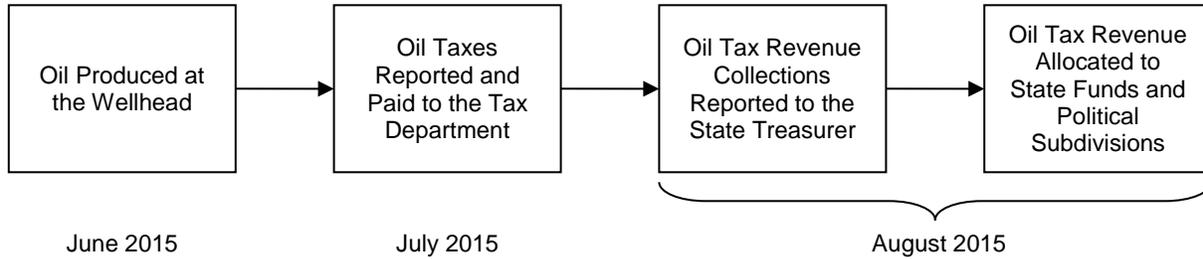


TIMING OF OIL AND GAS TAX REVENUE ALLOCATIONS - STATE FUNDS AND POLITICAL SUBDIVISIONS

OIL AND GAS-RELATED REVENUE PROCESS

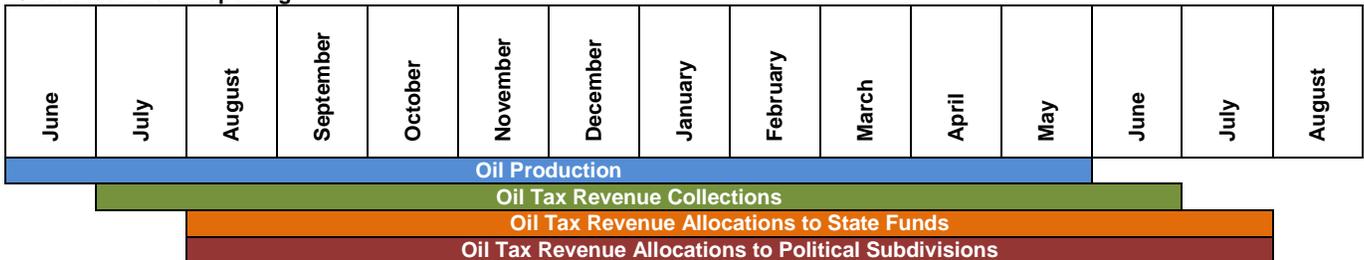
Monthly oil tax revenue allocations reflect oil tax revenue collections from one month prior and oil production from two months prior. Both the oil and gas gross production tax and the oil extraction tax are applied to the gross value at the wellhead pursuant to North Dakota Century Code Sections 57-51-02 and 57-51.1-02. The tax on oil must be paid to the Tax Department by the 25th day of the month succeeding the month of production pursuant to Section 57-51-05. At the beginning of each month, the Tax Department provides a report to the State Treasurer certifying the oil tax revenue collections from the prior month. After receiving the report, the State Treasurer allocates the oil tax revenue to state funds and political subdivisions as provided by law. The chart below provides an example of the process for collecting and allocating oil and gas tax revenue.



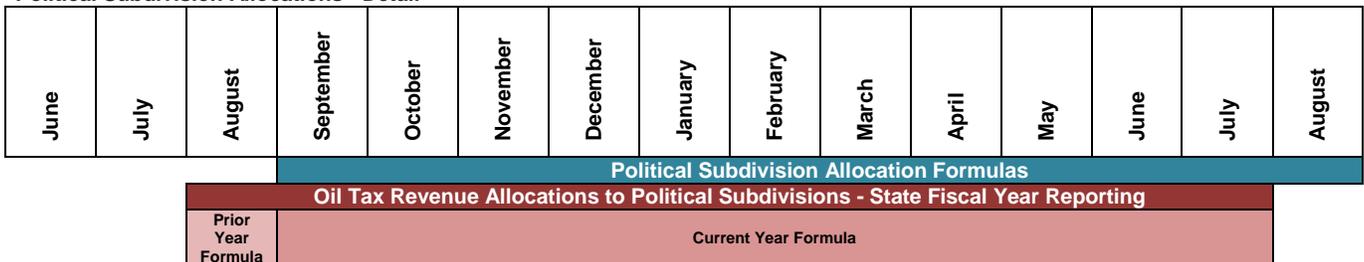
OIL AND GAS-RELATED FISCAL YEAR REPORTING

The formulas used to allocate oil tax revenue to state funds become effective with June oil production and August revenue allocations. For state fiscal year reporting purposes, one year of oil tax revenue allocations, including both allocations to state funds and allocations to political subdivisions, is reported from August through the following July. The formulas used to allocate the oil tax revenue to political subdivisions become effective with July oil production and September revenue allocations. As a result, one year of oil tax revenue allocations to political subdivisions under a new allocation formula is reported from September through the following August. The chart below provides information on fiscal year reporting for oil production, oil tax revenue collections, oil tax revenue allocations, and political subdivision allocation formulas.

State Fiscal Year Reporting



Political Subdivision Allocations - Detail



2015-17 BIENNIUM ESTIMATED OIL TAX REVENUE ALLOCATIONS

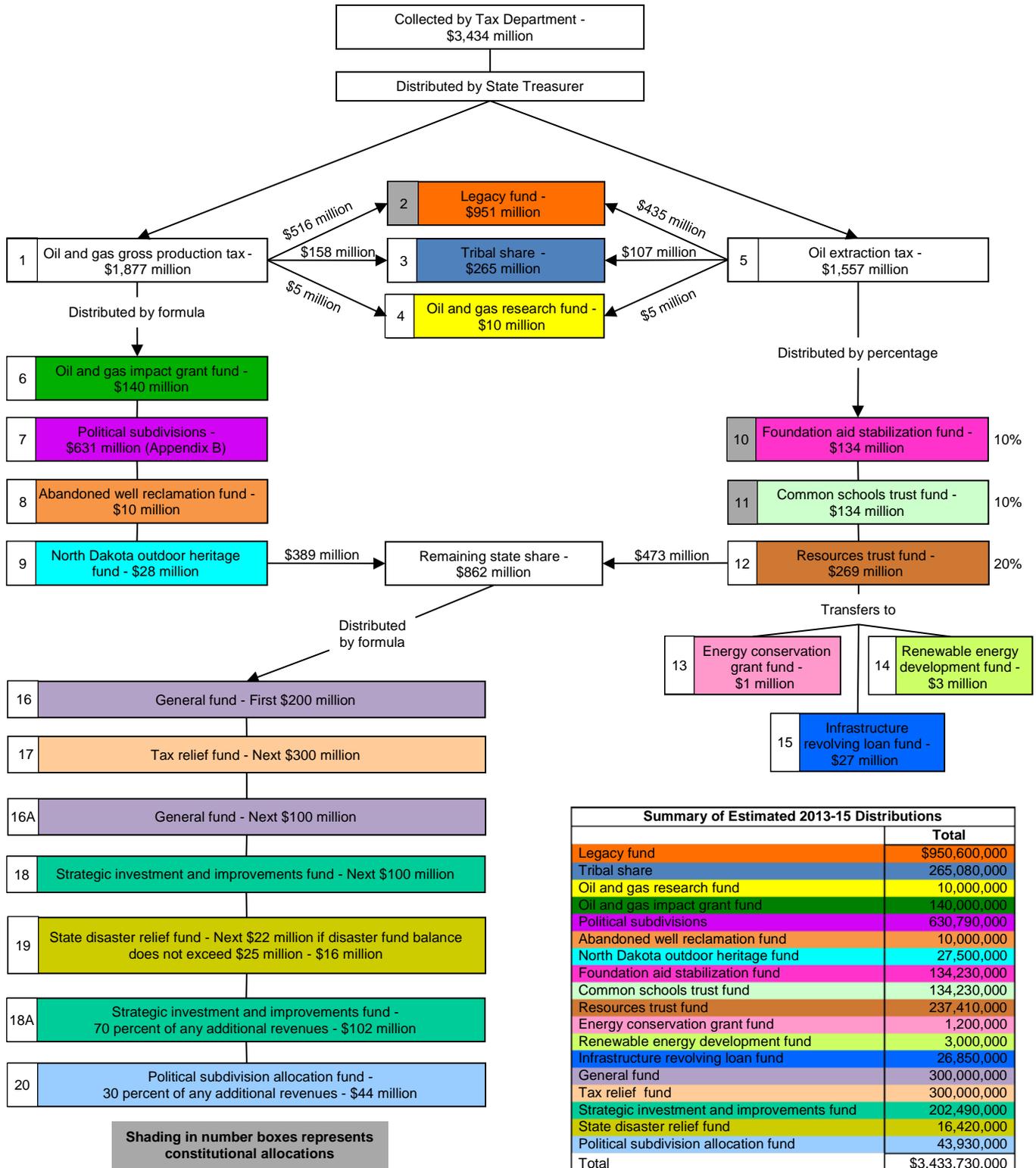
The 2015-17 biennium estimated oil tax revenue allocations are based on total oil tax revenue collections of approximately \$3.4 billion. [Attached](#) is a memorandum with more detailed information on the 2015-17 biennium estimated oil tax revenue allocations. The estimated allocations to political subdivisions reflect one month of allocations under the 2013-15 biennium formulas and 23 months under the 2015-17 biennium formulas.

ATTACH:1

2015-17 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 final legislative action. A summary of the funds is included in [Appendix A](#), and a more detailed schedule of the distribution of oil and gas gross production tax collections is included in [Appendix B](#).

2015-17 BIENNIUM Revenue Forecast Estimates Based on Final Legislative Action



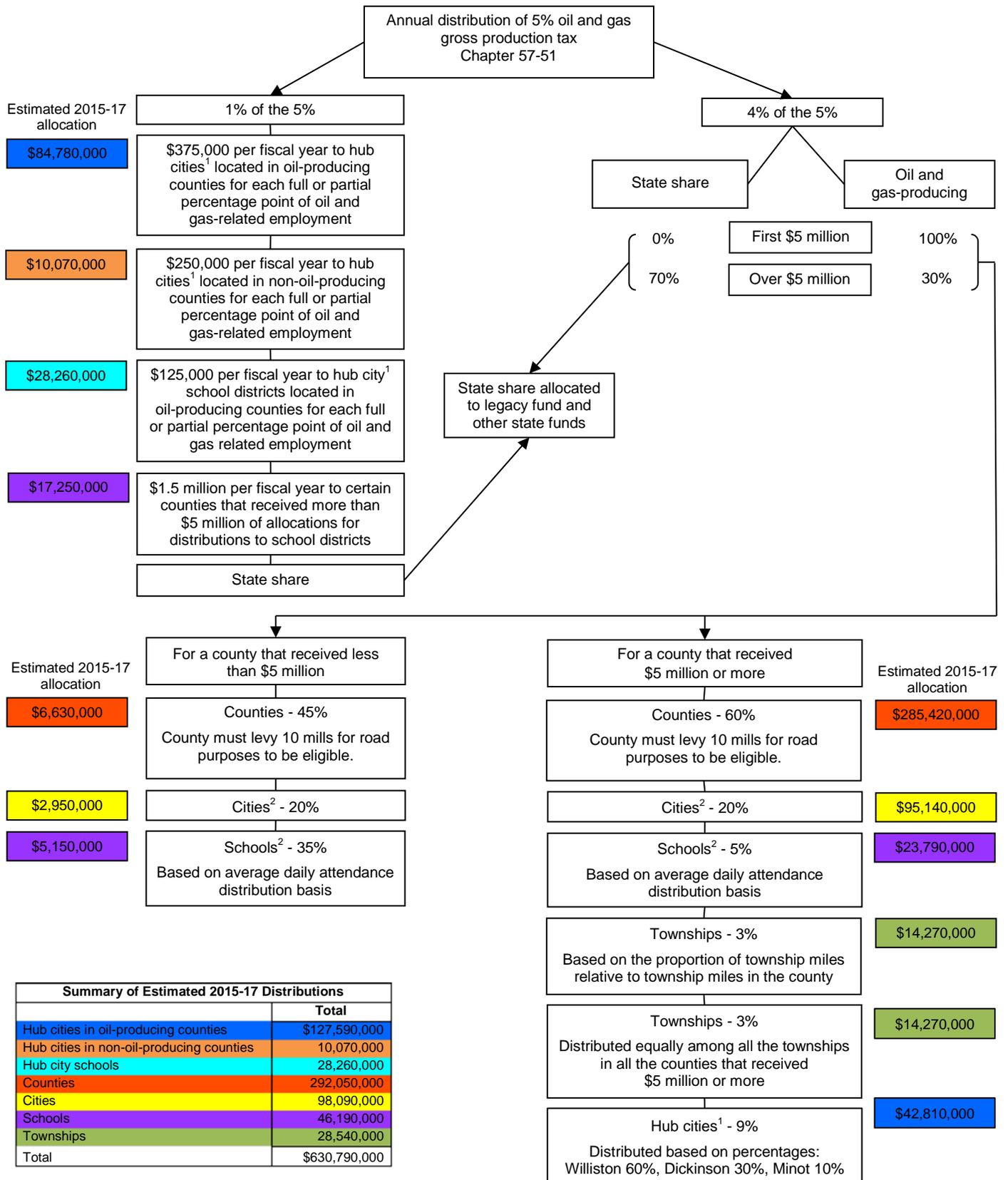
ATTACH:2

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. The gross production tax on gas is four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2	Legacy fund	Article X, Section 26, 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 or extraction.
3	Tribal share	Chapter 57-51.2 provides the requirements for allocating oil and gas tax revenues to the Three Affiliated Tribes 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.
4	Oil and gas research fund	Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes the oil and gas research fund. 2013 Senate Bill No. 2014 amended Section 57-51.1-07.3 to provide that 2 percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues, up to \$10 million per biennium, is to be deposited into the oil and gas research fund. All money deposited in the fund and all interest income are appropriated as a continuing appropriation to the Oil and Gas Research Council.
5	Oil extraction tax	Section 57-51.1-02 provides for a tax of 6.5 percent of the gross value at the well on the activity in North Dakota of extracting oil from the earth unless exempted until December 31, 2015. 2015 House Bill No. 1476 changed the oil extraction tax rate to 5 percent effective after December 31, 2015.
6	Oil and gas impact grant fund	Section 57-51-15 (1989 House Bill No. 1302) establishes the oil and gas impact grant fund for deposit of revenue from oil and gas gross production taxes. 2015 House Bill No. 1176 amended Section 57-51-15 to provide that revenue from the tax equal to the first 1 percent of the gross value of oil at the well of oil production, up to \$140 million for the 2015-17 biennium, is to be deposited into the oil and gas impact grant fund. After the 2015-17 biennium, up to \$100 million per biennium is to be deposited into the fund. The fund is used to provide grants to political subdivisions impacted by oil development.
7	Political subdivisions	Oil and gas gross production taxes are apportioned to political subdivisions pursuant to Section 57-51-15 as amended by 2015 House Bill No. 1176. See Appendix B.
8	Abandoned oil and gas well plugging and site reclamation fund	2013 House Bill No. 1333 amended Section 57-51-15 to provide that 4 percent of the first 1 percent of oil and gas gross production tax to be allocated to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding \$5 million per state fiscal year and not in an amount that would bring the balance of the fund to more than \$75 million. 2015 House Bill No. 1032 provides for an allocation of \$7.5 million per state fiscal year but not in an amount that would bring the balance of the fund to more than \$100 million. The provisions of House Bill No. 1032 are contingent upon the "large" trigger not being in effect.
9	North Dakota outdoor heritage fund	2013 House Bill No. 1278 created a North Dakota outdoor heritage fund to preserve natural areas and public lands. 2015 House Bill No. 1176 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 state fiscal year be deposited in the fund.
10	Foundation aid stabilization fund	Article X, Section 24, 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 also provides that the principal of the foundation aid stabilization fund may be expended only upon order of the Governor to offset foundation aid reductions that were made by executive action due to a revenue shortfall.
11	Common schools trust fund	Article IX, Section 1, of the Constitution of North Dakota, provides for a common schools trust fund to be used to support the common schools of the state. Article X, Section 24, 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. Article IX also provides for the deposit of other revenue sources into the common schools trust fund. Only earnings of the common schools trust fund may be spent. The earnings are distributed to school districts as part of the state school aid formula.
12	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Article X, Section 22, 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.
13	Energy conservation grant fund	2013 Senate Bill No. 2014 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.
14	Renewable energy development fund	2013 Senate Bill No. 2014 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.
15	Infrastructure revolving loan fund	2013 Senate Bill No. 2233 created an infrastructure revolving loan fund within the resources trust fund to provide loans for water supply, flood protection, or other water projects. Ten percent of the oil extraction tax allocations deposited in the fund are designated for the infrastructure revolving loan fund.
16 and 16-A	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5 provides for the distribution of the state's share of oil and gas taxes. The distribution formula provides for an initial deposit of \$200 million to the general fund and an additional \$100 million after a deposit of \$300 million in the tax relief fund.
17	Tax relief fund	Section 57-51.1-07.5 provides for the distribution of up to \$300 million of oil tax revenues to the tax relief fund each biennium.

18 and 18-A	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 only for the required state share of funding for expenses associated with presidential-declared disasters in the state upon Emergency Commission and Budget Section approval. 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.
20	Political subdivision allocation fund	2015 House Bill No. 1377 creates a political subdivision allocation fund to provide allocations to political subdivisions. Section 57-51.1-07.5 provides for the distribution of certain oil tax revenues to the political subdivision allocation fund.

2015-17 BIENNIUM ESTIMATED DISTRIBUTION OF 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



Summary of Estimated 2015-17 Distributions	
	Total
Hub cities in oil-producing counties	\$127,590,000
Hub cities in non-oil-producing counties	10,070,000
Hub city schools	28,260,000
Counties	292,050,000
Cities	98,090,000
Schools	46,190,000
Townships	28,540,000
Total	\$630,790,000

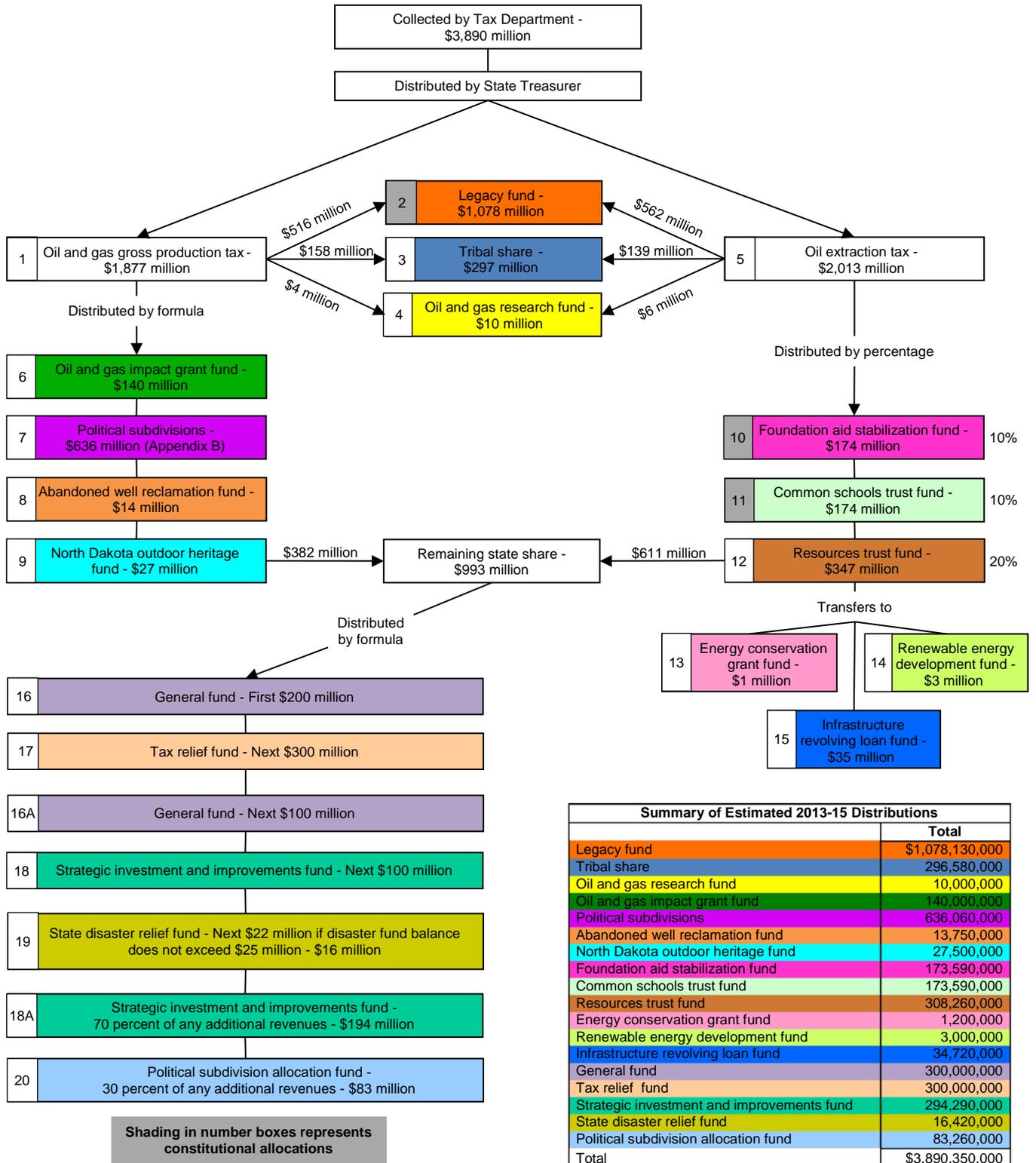
¹A "hub city" means a city with a population of 12,500 or more, according to the last official decennial federal census, which has more than 1 percent of its private covered employment engaged in oil and gas-related employment, according to data compiled by Job Service North Dakota.

²Hub cities and hub city school districts must be omitted from this apportionment.

2015-17 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 final legislative action and no "large trigger." A summary of the funds is included in [Appendix A](#), and a more detailed schedule of the distribution of oil and gas gross production tax collections is included in [Appendix B](#).

2015-17 BIENNIUM Revenue Forecast Estimates Based on Final Legislative Action - No "Large Trigger"

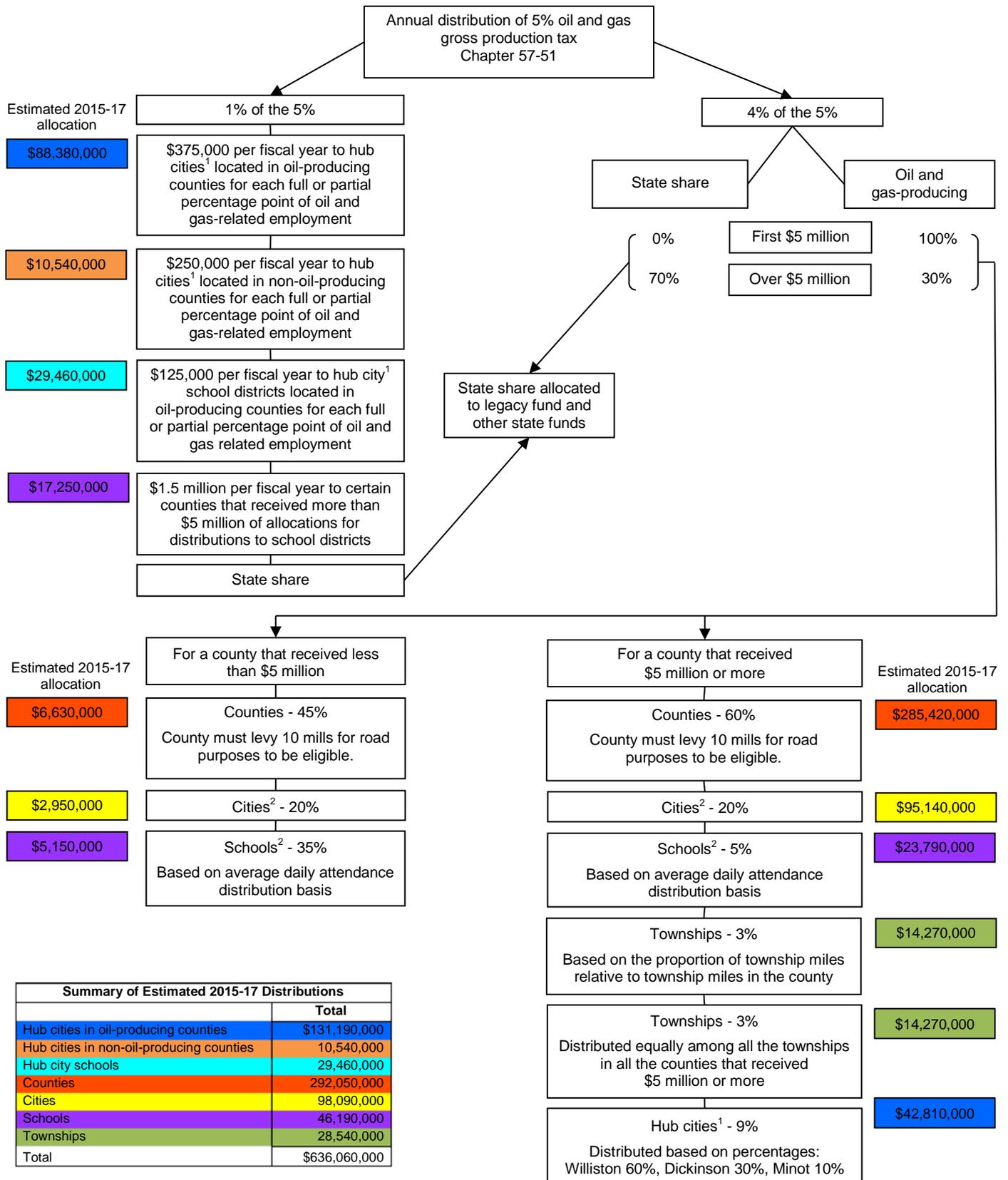


The table below provides a brief description of the taxes and funds included in the flowchart on the previous page.

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. The gross production tax on gas is four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2	Legacy fund	Article X, Section 26, 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 or extraction.
3	Tribal share	Chapter 57-51.2 provides the requirements for allocating oil and gas tax revenues to the Three Affiliated Tribes 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.
4	Oil and gas research fund	Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes the oil and gas research fund. 2013 Senate Bill No. 2014 amended Section 57-51.1-07.3 to provide that 2 percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues, up to \$10 million per biennium, is to be deposited into the oil and gas research fund. All money deposited in the fund and all interest income are appropriated as a continuing appropriation to the Oil and Gas Research Council.
5	Oil extraction tax	Section 57-51.1-02 provides for a tax of 6.5 percent of the gross value at the well on the activity in North Dakota of extracting oil from the earth unless exempted until December 31, 2015. 2015 House Bill No. 1476 changed the oil extraction tax rate to 5 percent effective after December 31, 2015.
6	Oil and gas impact grant fund	Section 57-51-15 (1989 House Bill No. 1302) establishes the oil and gas impact grant fund for deposit of revenue from oil and gas gross production taxes. 2015 House Bill No. 1176 amended Section 57-51-15 to provide that revenue from the tax equal to the first 1 percent of the gross value of oil at the well of oil production, up to \$140 million for the 2015-17 biennium, is to be deposited into the oil and gas impact grant fund. After the 2015-17 biennium, up to \$100 million per biennium is to be deposited into the fund. The fund is used to provide grants to political subdivisions impacted by oil development.
7	Political subdivisions	Oil and gas gross production taxes are apportioned to political subdivisions pursuant to Section 57-51-15 as amended by 2015 House Bill No. 1176. See Appendix B.
8	Abandoned oil and gas well plugging and site reclamation fund	2013 House Bill No. 1333 amended Section 57-51-15 to provide that 4 percent of the first 1 percent of oil and gas gross production tax to be allocated to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding \$5 million per state fiscal year and not in an amount that would bring the balance of the fund to more than \$75 million. 2015 House Bill No. 1032 provides for an allocation of \$7.5 million per state fiscal year but not in an amount that would bring the balance of the fund to more than \$100 million. The provisions of House Bill No. 1032 are contingent upon the "large" trigger not being in effect.
9	North Dakota outdoor heritage fund	2013 House Bill No. 1278 created a North Dakota outdoor heritage fund to preserve natural areas and public lands. 2015 House Bill No. 1176 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 state fiscal year be deposited in the fund.
10	Foundation aid stabilization fund	Article X, Section 24, 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 also provides that the principal of the foundation aid stabilization fund may be expended only upon order of the Governor to offset foundation aid reductions that were made by executive action due to a revenue shortfall.
11	Common schools trust fund	Article IX, Section 1, of the Constitution of North Dakota, provides for a common schools trust fund to be used to support the common schools of the state. Article X, Section 24, 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. Article IX also provides for the deposit of other revenue sources into the common schools trust fund. Only earnings of the common schools trust fund may be spent. The earnings are distributed to school districts as part of the state school aid formula.
12	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Article X, Section 22, 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.
13	Energy conservation grant fund	2013 Senate Bill No. 2014 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.
14	Renewable energy development fund	2013 Senate Bill No. 2014 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.
15	Infrastructure revolving loan fund	2013 Senate Bill No. 2233 created an infrastructure revolving loan fund within the resources trust fund to provide loans for water supply, flood protection, or other water projects. Ten percent of the oil extraction tax allocations deposited in the fund are designated for the infrastructure revolving loan fund.
16 and 16-A	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5 provides for the distribution of the state's share of oil and gas taxes. The distribution formula provides for an initial deposit of \$200 million to the general fund and an additional \$100 million after a deposit of \$300 million in the tax relief fund.
17	Tax relief fund	Section 57-51.1-07.5 provides for the distribution of up to \$300 million of oil tax revenues to the tax relief fund each biennium.

18 and 18-A	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 only for the required state share of funding for expenses associated with presidential-declared disasters in the state upon Emergency Commission and Budget Section approval. 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.
20	Political subdivision allocation fund	2015 House Bill No. 1377 creates a political subdivision allocation fund to provide allocations to political subdivisions. Section 57-51.1-07.5 provides for the distribution of certain oil tax revenues to the political subdivision allocation fund.

2015-17 BIENNIUM ESTIMATED DISTRIBUTION OF 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



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 data compiled by Job Service North Dakota.

²Hub cities and hub city school districts must be omitted from this apportionment.

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 2013-15 biennium to the same number of months for the 2011-13 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 forecasted oil tax revenue collections for the months of June and July 2015.

	June 2015	July 2015	Increase (Decrease)	
			Amount	Percentage
Actual collections				
Oil and gas gross production tax	\$78,843,507	\$93,852,067	\$15,008,560	19.0%
Oil extraction tax	88,070,856	98,991,476	10,920,620	12.4%
Total actual collections	\$166,914,363	\$192,843,543	\$25,929,180	15.5%
Forecasted collections				
Oil and gas gross production tax	\$97,320,036	\$100,564,037	\$3,244,001	3.3%
Oil extraction tax	127,493,880	131,743,676	4,249,796	3.3%
Total forecasted collections	\$224,813,916	\$232,307,713	\$7,493,797	3.3%
Increase (decrease) to forecast				
Amount	(\$57,899,553)	(\$39,464,170)		
Percentage	(25.8%)	(17.0%)		

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 April and May 2015. Monthly oil tax revenue collections reflect production from two months prior. For example, July 2015 oil tax revenue collections relate to May 2015 oil production. Actual oil prices shown reflect Flint Hills Resources (FHR) posted prices and West Texas Intermediate (WTI) posted prices.

	April 2015	May 2015	Increase (Decrease)	
			Amount	Percentage
Actual average daily production and price				
Average daily production of oil in barrels	1,169,045	1,202,615	33,570	2.9%
Average daily price - FHR	\$38.33	\$44.70	\$6.37	16.6%
Average daily price - WTI	\$54.45	\$59.27	\$4.82	8.9%
Forecasted average daily production and price				
Average daily production of oil in barrels	850,000	850,000	0	0.0%
Average daily price of oil per barrel	\$80.00	\$80.00	\$0.00	0.0%

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 June and July 2015.

	June 2015	July 2015	Increase (Decrease)	
			Amount	Percentage
Legacy fund	\$46,839,874	\$53,878,193	\$7,038,319	15.0%
Three Affiliated Tribes	10,781,449	13,249,566	2,468,117	22.9%
Oil and gas research fund	0	0	0	N/A
Oil and gas impact grant fund	0	0	0	N/A
Political subdivisions	18,353,554	21,055,084	2,701,530	14.7%
Abandoned well reclamation fund	0	0	0	N/A
North Dakota outdoor heritage fund	547,153	648,104	100,951	18.5%
Foundation aid stabilization fund	7,698,444	8,533,955	835,511	10.9%
Common schools trust fund	7,698,444	8,533,955	835,511	10.9%
Resources trust fund	15,396,889	17,067,910	1,671,021	10.9%
General fund	0	0	0	N/A
Property tax relief fund	0	0	0	N/A
Strategic investment and improvements fund	59,598,556	69,876,776	10,278,220	17.2%
State disaster relief fund	0	0	0	N/A
Total oil and gas tax revenue allocations	\$166,914,363	\$192,843,543	\$25,929,180	15.5%

BIENNIUM-TO-DATE SUMMARY - COMPARISON

Oil Tax Revenue Collections

The schedule below provides a comparison of actual to forecasted oil tax revenue collections for the 2011-13 and 2013-15 bienniums.

	August 2013 Through July 2015	August 2011 Through July 2013	Increase (Decrease)	
			Amount	Percentage
Actual collections				
Oil and gas gross production tax	\$2,778,556,383	\$1,926,078,884	\$852,477,499	44.3%
Oil extraction tax	3,265,069,245	2,142,515,117	1,122,554,128	52.4%
Total actual collections	\$6,043,625,628	\$4,068,594,001	\$1,975,031,627	48.5%
Forecasted collections				
Oil and gas gross production tax	\$2,286,460,303	\$1,042,499,232	\$1,243,961,071	119.3%
Oil extraction tax	2,995,371,841	999,061,764	1,996,310,077	199.8%
Total forecasted collections	\$5,281,832,144	\$2,041,560,996	\$3,240,271,148	158.7%
Increase (decrease) to forecast				
Amount	\$761,793,484	\$2,027,033,005		
Percentage	14.4%	99.3%		

Oil Production and Prices

The schedule below provides information on actual and forecasted average daily production and average daily price of oil per barrel for the 2011-13 and 2013-15 bienniums. Monthly oil tax revenue collections reflect production from two months prior. For example, July 2015 oil tax revenue collections relate to May 2015 oil production.

	June 2013 Through May 2015	June 2011 Through May 2013	Increase (Decrease)	
			Amount	Percentage
Actual average daily production and price				
Average daily production of oil in barrels	1,056,417	629,827	426,590	67.7%
Average daily price - FHR	\$70.83	\$83.25	(\$12.42)	(14.9%)
Average daily price - WTI	\$86.82	\$93.60	(\$6.78)	(7.2%)
Forecasted average daily production and price				
Average daily production of oil in barrels	847,083	518,500	328,583	63.4%
Average daily price of oil per barrel	\$77.50	\$69.58	\$7.92	11.4%

Oil Tax Revenue Allocations

The schedule below compares oil tax revenue allocations to state funds, the Three Affiliated Tribes, and political subdivisions for the 2011-13 to the 2013-15 bienniums.

	August 2013 Through July 2015	August 2011 Through July 2013	Increase (Decrease)	
			Amount	Percentage
Legacy fund	\$1,860,003,972	\$1,271,057,346	\$588,946,626	46.3%
Three Affiliated Tribes	443,091,532	196,434,606	246,656,926	125.6%
Oil and gas research fund	10,000,000	4,000,000	6,000,000	150.0%
Oil and gas impact grant fund	240,000,000	100,000,000	140,000,000	140.0%
Political subdivisions	664,714,101	265,629,303	399,084,798	150.2%
Abandoned well reclamation fund	10,000,000	N/A	10,000,000	N/A
North Dakota outdoor heritage fund	18,641,973	N/A	18,641,973	N/A
Foundation aid stabilization fund	282,260,499	195,171,179	87,089,320	44.6%
Common schools trust fund	282,260,499	195,171,179	87,089,320	44.6%
Resources trust fund	564,521,004	390,342,356	174,178,648	44.6%
General fund	300,000,000	300,000,000	0	0.0%
Property tax relief fund	341,790,000	341,790,000	0	0.0%
Strategic investment and improvements fund	1,004,342,048	786,998,032	217,344,016	27.6%
State disaster relief fund	22,000,000	22,000,000	0	0.0%
Total oil and gas tax revenue allocations	\$6,043,625,628	\$4,068,594,001	\$1,975,031,627	48.5%

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 July 2015.

	July 2015		Increase (Decrease)	
	Actual	Forecast	Amount	Percentage
Collections				
Oil and gas gross production tax	\$93,852,067	\$100,564,037	(\$6,711,970)	(6.7%)
Oil extraction tax	98,991,476	131,743,676	(32,752,200)	(24.9%)
Total actual collections	\$192,843,543	\$232,307,713	(\$39,464,170)	(17.0%)
Allocations				
Legacy fund	\$53,878,193	\$86,385,412	(\$32,507,219)	(37.6%)
Three Affiliated Tribes	13,249,566	11,700,000	1,549,566	13.2%
Oil and gas research fund	0	0	0	N/A
Oil and gas impact grant fund	0	0	0	N/A
Political subdivisions	21,055,084	23,144,624	(2,089,540)	(9.0%)
Abandoned well reclamation fund	0	0	0	N/A
North Dakota outdoor heritage fund	648,104	770,912	(122,808)	(15.9%)
Foundation aid stabilization fund	8,533,955	12,424,368	(3,890,413)	(31.3%)
Common schools trust fund	8,533,955	12,424,368	(3,890,413)	(31.3%)
Resources trust fund	17,067,910	24,848,735	(7,780,825)	(31.3%)
General fund	0	0	0	N/A
Property tax relief fund	0	0	0	N/A
Strategic investment and improvements fund	69,876,776	60,609,294	9,267,482	15.3%
State disaster relief fund	0	0	0	N/A
Total oil and gas tax revenue allocations	\$192,843,543	\$232,307,713	(\$39,464,170)	(17.0%)

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 2013-15 biennium.

	2013-15 Biennium to Date		Increase (Decrease)	
	Actual	Forecast	Amount	Percentage
Collections				
Oil and gas gross production tax	\$2,778,556,383	\$2,286,460,303	\$492,096,080	21.5%
Oil extraction tax	3,265,069,245	2,995,371,841	269,697,404	9.0%
Total actual collections	\$6,043,625,628	\$5,281,832,144	\$761,793,484	14.4%
Allocations				
Legacy fund	\$1,860,003,972	\$1,714,156,068	\$145,847,904	8.5%
Three Affiliated Tribes	443,091,532	272,400,000	170,691,532	62.7%
Oil and gas research fund	10,000,000	10,000,000	0	0.0%
Oil and gas impact grant fund	240,000,000	240,000,000	0	0.0%
Political subdivisions	664,714,101	591,453,596	73,260,505	12.4%
Abandoned well reclamation fund	10,000,000	10,000,000	0	0.0%
North Dakota outdoor heritage fund	18,641,973	17,504,477	1,137,496	6.5%
Foundation aid stabilization fund	282,260,499	282,137,189	123,310	0.0%
Common schools trust fund	282,260,499	282,137,189	123,310	0.0%
Resources trust fund	564,521,004	564,274,367	246,637	0.0%
General fund	300,000,000	300,000,000	0	0.0%
Property tax relief fund	341,790,000	341,790,000	0	0.0%
Strategic investment and improvements fund	1,004,342,048	633,979,258	370,362,790	58.4%
State disaster relief fund	22,000,000	22,000,000	0	0.0%
Total oil and gas tax revenue allocations	\$6,043,625,628	\$5,281,832,144	\$761,793,484	14.4%

2013-15 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 two months prior. For example, August 2015 distributions of oil and gas gross production tax collections relate to June 2015 oil production. Distributions to political subdivisions pursuant to the new formula in 2013 House Bill No. 1358 became effective with July 2013 oil production and September 2013 distributions. As a result, this memorandum reports the distributions to political subdivisions for the period September 2013 to August 2015 to reflect 24 months of distributions based on the new formula.

	Fiscal Year 2014	September 2014	October 2014	November 2014	December 2014
Counties	\$197,538,275	\$32,339,212	\$20,175,767	\$17,940,453	\$15,272,934
Hub cities ¹	54,724,166	6,912,200	5,103,636	4,773,306	4,366,706
Other cities	66,635,265	10,829,819	6,758,411	6,015,978	5,128,125
Hub city school districts	8,750,000	708,334	708,334	708,332	708,334
Other school districts	21,661,622	2,994,868	1,898,537	1,700,335	1,501,831
Townships	18,982,777	3,191,467	1,985,760	1,765,540	1,494,472
Total	\$368,292,105	\$56,975,900	\$36,630,445	\$32,903,944	\$28,472,402
¹ The distributions to the hub cities are as follows:					
Williston	\$33,209,498	\$4,122,320	\$3,037,182	\$2,838,984	\$2,595,024
Dickinson	16,417,231	2,123,660	1,581,091	1,481,992	1,360,012
Minot	5,097,437	666,220	485,363	452,330	411,670
Total	\$54,724,166	\$6,912,200	\$5,103,636	\$4,773,306	\$4,366,706

	January 2015	February 2015	March 2015	April 2015	May 2015
Counties	\$13,425,682	\$10,357,158	\$7,579,877	\$7,519,290	\$8,137,090
Hub cities ¹	4,103,125	3,651,854	3,240,735	3,231,617	3,322,955
Other cities	4,501,199	3,471,785	2,537,933	2,521,486	2,728,281
Hub city school districts	708,334	708,332	708,334	708,334	708,332
Other school districts	1,283,369	986,115	722,249	724,153	781,242
Townships	1,318,752	1,017,906	743,822	737,745	798,636
Total	\$25,340,461	\$20,193,150	\$15,532,950	\$15,442,625	\$16,476,536
¹ The distributions to the hub cities are as follows:					
Williston	\$2,436,875	\$2,166,113	\$1,919,441	\$1,913,970	\$1,968,773
Dickinson	1,280,938	1,145,556	1,022,221	1,019,485	1,046,887
Minot	385,312	340,185	299,073	298,162	307,295
Total	\$4,103,125	\$3,651,854	\$3,240,735	\$3,231,617	\$3,322,955

	June 2015	July 2015	August 2015	Biennium-to- Date Total
Counties	\$9,252,118	\$10,864,338	\$10,942,835	\$361,345,029
Hub cities ¹	3,487,061	3,724,164	3,736,293	104,377,818
Other cities	3,104,796	3,644,614	3,667,725	121,545,417
Hub city school districts	708,334	708,334	708,332	17,250,000
Other school districts	893,203	1,047,524	1,047,560	37,242,608
Townships	908,042	1,066,110	1,074,199	35,085,228
Total	\$18,353,554	\$21,055,084	\$21,176,944	\$676,846,100
¹ The distributions to the hub cities are as follows:				
Williston	\$2,067,237	\$2,209,499	\$2,216,776	\$62,701,692
Dickinson	1,096,118	1,167,249	1,170,888	31,913,328
Minot	323,706	347,416	348,629	9,762,798
Total	\$3,487,061	\$3,724,164	\$3,736,293	\$104,377,818

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 forecasted oil tax revenue collections for the months of August and September 2015.

	August 2015	September 2015	Increase (Decrease)	
			Amount	Percentage
Actual collections				
Oil and gas gross production tax	\$95,364,418	\$82,342,580	(\$13,021,838)	(13.7%)
Oil extraction tax	93,764,109	84,390,468	(9,373,641)	(10.0%)
Total actual collections	\$189,128,527	\$166,733,048	(\$22,395,479)	(11.8%)
Forecasted collections				
Oil and gas gross production tax	\$66,480,480	\$70,758,864	\$4,278,384	6.4%
Oil extraction tax	13,850,100	14,741,430	891,330	6.4%
Total forecasted collections	\$80,330,580	\$85,500,294	\$5,169,714	6.4%
Increase (decrease) to forecast				
Amount	\$108,797,947	\$81,232,754		
Percentage	135.4%	95.0%		

Oil Production and Prices

The schedule below provides information on actual and forecasted average daily production and average daily price of oil per barrel for the months of June and July 2015. Monthly oil tax revenue collections reflect production from two months prior. For example, September 2015 oil tax revenue collections relate to July 2015 oil production. Actual oil prices shown reflect Flint Hills Resources (FHR) posted prices and West Texas Intermediate (WTI) posted prices.

	June 2015	July 2015	Increase (Decrease)	
			Amount	Percentage
Actual average daily production and price				
Average daily production of oil in barrels	1,211,328	1,201,920	(9,408)	(0.8%)
Average daily price - FHR	\$47.73	\$39.41	(\$8.32)	(17.4%)
Average daily price - WTI	\$59.83	\$50.93	(\$8.90)	(14.9%)
Forecasted average daily production and price				
Average daily production of oil in barrels	1,100,000	1,100,000	0	0.0%
Average daily price of oil per barrel	\$41.97	\$43.23	\$1.26	3.0%

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 August and September 2015.

	August 2015	September 2015	Increase (Decrease)	
			Amount	Percentage
Legacy fund	\$52,445,900	\$46,082,947	(\$6,362,953)	(12.1%)
Three Affiliated Tribes	14,308,325	13,123,224	(1,185,101)	(8.3%)
Oil and gas research fund	1,792,695	926,704	(865,991)	(48.3%)
Oil and gas impact grant fund	0	6,047,182	6,047,182	N/A
Political subdivisions	21,176,944	43,190,388	22,013,444	104.0%
Abandoned well reclamation fund	650,406	557,069	(93,337)	(14.4%)
North Dakota outdoor heritage fund	650,599	1,114,138	463,539	71.2%
Foundation aid stabilization fund	7,912,454	7,085,299	(827,155)	(10.5%)
Common schools trust fund	7,912,454	7,085,299	(827,155)	(10.5%)
Resources trust fund	15,824,908	14,170,598	(1,654,310)	(10.5%)
General fund	66,453,309	27,350,200	(39,103,109)	(58.8%)
Tax relief fund	0	0	0	N/A
Strategic investment and improvements fund	533	0	(533)	(100.0%)
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	\$189,128,527	\$166,733,048	(\$22,395,479)	(11.8%)

BIENNIUM-TO-DATE SUMMARY - COMPARISON

Oil Tax Revenue Collections

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

	August 2015 Through September 2015	August 2013 Through September 2013	Increase (Decrease)	
			Amount	Percentage
Actual collections				
Oil and gas gross production tax	\$177,706,998	\$234,696,119	(\$56,989,121)	(24.3%)
Oil extraction tax	178,154,577	267,194,826	(89,040,249)	(33.3%)
Total actual collections	\$355,861,575	\$501,890,945	(\$146,029,370)	(29.1%)
Forecasted collections				
Oil and gas gross production tax	\$137,239,344	\$181,151,229	(\$43,911,885)	(24.2%)
Oil extraction tax	28,591,530	237,316,734	(208,725,204)	(88.0%)
Total forecasted collections	\$165,830,874	\$418,467,963	(\$252,637,089)	(60.4%)
Increase (decrease) to forecast				
Amount	\$190,030,701	\$83,422,982		
Percentage	114.6%	19.9%		

Oil Production and Prices

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

	June 2015 Through July 2015	June 2013 Through July 2013	Increase (Decrease)	
			Amount	Percentage
Actual average daily production and price				
Average daily production of oil in barrels	1,206,624	848,667	357,957	42.2%
Average daily price - FHR	\$43.57	\$90.79	(\$47.22)	(52.0%)
Average daily price - WTI	\$55.38	\$100.22	(\$44.84)	(44.7%)
Forecasted average daily production and price				
Average daily production of oil in barrels	1,100,000	830,000	270,000	32.5%
Average daily price of oil per barrel	\$42.60	\$75.00	(\$32.40)	(43.2%)

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 two months of the 2015-17 biennium to the 2013-15 biennium.

	August 2013 Through July 2015	August 2011 Through July 2013	Increase (Decrease)	
			Amount	Percentage
Legacy fund	\$98,528,847	\$140,555,234	(\$42,026,387)	(29.9%)
Three Affiliated Tribes	27,431,549	32,579,492	(5,147,943)	(15.8%)
Oil and gas research fund	2,719,399	4,143,459	(1,424,060)	(34.4%)
Oil and gas impact grant fund	6,047,182	16,395,965	(10,348,783)	(63.1%)
Political subdivisions	64,367,332	61,662,261	2,705,071	4.4%
Abandoned well reclamation fund	1,207,475	1,554,791	(347,316)	(22.3%)
North Dakota outdoor heritage fund	1,764,737	1,554,791	209,946	13.5%
Foundation aid stabilization fund	14,997,753	23,651,021	(8,653,268)	(36.6%)
Common schools trust fund	14,997,753	23,651,021	(8,653,268)	(36.6%)
Resources trust fund	29,995,506	47,302,042	(17,306,536)	(36.6%)
General fund	93,803,509	148,621,712	(54,818,203)	(36.9%)
Tax relief fund	0	0	0	N/A
Strategic investment and improvements fund	533	219,156	(218,623)	(99.8%)
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	\$355,861,575	\$501,890,945	(\$146,029,370)	(29.1%)

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 September 2015.

	September 2015		Increase (Decrease)	
	Actual	Forecast	Amount	Percentage
Collections				
Oil and gas gross production tax	\$82,342,580	\$70,758,864	\$11,583,716	16.4%
Oil extraction tax	84,390,468	14,741,430	69,649,038	472.5%
Total actual collections	\$166,733,048	\$85,500,294	\$81,232,754	95.0%
Allocations				
Legacy fund	\$46,082,947	\$23,561,817	\$22,521,130	95.6%
Three Affiliated Tribes	13,123,224	6,960,904	6,162,320	88.5%
Oil and gas research fund	926,704	40,730	885,974	2,175.2%
Oil and gas impact grant fund	6,047,182	5,428,294	618,888	11.4%
Political subdivisions	43,190,388	40,874,368	2,316,020	5.7%
Abandoned well reclamation fund	557,069	518,521	38,548	7.4%
North Dakota outdoor heritage fund	1,114,138	1,037,042	77,096	7.4%
Foundation aid stabilization fund	7,085,299	1,270,711	5,814,588	457.6%
Common schools trust fund	7,085,299	1,270,711	5,814,588	457.6%
Resources trust fund	14,170,598	2,541,422	11,629,176	457.6%
General fund	27,350,200	1,995,774	25,354,426	1,270.4%
Tax relief fund	0	0	0	N/A
Strategic investment and improvements fund	0	0	0	N/A
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	\$166,733,048	\$85,500,294	\$81,232,754	95.0%

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
Collections				
Oil and gas gross production tax	\$177,706,998	\$137,239,344	\$40,467,654	29.5%
Oil extraction tax	178,154,577	28,591,530	149,563,047	523.1%
Total actual collections	\$355,861,575	\$165,830,874	\$190,030,701	114.6%
Allocations				
Legacy fund	\$98,528,847	\$45,698,986	\$52,829,861	115.6%
Three Affiliated Tribes	27,431,549	13,500,922	13,930,627	103.2%
Oil and gas research fund	2,719,399	640,980	2,078,419	324.3%
Oil and gas impact grant fund	6,047,182	5,428,294	618,888	11.4%
Political subdivisions	64,367,332	56,278,245	8,089,087	14.4%
Abandoned well reclamation fund	1,207,475	1,005,690	201,785	20.1%
North Dakota outdoor heritage fund	1,764,737	2,011,380	(246,643)	(12.3%)
Foundation aid stabilization fund	14,997,753	2,464,590	12,533,163	508.5%
Common schools trust fund	14,997,753	2,464,590	12,533,163	508.5%
Resources trust fund	29,995,506	4,929,179	25,066,327	508.5%
General fund	93,803,509	31,408,018	62,395,491	198.7%
Tax relief fund	0	0	0	N/A
Strategic investment and improvements fund	533	0	533	N/A
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	\$355,861,575	\$165,830,874	\$190,030,701	114.6%

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 two months prior. For example, September 2015 distributions of oil and gas tax gross production tax collections relate to July 2015 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.

	September 2015	Biennium-to- Date Total
Counties	\$22,132,918	\$22,132,918
Hub cities ¹	7,502,930	7,502,930
Other cities	7,396,411	7,396,411
Hub city school districts	1,250,000	1,250,000
Other school districts	2,711,732	2,711,732
Townships	2,196,397	2,196,397
Total	\$43,190,388	\$43,190,388
¹ The distributions to the hub cities are as follows:		
Williston	\$4,039,258	\$4,039,258
Dickinson	2,238,379	2,238,379
Minot	766,959	766,959
Mandan	187,500	187,500
Bismarck	83,333	83,333
West Fargo	62,500	62,500
Jamestown	41,667	41,667
Fargo	41,667	41,667
Grand Forks	41,667	41,667
Total	\$7,502,930	\$7,502,930