



Oil & Gas Tax Distributions and Allocations

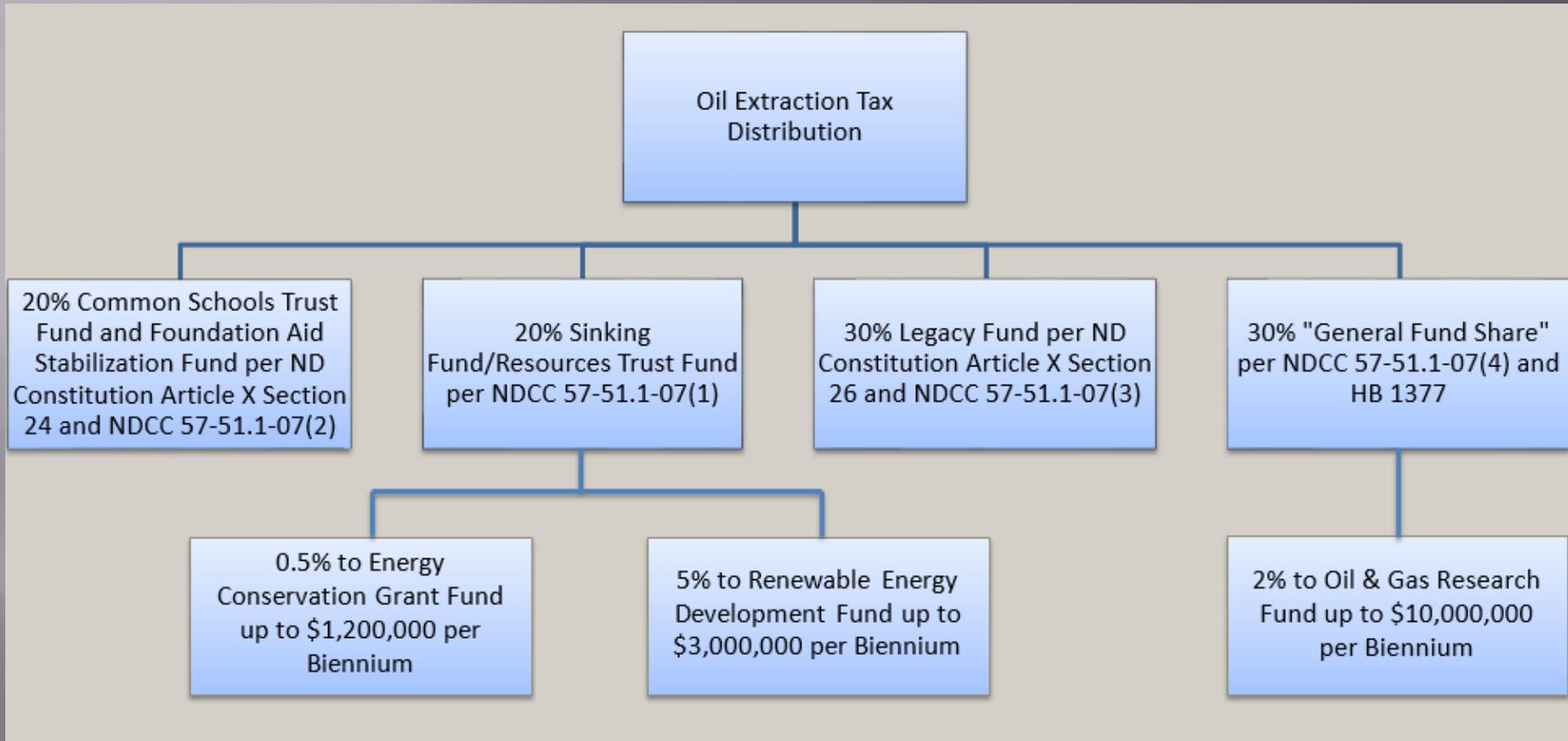
Ryan K. Skor

Director of Finance

Two Formulas

- ▣ Oil Extraction Tax
 - NDCC 57-51.1-07
- ▣ Gross Production Tax
 - NDCC 57-51-15

Oil Extraction



Oil Extraction

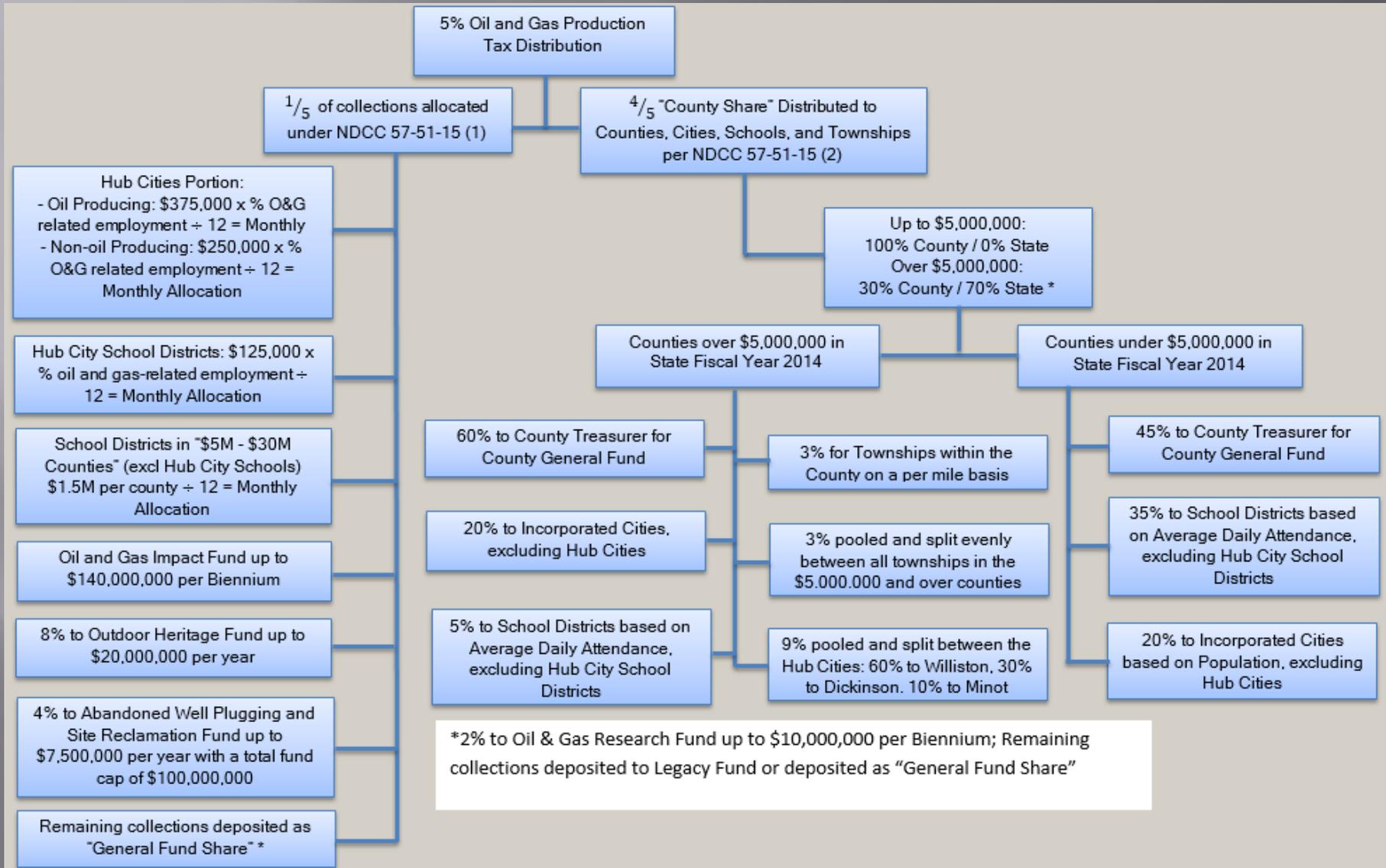
▣ Constitutional Allocations:

- 20% to Common Schools Trust Fund/Foundation Aid Stabilization Fund
 - ▣ Section 24 of Article X of Constitution of ND
- 30% to Legacy Fund
 - ▣ Section 26 of Article X of Constitution of ND

▣ Statutory Allocations:

- 20% to Resources Trust Fund
- 30% to State “General Fund Share”

Gross Production



Gross Production

- ▣ Constitutional Allocations:
 - 30% to Legacy Fund
 - ▣ Section 26 of Article X of Constitution of ND

- ▣ Statutory Allocations:
 - All remaining allocations

Under \$5M Counties

- Counties less than \$5M in FY14
 - Golden Valley
 - McHenry
 - McLean
 - Mercer
 - Renville
 - Slope
 - Ward

Over \$5M Counties

➤ Counties more than \$5M in FY14

Billings

Bottineau

Bowman

Burke

Divide

Dunn

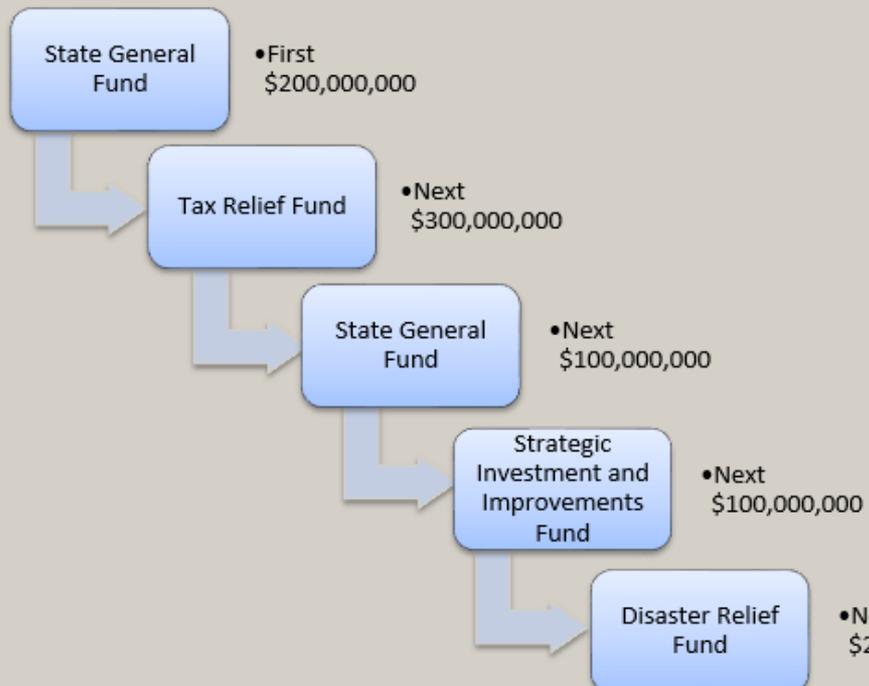
McKenzie

Mountrail

Stark

Williams

“General Fund Share”

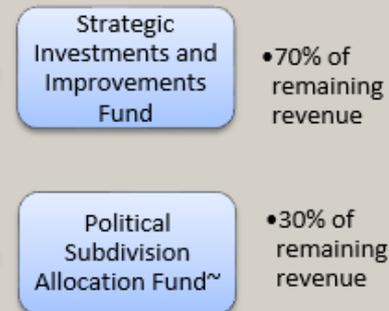


Oil and Gas “General Fund Share” State Revenue

Oil and Gas production and extraction is taxed under NDCC 57-51 and NDCC 57-51.1. A portion of the tax collections are distributed to the counties, cities, school districts and townships within the counties in which the revenue is produced. The remaining collections stay with the state and are deposited into a variety of funds. Prior to deposit as “General Fund Share,” 2% of revenues (up to \$10,000,000 a biennium) are deposited into the Oil and Gas Research Fund. Under HB 1377 passed by the 64th Legislative Assembly, remaining Oil and Gas “State General Fund Share” revenue will be deposited into the funds listed to the left.

* Under the provisions of NDCC 57-51.1-07.5, no amount is to be deposited into the state disaster relief fund if it would bring the unobligated balance in the fund to more than \$25,000,000.

~ If the balance of the Political Subdivision Allocation Fund is greater than \$10M on March 1, 2017 and/or August 1, 2017, the balance of the fund will be allocated to the political subdivisions in the same proportion as the gross production tax distributions were distributed in the most recently completed fiscal year.



Allocations

| Fund | Aug '13 - Jul '15 Allocations | Aug '15 - Sep '15 Allocations | Notes |
|---------------------|----------------------------------|----------------------------------|--|
| General Fund | \$ 300,000,000 | \$ 93,803,509 | Capped at \$300M per biennium |
| Property Tax Relief | \$ 341,790,000 | - | Capped at \$300M for '15-'17 biennium |
| SIIF | \$ 1,004,122,890 | - | |
| Disaster Relief | \$ 22,000,000 | - | '15-'17 limited to an amount that brings it to a \$25M unobligated balance |
| O&G Research | \$ 10,000,000 | \$ 2,719,399 | Capped at \$10M per biennium |

Allocations

| Fund | Aug '13 - Jul '15 Allocations | Aug '15 - Sep '15 Allocations | Notes |
|-----------------------------|----------------------------------|----------------------------------|--|
| Legacy Fund | \$ 1,860,223,128 | \$ 98,528,848 | 30% of all O&G revenue (excluding Tribal share) |
| Common Schools | \$ 282,260,501 | \$ 14,997,753 | |
| Foundation Aid Stab. | \$ 282,260,501 | \$ 14,997,753 | |
| Resources Trust | \$ 560,321,002 | \$ 28,345,753 | |
| Energy Dev. Impact Grant | \$ 240,000,000 | \$ 6,047,182 | Capped at \$140M for '15- '17 biennium |

Allocations

| Fund | Aug '13 - Jul '15 Allocations | Aug '15 - Sep '15 Allocations | Notes |
|------------------------------|---|-------------------------------------|---------------------------------|
| Energy Conservation Grant | \$ 1,200,000 | \$ 149,978 | Capped at \$1.2M per biennium |
| Renewable Energy Development | \$ 3,000,000 | \$ 1,499,775 | Capped at \$3M per biennium |
| Outdoor Heritage | \$ 18,641,973 | \$ 1,764,737 | Capped at \$20M per fiscal year |
| Abandoned Well | \$ 10,000,000 | \$ 1,207,475 | Capped at \$5M per fiscal year |
| Political Subs | \$ 676,845,379 <i>(9/1/13-8/31/15)</i> | \$ 43,190,388 <i>(Sept 2015)</i> | |

Fund Balances

| Fund | Balance/Value | Notes |
|------------------------------|---|----------------------------------|
| SIIF | \$114M unobligated balance as of 6/30 | Managed by Dept. of Trust Lands |
| Disaster Relief | \$75M balance as of 9/30 (not all unobligated) | Managed by Adjutant General |
| Legacy | \$3.4B value as of 7/31 | Managed by RIO |
| O&G Research | \$3.5M balance as of 9/30 (not all unobligated) | Managed by Industrial Commission |
| Common Schools | \$3.4B value | Managed by Dept. of Trust Lands |
| Foundation Aid Stabilization | \$632.6M balance as of 9/30 | |
| Resources Trust | \$537M balance as of 9/30 (not all unobligated) | Water Commission |

Fund Balances

| Fund | Balance/Value | Notes |
|------------------------------|---|----------------------------------|
| Energy Conservation Grant | \$548K balance as of 9/30 | Managed by Dept. of Commerce |
| Renewable Energy Development | \$4.9M balance as of 9/30 (not all unobl.) | Managed by Industrial Commission |
| Energy Dev. Impact Grant | \$109M balance as of 9/30 (mostly c/o from previous biennium) | Managed by Dept. of Trust Lands |
| Outdoor Heritage | \$16M balance as of 9/30 (not all unobl.) | Managed by Industrial Commission |
| Abandoned Well Plugging | \$10.7M balance as of 9/30 (not all unobl.) | Managed by Industrial Commission |

Potential Challenges/Concerns

- Set dollar amounts included in a percentage based formula
 - Hub Cities, Hub City Schools, Additional School Funding
 - Potential for not enough money in certain parts of the formula
 - Takes longer to fill Impact Grant Fund
- School district funding when taking into account Foundation Aid deduct
 - Deduct is taken in subsequent year
- Formula is complex and difficult to understand for political subs

Questions ?

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