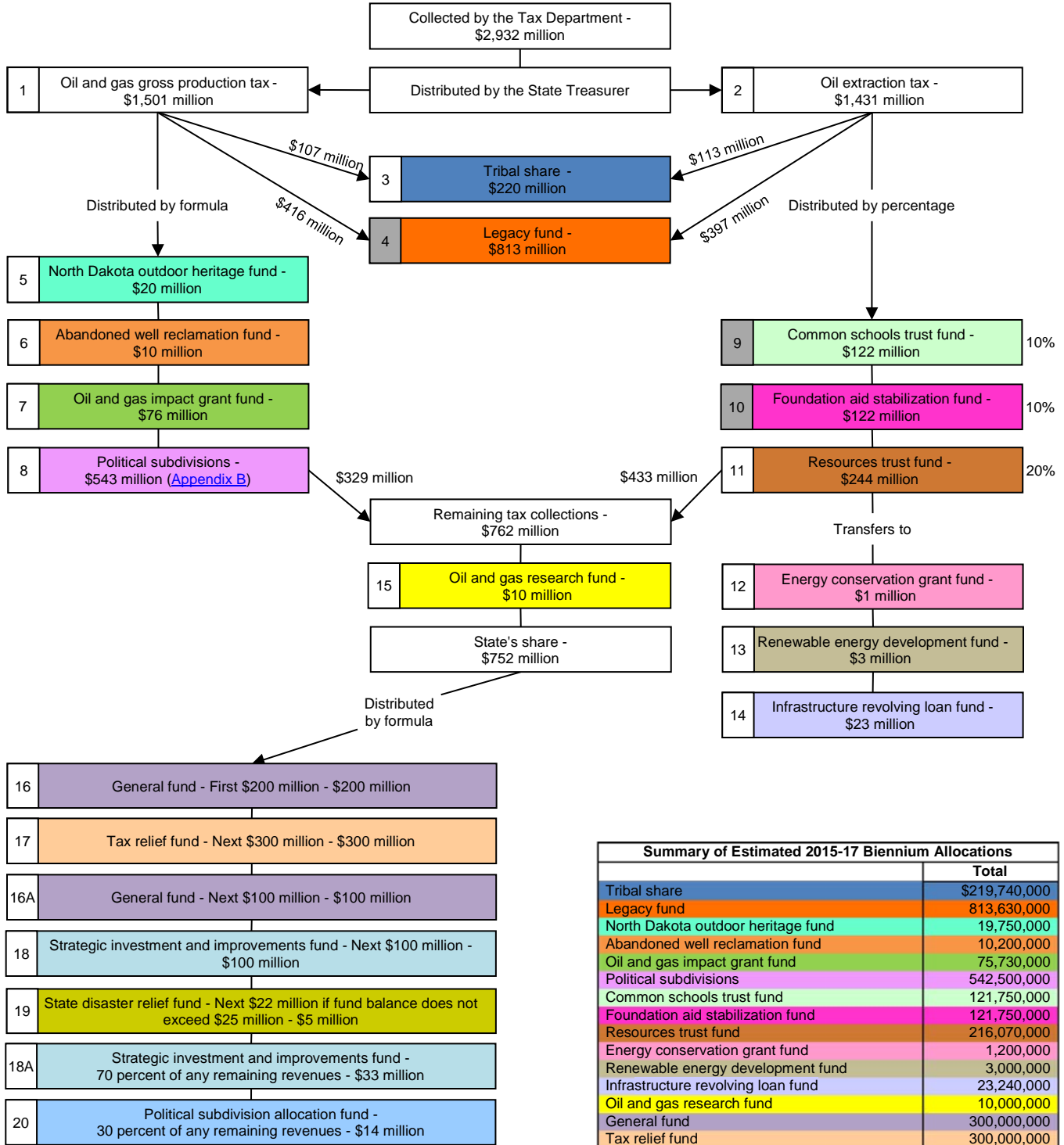


2015-17 BIENNIUM REVISED OIL AND GAS TAX REVENUE - ALLOCATION FLOWCHART

This memorandum provides information on the estimated allocation of oil and gas tax collections for the 2015-17 biennium based on the 2017 legislative revenue forecast. A summary of the funds is included in [Appendix A](#), and a detailed schedule of the distributions to political subdivisions is included in [Appendix B](#).

2015-17 BIENNIUM 2017 Legislative Revenue Forecast



Shading in number boxes represents constitutional allocations

Summary of Estimated 2015-17 Biennium Allocations	
	Total
Tribal share	\$219,740,000
Legacy fund	813,630,000
North Dakota outdoor heritage fund	19,750,000
Abandoned well reclamation fund	10,200,000
Oil and gas impact grant fund	75,730,000
Political subdivisions	542,500,000
Common schools trust fund	121,750,000
Foundation aid stabilization fund	121,750,000
Resources trust fund	216,070,000
Energy conservation grant fund	1,200,000
Renewable energy development fund	3,000,000
Infrastructure revolving loan fund	23,240,000
Oil and gas research fund	10,000,000
General fund	300,000,000
Tax relief fund	300,000,000
Strategic investment and improvements fund	133,530,000
State disaster relief fund	5,410,000
Political subdivision allocation fund	14,360,000
Total	\$2,931,860,000

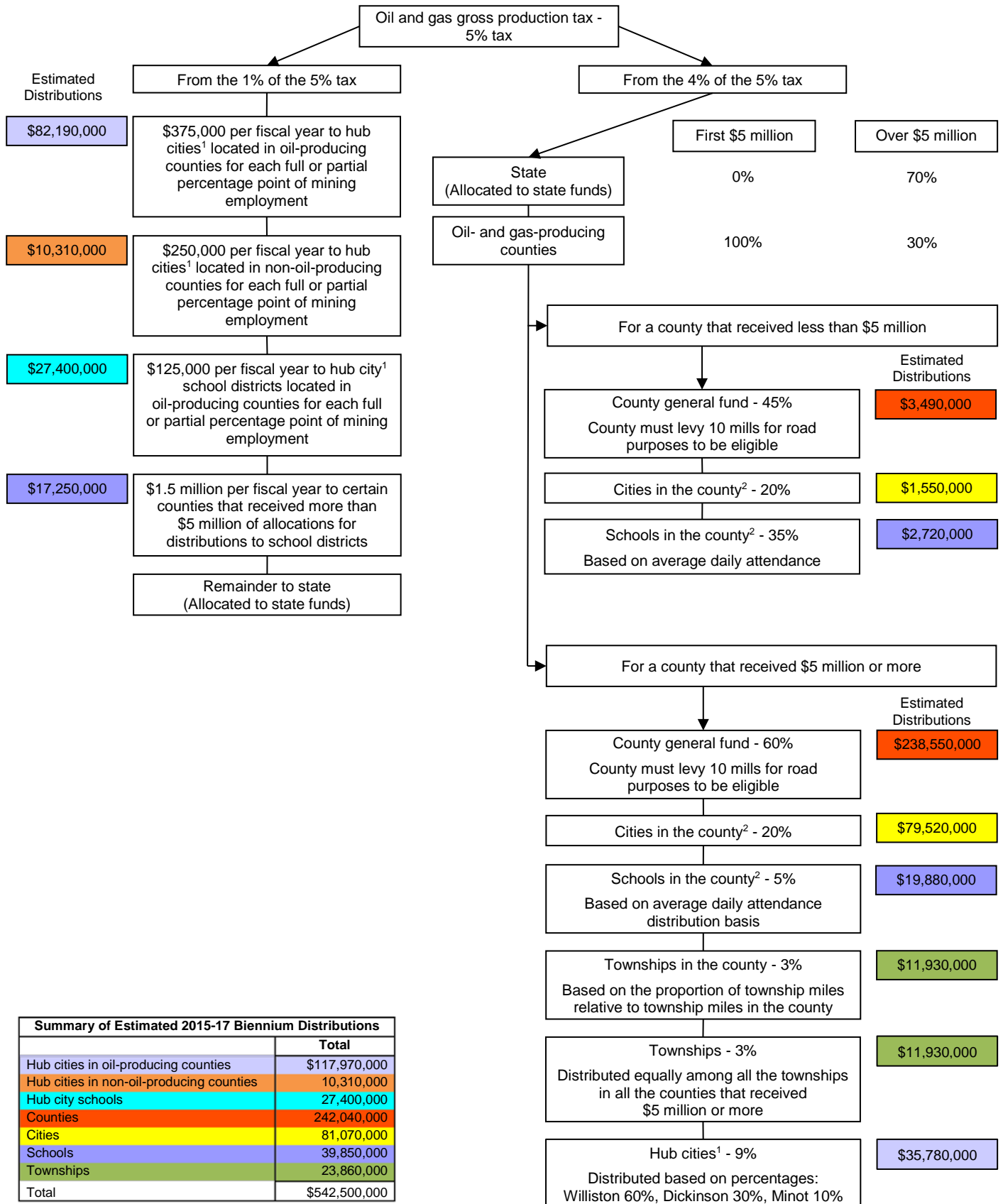
ATTACH:2

The table below provides a brief description of the taxes and funds included in the flowchart on the previous page.

Box	Tax/Fund	Description
1	Oil and gas gross production tax	North Dakota Century Code Section 57-51-02 provides for a tax of 5 percent of the gross value at the well of oil produced in North Dakota unless exempted and tax on gas of four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2	Oil extraction tax	Section 57-51.1-02, as amended by 2015 House Bill No. 1476, provides for a tax of 5 percent of the gross value at the well on the extraction of oil unless exempted. Prior to January 1, 2016, the oil extraction tax rate was 6.5 percent.
3	Tribal share	Chapter 57-51.2 provides the requirements for allocating oil and gas tax related to the oil production within the Fort Berthold Reservation. The oil and gas tax revenues are allocated 50 percent to the state and 50 percent to the Three Affiliated Tribes of the Fort Berthold Reservation.
4	Legacy fund	Section 26 of Article X of the Constitution of North Dakota provides for a deposit to the legacy fund of 30 percent of total revenue derived from taxes on oil and gas production and extraction.
5	North Dakota outdoor heritage fund	House Bill No. 1278 (2013) created the North Dakota outdoor heritage fund to preserve natural areas and public lands. House Bill No. 1176 (2015) amended Section 57-51-15 to provide 8 percent of revenues from the first 1 percent of the oil and gas gross production tax, up to \$20 million per fiscal year, be deposited in the fund.
6	Abandoned oil and gas well plugging and site reclamation fund	House Bill No. 1333 (2013) and House Bill No. 1032 (2015) amended Section 57-51-15 to increase the allocations to the abandoned oil and gas well plugging and site reclamation fund. Based on current law, 4 percent of the first 1 percent of oil and gas gross production tax is allocated to the fund not to exceed \$7.5 million per fiscal year and not in an amount that would bring the balance of the fund to more than \$100 million.
7	Oil and gas impact grant fund	Section 57-51-15 (1989 House Bill No. 1302) establishes the oil and gas impact grant fund to provide grants to political subdivisions impacted by oil development. House Bill No. 1176 (2015) amended Section 57-51-15 to provide an allocation from the first 1 percent of the 5 percent oil and gas gross production tax, up to \$140 million for the 2015-17 biennium. After the 2015-17 biennium, up to \$100 million per biennium is to be deposited into the fund.
8	Political subdivisions	Oil and gas gross production taxes are apportioned to political subdivisions under Section 57-51-15 as amended by 2015 House Bill No. 1176. See Appendix B .
9	Common schools trust fund	Section 1 of Article IX of the Constitution of North Dakota provides for a common schools trust fund to be used to support the common schools of the state. Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the common schools trust fund to become part of the principal of the fund. The earnings are distributed through the state school aid payments.
10	Foundation aid stabilization fund	Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the foundation aid stabilization fund. Section 24, as amended by 2015 Senate Concurrent Resolution No. 4003 and approved by the voters, restricts a portion of the fund to offset state school aid payments due to a revenue shortfall and allows the remainder to be used for educational purposes.
11	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Section 22 of Article X of the Constitution of North Dakota provides that the fund may be used, subject to legislative appropriation, for constructing water-related projects, including rural water systems, and funding of programs for energy conservation.
12	Energy conservation grant fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the amount credited to the resources trust fund from the resources trust fund into the energy conservation grant fund, up to \$1.2 million per biennium.
13	Renewable energy development fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of 5 percent of the amount credited to the resources trust fund from the resources trust fund into the renewable energy development fund, up to \$3 million per biennium.
14	Infrastructure revolving loan fund	Senate Bill No. 2233 (2013) created an infrastructure revolving loan fund within the resources trust fund to provide loans for water projects. Ten percent of the oil extraction tax allocations deposited in the fund are designated for the infrastructure revolving loan fund.
15	Oil and gas research fund	Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes the oil and gas research fund for the Oil and Gas Research Council to provide grants. Senate Bill No. 2014 (2013) amended Section 57-51.1-07.3 to provide that 2 percent of the state's share of the oil and gas tax revenues, up to \$10 million per biennium, is to be deposited into the oil and gas research fund.
16 16A	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5 provides for an allocation of \$300 million of the state's share of oil and gas tax revenues to the general fund.
17	Tax relief fund	Section 57-51.1-07.5 provides for the allocation of \$300 million of the state's share of oil and gas tax revenues to the tax relief fund each biennium.
18 18A	Strategic investment and improvements fund	Section 15-08.1-08 provides for the strategic investment and improvements fund. The fund is to be used for one-time expenditures to improve state infrastructure or initiatives to improve the efficiency and effectiveness of state government. Section 57-51.1-07.5 provides for the distribution of certain oil tax revenues to the strategic investment and improvements fund.
19	State disaster relief fund	Section 37-17.1-27 provides for the state disaster relief fund to be used for the required state share of funding for expenses associated with presidential-declared disasters. Section 57-51.1-07.5 provides for the distribution of up to \$22 million of oil tax revenues to the state disaster relief fund each biennium, but not in an amount that would bring the balance of the fund to more than \$25 million.

Box	Tax/Fund	Description
20	Political subdivision allocation fund	House Bill No. 1377 (2015) creates a political subdivision allocation fund and amends Section 57-51.1-07.5 to provide allocations to political subdivisions for the 2015-17 biennium.

2015-17 BIENNIUM ESTIMATED DISTRIBUTIONS TO POLITICAL SUBDIVISIONS - 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



Summary of Estimated 2015-17 Biennium Distributions	
	Total
Hub cities in oil-producing counties	\$117,970,000
Hub cities in non-oil-producing counties	10,310,000
Hub city schools	27,400,000
Counties	242,040,000
Cities	81,070,000
Schools	39,850,000
Townships	23,860,000
Total	\$542,500,000

¹A "hub city" means a city with a population of 12,500 or more, according to the last official decennial federal census, which has more than 1 percent of its private covered employment engaged in oil- and gas-related employment, according to annual data compiled by Job Service North Dakota.

²Hub cities and hub city school districts are excluded from these allocations.