

ANALYSIS OF THE RESOURCES TRUST FUND FOR THE 2013-15 AND 2015-17 BIENNIUMS

	2013-15 Biennium		2015-17 Biennium	
Beginning balance		\$292,961,846		\$519,959,516
Add estimated revenues				
Oil extraction tax collections	\$553,070,000 ¹		\$268,460,000 ¹	
Repayments and reimbursements	9,104,000		12,682,000	
Investment earnings/Miscellaneous income	2,284,170		3,445,000	
Total estimated revenues		564,458,170 ¹		284,587,000
Total available		\$857,420,016		\$804,546,516
Less estimated expenditures and transfers				
State Water Commission - Grants, projects, and project administration, including expenditures approved by the Budget Section pursuant to 2013 HB 1020 and 2015 SB 2020	\$333,260,500 ²		\$755,817,897 ³	
Transfer to renewable energy development fund (2013 SB 2014)	3,000,000 ⁴		3,000,000 ⁴	
Transfer to energy conservation grant fund (2013 SB 2014)	1,200,000 ⁴		1,200,000 ⁴	
Total estimated expenditures and transfers		337,460,500		760,017,897
Estimated ending balance		\$519,959,516		\$44,528,619
Restricted fund estimated income				
Infrastructure revolving loan fund pursuant to 2013 SB 2233		10,260,000 ⁵		37,106,000 ⁵
Estimated ending balance - Undesignated		\$509,699,516		\$7,422,619

¹Estimated revenues - These amounts reflect actual oil tax revenue collections deposited in the fund through February 2015 and estimated allocations for the remainder of the 2013-15 biennium and estimated oil tax revenue allocations for the 2015-17 biennium based on the March 2015 revised revenue forecast and final legislative action.

²Sections 1 and 4 of 2013 House Bill No. 1020 appropriated \$700.9 million, or any additional amount that becomes available subject to Budget Section approval, from the resources trust fund for the purpose of defraying the expenses of the State Water Commission for the 2013-15 biennium. If funding available from the resources trust fund for water projects for the 2013-15 biennium exceeds \$287 million, Section 13 of House Bill No. 1020 provides legislative intent that, of the funds appropriated to the commission in the water and atmospheric resources line item, \$60 million from the resources trust fund is provided to the commission for the purpose of paying off or defeasing the commission's outstanding bond issues. Through October 2014, \$403.8 million was credited to the resources trust fund. Funding from the water development trust fund provided for bond payments (\$16.9 million) and contingent funding from the resources trust fund (\$60 million) totaling \$76.9 million would be available to defease the commission's outstanding bond issues of \$75,250,000 and pay related fees. The State Water Commission used \$17.7 million of the \$60 million authorized from the resources trust fund to retire five Southwest Pipeline series bonds and defease another. The State Water Commission plans to defease two remaining water development series bonds before the end of the 2013-15 biennium with the remaining \$42.3 million of the \$60 million. The Legislative Assembly, in Senate Bill No. 2020 (2015), directed the State Water Commission to refinance the bonds referenced in this footnote with the Bank of North Dakota and to continue annual loan payments reducing 2013-15 biennium expenditures by \$37,639,500.

³Sections 1 and 5 of 2015 Senate Bill No. 2020 appropriates \$755,817,897 or any additional funding that becomes available from the resources trust fund and \$37,106,000 from the infrastructure revolving loan fund for the purpose of defraying the expenses of the State Water Commission for the 2015-17 biennium.

⁴The Legislative Assembly in 2013 Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up \$3 million per biennium and of one-half of 1 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to \$1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings.

⁵Effective January 1, 2015, the Legislative Assembly in 2013 Senate Bill No. 2233 established an infrastructure revolving loan fund within the resources trust fund. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission and administered by the Bank of North Dakota. The estimated effect of 2013 Senate Bill No. 2233 on oil extraction tax allocations during the remainder of the 2013-15 biennium reflect actual revenues through February 2015 and estimated revenues for the remainder of the 2013-15 biennium and the 2015-17 biennium based on the March 2015 revised revenue forecast and final legislative action.

FUND HISTORY

The resources trust fund was created pursuant to passage of Measure No. 6 in the November 1980 general election. Measure No. 6 created a 6.5 percent oil extraction tax, 10 percent of which was to be allocated to the resources trust fund. In June 1990 the Constitution of North Dakota was amended to establish the resources trust fund as a constitutional trust fund and provide that the principal and income of the fund could be spent only upon legislative appropriations for:

- Constructing water-related projects, including rural water systems.
- Energy conservation programs.

In November 1994 the voters of North Dakota approved a constitutional amendment, which is now Article X, Section 24, of the Constitution of North Dakota, to provide that 20 percent of oil extraction taxes be allocated as follows:

- 50 percent (of the 20 percent) to the common schools trust fund.
- 50 percent (of the 20 percent) to the foundation aid stabilization fund.

The 1995 Legislative Assembly amended North Dakota Century Code Section 57-51.1-07 to increase the percentage of oil extraction tax deposited into the resources trust fund from 10 to 20 percent. The state general fund received 60 percent of oil extraction tax revenues, and the remaining 20 percent was allocated pursuant to Article X, Section 24, of the Constitution of North Dakota.

Section 57-51.1-07, as amended by 2011 Senate Bill No. 2129, provides that oil extraction tax revenues be distributed as follows:

- 20 percent to the resources trust fund.
- 20 percent allocated as provided in Article X, Section 24, of the Constitution of North Dakota.
- 30 percent to the legacy fund.
- 30 percent to be allocated to the state's general fund with certain funds designated for deposit in the property tax relief sustainability fund, the strategic investment and improvements fund, and the state disaster relief fund as provided in 2011 House Bill No. 1451.

The 2013 Legislative Assembly in Senate Bill No. 2014 authorized quarterly transfers of 5 percent of the amount credited to the resources trust fund to the renewable energy development fund--up to \$3 million per biennium and of one-half of 1 percent of the amount credited to the resources trust fund to the energy conservation grant fund--up to \$1.2 million per biennium. Funds in the newly created energy conservation grant fund are appropriated on a continuing basis to the Department of Commerce for grants to political subdivisions for energy conservation projects in nonfederal public buildings. In addition, effective January 1, 2015, the Legislative Assembly in Senate Bill No. 2233 established an infrastructure revolving loan fund within the resources trust fund. The bill provides 10 percent of oil extraction tax revenue deposited in the resources trust fund is to be made available on a continuing basis to provide loans for water supply, flood protection, or other water development and water management projects. Loans are approved by the State Water Commission and administered by the Bank of North Dakota.