 434,161       | 467,049       | 32,888              | 7.6%       |
| North Dakota outdoor heritage fund         | 868,321       | 934,099       | 65,778              | 7.6%       |
| Foundation aid stabilization fund          | 4,898,473     | 5,126,536     | 228,063             | 4.7%       |
| Common schools trust fund                  | 4,898,473     | 5,126,536     | 228,063             | 4.7%       |
| Resources trust fund                       | 9,796,946     | 10,253,071    | 456,125             | 4.7%       |
| General fund                               | 17,898,355    | 0             | (17,898,355)        | (100.0%)   |
| Tax relief fund                            | 0             | 0             | 0                   | N/A        |
| Strategic investment and improvements fund | 15,158,132    | 35,619,075    | 20,460,943          | 135.0%     |
| Political subdivision allocation fund      | 0             | 0             | 0                   | N/A        |
| State disaster relief fund                 | 0             | 0             | 0                   | N/A        |
| Total oil and gas tax revenue allocations  | \$124,632,787 | \$133,634,841 | \$9,002,054         | 7.2%       |

## BIENNIUM-TO-DATE SUMMARY - COMPARISON

### Oil Tax Revenue Collections

The schedule below provides a comparison of actual to originally forecasted oil tax revenue collections for the first 21 months of the 2015-17 and 2013-15 bienniums.

|  | August 2015<br>Through<br>April 2017 | August 2013<br>Through<br>April 2015 | Increase (Decrease) |            |
|--|--------------------------------------|--------------------------------------|---------------------|------------|
|  |                                      |                                      | Amount              | Percentage |
| <b>Actual collections</b>              |                                      |                                      |                     |            |
| Oil and gas gross production tax       | \$1,316,349,032                      | \$2,536,539,035                      | (\$1,220,190,003)   | (48.1%)    |
| Oil extraction tax                     | 1,244,082,904                        | 2,999,352,150                        | (1,755,269,246)     | (58.5%)    |
| Total actual collections               | \$2,560,431,936                      | \$5,535,891,185                      | (\$2,975,459,249)   | (53.7%)    |
| <b>Forecasted collections</b>          |                                      |                                      |                     |            |
| Oil and gas gross production tax       | \$1,622,528,688                      | \$1,988,012,193                      | (\$365,483,505)     | (18.4%)    |
| Oil extraction tax                     | 1,303,172,332                        | 2,604,390,609                        | (1,301,218,277)     | (50.0%)    |
| Total forecasted collections           | \$2,925,701,020                      | \$4,592,402,802                      | (\$1,666,701,782)   | (36.3%)    |
| <b>Increase (decrease) to forecast</b> |                                      |                                      |                     |            |
| Amount                                 | (\$365,269,084)                      | \$943,488,383                        |                     |            |
| Percentage                             | (12.5%)                              | 20.5%                                |                     |            |

### Oil Production and Prices

The schedule below provides information on actual and originally forecasted average daily production and average daily price of oil per barrel for the first 21 months of 2013-15 and 2015-17 bienniums. Monthly oil tax revenue collections reflect production from 2 months prior. For example, April 2017 oil tax revenue collections relate to February 2017 oil production.

|  | June 2015<br>Through<br>February 2017 | June 2013<br>Through<br>February 2015 | Increase (Decrease) |            |
|--|---------------------------------------|---------------------------------------|---------------------|------------|
|  |                                       |                                       | Amount              | Percentage |
| <b>Actual average daily production and price</b>     |                                       |                                       |                     |            |
| Average daily production of oil in barrels           | 1,083,904                             | 1,037,707                             | 46,197              | 4.5%       |
| Average daily price - FHR                            | \$33.77                               | \$75.49                               | (\$41.72)           | (55.3%)    |
| Average daily price - WTI                            | \$45.31                               | \$91.53                               | (\$46.22)           | (50.5%)    |
| <b>Forecasted average daily production and price</b> |                                       |                                       |                     |            |
| Average daily production of oil in barrels           | 1,100,000                             | 846,667                               | 253,333             | 29.9%      |
| Average daily price of oil per barrel                | \$48.18                               | \$77.14                               | (\$28.96)           | (37.5%)    |

### Oil Tax Revenue Allocations

The schedule below compares oil tax revenue allocations to state funds, the Three Affiliated Tribes, and political subdivisions for the first 21 months of the 2015-17 biennium to the 2013-15 biennium.

|  | August 2015<br>Through<br>April 2017 | August 2013<br>Through<br>April 2015 | Increase (Decrease) |            |
|--|--------------------------------------|--------------------------------------|---------------------|------------|
|  |                                      |                                      | Amount              | Percentage |
| Legacy fund                                | \$709,878,540                        | \$1,717,659,647                      | (\$1,007,781,107)   | (58.7%)    |
| Three Affiliated Tribes                    | 194,169,602                          | 409,844,421                          | (215,674,819)       | (52.6%)    |
| Oil and gas research fund                  | 10,000,000                           | 10,000,000                           | 0                   | 0.0%       |
| Oil and gas impact grant fund              | 64,978,613                           | 240,000,000                          | (175,021,387)       | (72.9%)    |
| Political subdivisions                     | 483,953,129                          | 608,828,927                          | (124,875,798)       | (20.5%)    |
| Abandoned well reclamation fund            | 8,967,616                            | 10,000,000                           | (1,032,384)         | (10.3%)    |
| North Dakota outdoor heritage fund         | 17,285,020                           | 16,964,576                           | 320,444             | 1.9%       |
| Foundation aid stabilization fund          | 105,105,419                          | 259,101,392                          | (153,995,973)       | (59.4%)    |
| Common schools trust fund                  | 105,105,419                          | 259,101,392                          | (153,995,973)       | (59.4%)    |
| Resources trust fund                       | 210,210,838                          | 518,202,788                          | (307,991,950)       | (59.4%)    |
| General fund                               | 300,000,000                          | 300,000,000                          | 0                   | 0.0%       |
| Tax relief fund                            | 300,000,000                          | 341,790,000                          | (41,790,000)        | (12.2%)    |
| Strategic investment and improvements fund | 50,777,740                           | 822,398,042                          | (771,620,302)       | (93.8%)    |
| Political subdivision allocation fund      | 0                                    | 0                                    | 0                   | N/A        |
| State disaster relief fund                 | 0                                    | 22,000,000                           | (22,000,000)        | (100.0%)   |
| Total oil and gas tax revenue allocations  | \$2,560,431,936                      | \$5,535,891,185                      | (\$2,975,459,249)   | (53.7%)    |

## COMPARISON OF ACTUAL TO FORECAST - COLLECTIONS AND ALLOCATIONS

### Monthly Comparison

The schedule below provides a comparison of actual to originally forecasted oil tax revenue collections and allocations for the month of April 2017.

|  | April 2017    |               | Increase (Decrease) |            |
|--|---------------|---------------|---------------------|------------|
|  | Actual        | Forecast      | Amount              | Percentage |
| <b>Collections</b>                         |               |               |                     |            |
| Oil and gas gross production tax           | \$70,553,010  | \$76,433,280  | (\$5,880,270)       | (7.7%)     |
| Oil extraction tax                         | 63,081,831    | 76,433,280    | (13,351,449)        | (17.5%)    |
| Total actual collections                   | \$133,634,841 | \$152,866,560 | (\$19,231,719)      | (12.6%)    |
| <b>Allocations</b>                         |               |               |                     |            |
| Legacy fund                                | \$36,492,205  | \$42,351,680  | (\$5,859,475)       | (13.8%)    |
| Three Affiliated Tribes                    | 11,994,157    | 11,694,293    | 299,864             | 2.6%       |
| Oil and gas research fund                  | 0             | 0             | 0                   | N/A        |
| Oil and gas impact grant fund              | 4,837,586     | 6,692,273     | (1,854,687)         | (27.7%)    |
| Political subdivisions                     | 22,784,527    | 23,531,512    | (746,985)           | (3.2%)     |
| Abandoned well reclamation fund            | 467,049       | 210,931       | 256,118             | 121.4%     |
| North Dakota outdoor heritage fund         | 934,099       | 1,120,206     | (186,107)           | (16.6%)    |
| Foundation aid stabilization fund          | 5,126,536     | 6,588,549     | (1,462,013)         | (22.2%)    |
| Common schools trust fund                  | 5,126,536     | 6,588,549     | (1,462,013)         | (22.2%)    |
| Resources trust fund                       | 10,253,071    | 13,177,097    | (2,924,026)         | (22.2%)    |
| General fund                               | 0             | 0             | 0                   | N/A        |
| Tax relief fund                            | 0             | 0             | 0                   | N/A        |
| Strategic investment and improvements fund | 35,619,075    | 38,380,241    | (2,761,166)         | (7.2%)     |
| Political subdivision allocation fund      | 0             | 2,531,229     | (2,531,229)         | (100.0%)   |
| State disaster relief fund                 | 0             | 0             | 0                   | N/A        |
| Total oil and gas tax revenue allocations  | \$133,634,841 | \$152,866,560 | (\$19,231,719)      | (12.6%)    |

### Biennium-to-Date Comparison

The schedule below provides a comparison of actual to originally forecasted oil tax revenue collections and allocations for the biennium-to-date for the 2015-17 biennium.

|  | 2015-17 Biennium-to-Date |                 | Increase (Decrease) |            |
|--|--------------------------|-----------------|---------------------|------------|
|  | Actual                   | Forecast        | Amount              | Percentage |
| <b>Collections</b>                         |                          |                 |                     |            |
| Oil and gas gross production tax           | \$1,316,349,032          | \$1,622,528,688 | (\$306,179,656)     | (18.9%)    |
| Oil extraction tax                         | 1,244,082,904            | 1,303,172,332   | (59,089,428)        | (4.5%)     |
| Total actual collections                   | \$2,560,431,936          | \$2,925,701,020 | (\$365,269,084)     | (12.5%)    |
| <b>Allocations</b>                         |                          |                 |                     |            |
| Legacy fund                                | \$709,878,540            | \$809,846,910   | (\$99,968,370)      | (12.3%)    |
| Three Affiliated Tribes                    | 194,169,602              | 226,211,323     | (32,041,721)        | (14.2%)    |
| Oil and gas research fund                  | 10,000,000               | 10,000,000      | 0                   | 0.0%       |
| Oil and gas impact grant fund              | 64,978,613               | 133,166,414     | (68,187,801)        | (51.2%)    |
| Political subdivisions                     | 483,953,129              | 554,925,350     | (70,972,221)        | (12.8%)    |
| Abandoned well reclamation fund            | 8,967,616                | 10,000,000      | (1,032,384)         | (10.3%)    |
| North Dakota outdoor heritage fund         | 17,285,020               | 23,779,783      | (6,494,763)         | (27.3%)    |
| Foundation aid stabilization fund          | 105,105,419              | 112,333,452     | (7,228,033)         | (6.4%)     |
| Common schools trust fund                  | 105,105,419              | 112,333,452     | (7,228,033)         | (6.4%)     |
| Resources trust fund                       | 210,210,838              | 224,666,905     | (14,456,067)        | (6.4%)     |
| General fund                               | 300,000,000              | 300,000,000     | 0                   | 0.0%       |
| Tax relief fund                            | 300,000,000              | 300,000,000     | 0                   | 0.0%       |
| Strategic investment and improvements fund | 50,777,740               | 105,906,202     | (55,128,462)        | (52.1%)    |
| Political subdivision allocation fund      | 0                        | 2,531,229       | (2,531,229)         | (100.0%)   |
| State disaster relief fund                 | 0                        | 0               | 0                   | N/A        |
| Total oil and gas tax revenue allocations  | \$2,560,431,936          | \$2,925,701,020 | (\$365,269,084)     | (12.5%)    |

## 2015-17 BIENNIUM DISTRIBUTIONS TO POLITICAL SUBDIVISIONS - OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS

The schedule below provides information on the distribution of oil and gas gross production tax collections to political subdivisions for the biennium-to-date. Distributions of the oil and gas gross production tax to political subdivisions reflect production from 2 months prior. For example, April 2017 distributions of oil and gas gross production tax collections relate to February 2017 oil production. Distributions to political subdivisions pursuant to the new formula in 2015 House Bill No. 1176 became effective with July 2015 oil production and September 2015 distributions. As a result, this memorandum reports the distributions to political subdivisions for the period September 2015 to August 2017 to reflect 24 months of distributions based on the new formula.

|  | Fiscal Year<br>2016  | September<br>2016   | October<br>2016     | November<br>2016    | December<br>2016    |
|--|----------------------|---------------------|---------------------|---------------------|---------------------|
| Counties   | \$119,510,657        | \$18,255,869        | \$9,559,515         | \$9,264,745         | \$10,901,626        |
| Hub cities <sup>1</sup>  | 68,221,050           | 6,345,499           | 5,039,222           | 4,994,242           | 5,238,894           |
| Other cities   | 39,989,148           | 6,098,535           | 3,201,101           | 3,103,409           | 3,649,690           |
| Hub city school districts  | 15,000,000           | 1,062,500           | 1,062,500           | 1,062,500           | 1,062,500           |
| Other school districts   | 19,910,824           | 2,354,107           | 1,637,854           | 1,616,815           | 1,757,311           |
| Townships  | 11,814,030           | 1,813,667           | 942,815             | 912,833             | 1,075,929           |
| <b>Total</b>   | <b>\$274,445,709</b> | <b>\$35,930,177</b> | <b>\$21,443,007</b> | <b>\$20,954,544</b> | <b>\$23,685,950</b> |
| <sup>1</sup> The distributions to the hub cities are as follows: |                      |                     |                     |                     |                     |
| Williston  | \$35,382,631         | \$3,413,549         | \$2,629,783         | \$2,602,797         | \$2,749,586         |
| Dickinson  | 20,316,315           | 1,878,649           | 1,486,766           | 1,473,273           | 1,546,668           |
| Minot  | 7,022,104            | 615,800             | 485,172             | 480,674             | 505,139             |
| Mandan   | 2,250,000            | 166,667             | 166,667             | 166,666             | 166,667             |
| Bismarck   | 1,000,000            | 83,333              | 83,333              | 83,334              | 83,333              |
| West Fargo   | 750,000              | 104,167             | 104,167             | 104,166             | 104,167             |
| Jamestown  | 500,000              | 41,667              | 41,667              | 41,666              | 41,667              |
| Fargo  | 500,000              | 0                   | 0                   | 0                   | 0                   |
| Grand Forks  | 500,000              | 41,667              | 41,667              | 41,666              | 41,667              |
| <b>Total</b>   | <b>\$68,221,050</b>  | <b>\$6,345,499</b>  | <b>\$5,039,222</b>  | <b>\$4,994,242</b>  | <b>\$5,238,894</b>  |

|  | January<br>2017     | February<br>2017    | March<br>2017       | April<br>2017       | Biennium-to-<br>Date Total |
|--|---------------------|---------------------|---------------------|---------------------|----------------------------|
| Counties   | \$9,069,582         | \$9,427,759         | \$9,690,131         | \$10,349,599        | \$206,029,483              |
| Hub cities <sup>1</sup>  | 4,968,511           | 5,019,745           | 5,049,888           | 5,151,063           | 110,028,114                |
| Other cities   | 3,035,732           | 3,156,969           | 3,251,253           | 3,469,405           | 68,955,242                 |
| Hub city school districts  | 1,062,500           | 1,062,500           | 1,062,500           | 1,062,500           | 23,500,000                 |
| Other school districts   | 1,584,163           | 1,625,540           | 1,690,068           | 1,734,586           | 33,911,268                 |
| Townships  | 895,673             | 929,834             | 949,923             | 1,017,374           | 20,352,078                 |
| <b>Total</b>   | <b>\$20,616,161</b> | <b>\$21,222,347</b> | <b>\$21,693,763</b> | <b>\$22,784,527</b> | <b>\$462,776,185</b>       |
| <sup>1</sup> The distributions to the hub cities are as follows: |                     |                     |                     |                     |                            |
| Williston  | \$2,587,356         | \$2,618,098         | \$2,636,182         | \$2,696,887         | \$57,316,869               |
| Dickinson  | 1,465,553           | 1,480,924           | 1,489,966           | 1,520,319           | 32,658,433                 |
| Minot  | 478,101             | 483,225             | 486,239             | 496,356             | 11,052,810                 |
| Mandan   | 166,667             | 166,666             | 166,667             | 166,667             | 3,583,334                  |
| Bismarck   | 83,333              | 83,334              | 83,333              | 83,333              | 1,666,666                  |
| West Fargo   | 104,167             | 104,166             | 104,167             | 104,167             | 1,583,334                  |
| Jamestown  | 41,667              | 41,666              | 41,667              | 41,667              | 833,334                    |
| Fargo  | 0                   | 0                   | 0                   | 0                   | 500,000                    |
| Grand Forks  | 41,667              | 41,666              | 41,667              | 41,667              | 833,334                    |
| <b>Total</b>   | <b>\$4,968,511</b>  | <b>\$5,019,745</b>  | <b>\$5,049,888</b>  | <b>\$5,151,063</b>  | <b>\$110,028,114</b>       |