



North Dakota Legislative Council

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OIL AND GAS TAX REVENUES QUARTERLY UPDATE SUMMARY

This memorandum provides a summary of oil production and prices, oil and gas tax revenue collections, and oil and gas tax revenue allocations, including comparisons to forecasted amounts, projections for the biennium, and comparisons to the prior biennium. **The forecasted amounts reflect the 2019 legislative revenue forecast**, prepared at the close of the 2019 legislative session.

QUARTERLY SUMMARY Oil Production and Prices

The schedules below provide information on actual and forecasted oil production and prices for March 2021 through May 2021. Oil and gas tax revenue collections and allocations reflect production and prices from 2 months prior. The amounts shown for the actual oil prices reflect the average of Flint Hills Resources posted prices and West Texas Intermediate posted prices.

| Average Daily Oil Production - Barrels Per Day | | | |
|--|------------|------------|-----------|
| | March 2021 | April 2021 | May 2021 |
| Actual | 1,108,906 | 1,123,166 | 1,127,517 |
| Forecast | 1,440,000 | 1,440,000 | 1,440,000 |
| Variance to forecast | (331,094) | (316,834) | (312,483) |
| Percentage variance to forecast | (23.0%) | (22.0%) | (21.7%) |

| Average Oil Price - Price Per Barrel | | | |
|--------------------------------------|------------|------------|----------|
| | March 2021 | April 2021 | May 2021 |
| Actual | \$58.37 | \$58.53 | \$61.72 |
| Forecast | 48.00 | 48.00 | 48.00 |
| Variance to forecast | \$10.37 | \$10.53 | \$13.72 |
| Percentage variance to forecast | 21.6% | 21.9% | 28.6% |

Oil and Gas Tax Revenue Collections

The schedule below provides a comparison of actual to forecasted oil and gas tax revenue collections for May 2021 through July 2021.

| | May 2021 | June 2021 | July 2021 |
|---------------------------------|----------------|----------------|----------------|
| Actual | \$175,556,949 | \$173,735,853 | \$191,572,700 |
| Forecast | 207,843,840 | 201,139,200 | 207,843,840 |
| Variance to forecast | (\$32,286,891) | (\$27,403,347) | (\$16,271,140) |
| Percentage variance to forecast | (15.5%) | (13.6%) | (7.8%) |

Oil and Gas Tax Revenue Allocations

The schedule below provides information on the oil and gas tax revenue allocations to the Three Affiliated Tribes of the Fort Berthold Reservation, state funds, and political subdivisions for May 2021 through July 2021.

| | May 2021 | June 2021 | July 2021 |
|--|----------------------|----------------------|----------------------|
| Three Affiliated Tribes | \$22,016,560 | \$21,842,383 | \$24,028,831 |
| Legacy fund | 46,062,117 | 45,568,041 | 50,263,161 |
| North Dakota outdoor heritage fund | 859,287 | 0 | 0 |
| Abandoned well reclamation fund | 580,380 | 578,205 | 629,972 |
| Political subdivisions | 24,521,701 | 23,943,312 | 25,269,306 |
| Common schools trust fund | 7,070,810 | 6,947,919 | 7,756,540 |
| Foundation aid stabilization fund | 7,070,810 | 6,947,919 | 7,756,540 |
| Resources trust fund | 14,495,161 | 14,243,235 | 15,900,908 |
| Oil and gas research fund | 0 | 0 | 0 |
| State energy research center fund | 0 | 0 | 0 |
| General fund | 0 | 0 | 0 |
| Tax relief fund | 0 | 0 | 0 |
| Budget stabilization fund | 0 | 0 | 0 |
| Lignite research fund | 0 | 0 | 0 |
| State disaster relief fund | 0 | 0 | 0 |
| Municipal infrastructure fund | 0 | 0 | 0 |
| Strategic investment and improvements fund | 52,880,123 | 53,664,839 | 59,967,442 |
| County and township infrastructure fund | 0 | 0 | 0 |
| Airport infrastructure fund | 0 | 0 | 0 |
| Total | \$175,556,949 | \$173,735,853 | \$191,572,700 |

Distributions to Political Subdivisions

The schedule below provides information on the distribution of oil and gas gross production tax collections to political subdivisions for May 2021 through July 2021. Distributions to political subdivisions pursuant to the new formula in House Bill No. 1066 (2019) became effective with July 2019 oil production and September 2019 distributions. However, this memorandum reports the distributions to political subdivisions for the period August 2019 to July 2021 to align with the reporting for the allocations to state funds.

| | May 2021 | June 2021 | July 2021 |
|--|---------------------|---------------------|---------------------|
| Hub cities in oil-producing counties | \$3,746,189 | \$3,694,450 | \$3,814,505 |
| Hub city school districts | 675,079 | 663,582 | 690,260 |
| Counties | 13,004,108 | 12,657,602 | 13,454,390 |
| Cities (excluding hub cities) | 4,362,673 | 4,246,996 | 4,512,195 |
| School districts (excluding hub city school districts) | 1,883,492 | 1,853,520 | 1,917,436 |
| Townships | 850,160 | 827,162 | 880,520 |
| Total | \$24,521,701 | \$23,943,312 | \$25,269,306 |

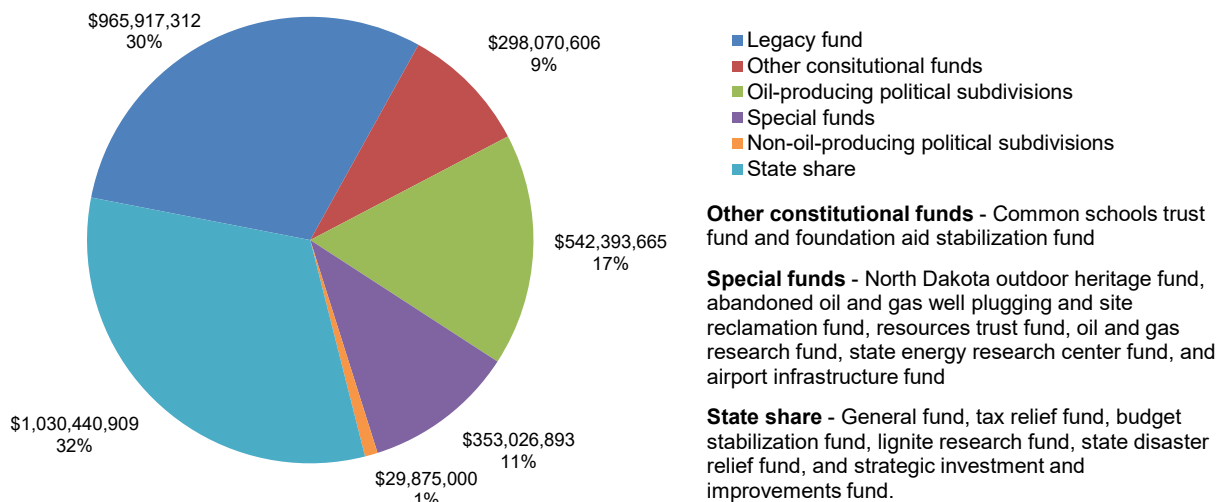
CURRENT BIENNIUM COMPARISON TO FORECAST

The schedule below provides a comparison of actual to forecasted oil and gas tax revenue allocations for the biennium to date through July 2021.

| | Biennium to Date | | Increase (Decrease) | |
|--|------------------------|------------------------|--------------------------|----------------|
| | Actual | Forecast | Amount | Percentage |
| Three Affiliated Tribes | \$419,460,520 | \$525,110,755 | (\$105,650,235) | (20.1%) |
| Legacy fund | 965,917,312 | 1,297,824,714 | (331,907,402) | (25.6%) |
| North Dakota outdoor heritage fund | 15,000,000 | 15,000,000 | 0 | 0.0% |
| Abandoned well reclamation fund | 11,504,524 | 14,815,934 | (3,311,410) | (22.4%) |
| Political subdivisions | 542,393,665 | 661,149,940 | (118,756,275) | (18.0%) |
| Common schools trust fund | 149,035,303 | 213,286,357 | (64,251,054) | (30.1%) |
| Foundation aid stabilization fund | 149,035,303 | 213,286,357 | (64,251,054) | (30.1%) |
| Resources trust fund | 305,522,369 | 437,237,018 | (131,714,649) | (30.1%) |
| Oil and gas research fund | 16,000,000 | 16,000,000 | 0 | 0.0% |
| State energy research center fund | 5,000,000 | 5,000,000 | 0 | 0.0% |
| General fund | 400,000,000 | 400,000,000 | 0 | 0.0% |
| Tax relief fund | 200,000,000 | 200,000,000 | 0 | 0.0% |
| Budget stabilization fund | 48,431,258 | 75,000,000 | (26,568,742) | (35.4%) |
| Lignite research fund | 10,000,000 | 10,000,000 | 0 | 0.0% |
| State disaster relief fund | 0 | 0 | 0 | N/A |
| Municipal infrastructure fund | 29,875,000 | 115,000,000 | (85,125,000) | (74.0%) |
| Strategic investment and improvements fund | 372,009,651 | 517,482,025 | (145,472,374) | (28.1%) |
| County and township infrastructure fund | 0 | 115,000,000 | (115,000,000) | (100.0%) |
| Airport infrastructure fund | 0 | 20,000,000 | (20,000,000) | (100.0%) |
| Total | \$3,639,184,905 | \$4,851,193,100 | (\$1,212,008,195) | (25.0%) |

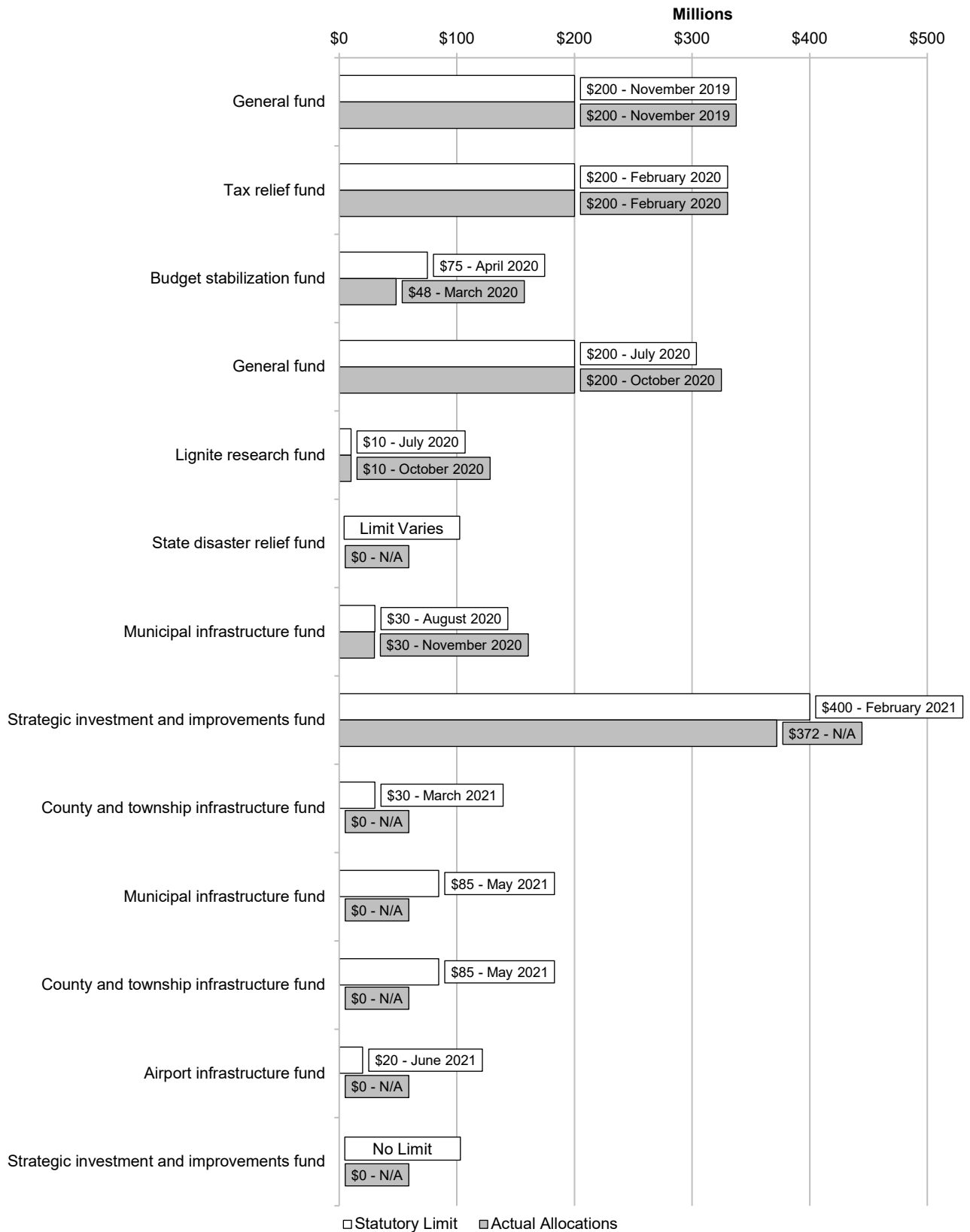
OIL AND GAS TAX REVENUE ALLOCATIONS

The chart below provides information on the oil and gas tax revenue allocations, excluding the allocations to the Three Affiliated Tribes of the Fort Berthold Reservation, for the biennium to date through July 2021.



STATE'S SHARE - FUND STATUS

The chart below provides information on the status of the state's share of allocations ("buckets") for the biennium to date through July 2021. The dates in the white boxes reflect when the funds are estimated to reach the statutory limit based on the 2019 legislative revenue forecast, prepared at the close of the 2019 legislative session. The dates shown in the gray boxes reflect when the funds reached the statutory limit or when the funds are anticipated to reach the statutory limit as adjusted for the actual allocations for the biennium to date.



CURRENT BIENNIUM PROJECTIONS

The schedule below provides information on actual oil tax revenue allocations for the biennium to date through July 2021 and forecasted amounts for the remainder of the biennium. The amount shown for the original forecast reflects the 2019 legislative revenue forecast, prepared at the close of the 2019 legislative session.

| 2019-21 Biennium Actual Allocations and Remaining Forecast | | | | |
|--|------------------------|------------|------------------------|------------------------|
| | Actual Through | Remaining | Biennium | Original |
| | July 2021 | Forecast | Total | Forecast |
| Three Affiliated Tribes | \$419,460,520 | \$0 | \$419,460,520 | \$525,110,755 |
| Legacy fund | 965,917,312 | 0 | 965,917,312 | 1,297,824,714 |
| North Dakota outdoor heritage fund | 15,000,000 | 0 | 15,000,000 | 15,000,000 |
| Abandoned well reclamation fund | 11,504,524 | 0 | 11,504,524 | 14,815,934 |
| Political subdivisions | 542,393,665 | 0 | 542,393,665 | 661,149,940 |
| Common schools trust fund | 149,035,303 | 0 | 149,035,303 | 213,286,357 |
| Foundation aid stabilization fund | 149,035,303 | 0 | 149,035,303 | 213,286,357 |
| Resources trust fund | 305,522,369 | 0 | 305,522,369 | 437,237,018 |
| Oil and gas research fund | 16,000,000 | 0 | 16,000,000 | 16,000,000 |
| State energy research center fund | 5,000,000 | 0 | 5,000,000 | 5,000,000 |
| General fund | 400,000,000 | 0 | 400,000,000 | 400,000,000 |
| Tax relief fund | 200,000,000 | 0 | 200,000,000 | 200,000,000 |
| Budget stabilization fund | 48,431,258 | 0 | 48,431,258 | 75,000,000 |
| Lignite research fund | 10,000,000 | 0 | 10,000,000 | 10,000,000 |
| State disaster relief fund | 0 | 0 | 0 | 0 |
| Municipal infrastructure fund | 29,875,000 | 0 | 29,875,000 | 115,000,000 |
| Strategic investment and improvements fund | 372,009,651 | 0 | 372,009,651 | 517,482,025 |
| County and township infrastructure fund | 0 | 0 | 0 | 115,000,000 |
| Airport infrastructure fund | 0 | 0 | 0 | 20,000,000 |
| Total | \$3,639,184,905 | \$0 | \$3,639,184,905 | \$4,851,193,100 |

CURRENT BIENNIUM TO PRIOR BIENNIUM COMPARISON

Oil Production and Prices

The schedules below provide information on actual and forecasted oil production and prices for the first 24 months of the 2019-21 biennium and 2017-19 biennium. Oil and gas tax revenue collections and allocations reflect oil production and prices from 2 months prior.

| Average Daily Oil Production - Barrels Per Day | | | | |
|--|---------------------|---------------------|---------------------|------------|
| | 2019-21 Biennium | 2017-19 Biennium | Increase (Decrease) | |
| | Through May 2021 | Through May 2019 | Amount | Percentage |
| Actual | 1,261,097 | 1,238,088 | 23,009 | 1.9% |
| Forecast | 1,420,000 | 937,500 | 482,500 | 51.5% |
| Variance to forecast | (158,903) | 300,588 | (459,491) | (152.9%) |
| Percentage variance to forecast | (11.2%) | 32.1% | | |

| Average Oil Price - Price Per Barrel | | | | |
|--------------------------------------|---------------------|---------------------|---------------------|------------|
| | 2019-21 Biennium | 2017-19 Biennium | Increase (Decrease) | |
| | Through May 2021 | Through May 2019 | Amount | Percentage |
| Actual | \$43.67 | \$53.58 | (\$9.91) | (18.5%) |
| Forecast | 48.25 | 47.00 | 1.25 | 2.7% |
| Variance to forecast | (\$4.58) | \$6.58 | (\$11.16) | (169.6%) |
| Percentage variance to forecast | (9.5%) | 14.0% | | |

Oil and Gas Tax Revenue Collections

The schedule below provides a comparison of actual to forecasted oil and gas tax revenue collections for the first 24 months of the 2019-21 biennium and 2017-19 biennium.

| | 2019-21 Biennium | 2017-19 Biennium | Increase (Decrease) | |
|---------------------------------|----------------------|----------------------|---------------------|------------|
| | Through July 2021 | Through July 2019 | Amount | Percentage |
| Actual | \$3,639,184,905 | \$4,615,743,544 | (\$976,558,639) | (21.2%) |
| Forecast | 4,851,193,100 | 3,120,065,625 | 1,731,127,475 | 55.5% |
| Variance to forecast | (\$1,212,008,195) | \$1,495,677,919 | (\$2,707,686,114) | (181.0%) |
| Percentage variance to forecast | (25.0%) | 47.9% | | |