

HOUSE BILL NO. 1358

Introduced by

Representatives Kempenich, Christensen, Mock, Steiner, Trottier

Senators Bekkedahl, Dwyer, Schaible

1 A BILL for an Act to amend and reenact section 54-44-16 of the North Dakota Century Code,
2 relating to oil and gas tax revenue hedging; to provide an appropriation; to provide a continuing
3 appropriation; to provide for a transfer; to provide a statement of legislative intent; and to
4 declare an emergency.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 54-44-16 of the North Dakota Century Code is
7 amended and reenacted as follows:

8 **54-44-16. Oil and gas tax revenue put optionshedging fund - Advisory committee -**
9 **Continuing appropriation - Transfer to strategic investment and improvements fund.**

10 ~~Upon request of the director of the office of management and budget and upon approval by~~
11 ~~the industrial commission, the state investment board~~Bank of North Dakota ~~may purchase oil~~
12 ~~put options and enter swap agreements or any other hedging strategies with designated~~
13 ~~counterparts approved by the industrial commission for the office of management and budget.~~
14 ~~The purchase of put options~~execution of any hedging strategies ~~must be designed to offset~~
15 ~~reduced state general fund oil and gas tax revenues due to oil and gas prices falling below~~
16 ~~selected levels included in the legislative revenue forecast at the conclusion of the most~~
17 ~~recently adjourned regular or special session of the legislative assembly.~~ Put options may be
18 purchased only at such times that the purchase assures that oil tax revenues plus the revenues
19 from the sale of put options will be in excess of the oil tax revenues estimated for that level of
20 production by the most recently adjourned legislative assembly. ~~The office of management and~~
21 ~~budget shall report any purchases of put options~~execution of hedging strategies ~~to the budget~~
22 ~~section of the legislative management.~~

23 1. There is created in the state treasury the oil and gas tax revenue hedging fund. The
24 fund consists of all moneys transferred to the fund by the legislative assembly, interest

1 and earnings upon moneys in the fund, and proceeds from any hedging financial
2 instruments. The moneys in the fund are appropriated to the Bank of North Dakota on
3 a continuing basis for the purpose of implementing hedging strategies as approved by
4 the oil and gas tax revenue hedging advisory committee and for administrative
5 expenses.

6 2. The oil and gas tax revenue hedging advisory committee consists of:

7 a. The director of the office of management and budget, as chairman;

8 b. One senator appointed by the senate majority leader;

9 c. One representative appointed by the house majority leader;

10 d. The president of the Bank of North Dakota or the president's designee; and

11 e. The director of the department of mineral resources.

12 3. The advisory committee shall meet at least quarterly, and the Bank shall provide
13 administrative services to the committee.

14 4. The advisory committee shall recommend to the Bank hedging strategies to offset any
15 reductions to state oil and gas tax revenues due to oil and gas prices falling below
16 levels included in the legislative revenue forecast at the conclusion of the most
17 recently adjourned regular or special session of the legislative assembly. Hedging
18 strategies include put options, swap agreements, or any other hedging financial
19 instruments. The committee shall submit quarterly reports to the legislative
20 management regarding the results of the hedging strategies.

21 5. The Bank may contract for consulting services to implement the hedging strategies,
22 and any related contracting expenses must be paid from the fund.

23 6. On or before September fifteenth of each year, the Bank shall certify to the state
24 treasurer the amount of accumulated funds in the oil and gas tax revenue hedging
25 fund on June thirtieth of the preceding fiscal year which exceed the estimated hedging
26 costs for the current fiscal year. The state treasurer shall transfer the certified amount
27 from the oil and gas tax revenue hedging fund to the strategic investment and
28 improvements fund by September thirtieth of each fiscal year.

29 **SECTION 2. APPROPRIATION - TRANSFER - INTENT - LEGACY FUND EARNINGS.**

30 There is appropriated out of any moneys in the general fund in the state treasury, not otherwise
31 appropriated, the sum of \$20,000,000, which the office of management and budget shall

1 transfer to the oil and gas tax revenue hedging fund during the period beginning with the
2 effective date of this Act and ending June 30, 2023. It is the intent of the sixty-seventh
3 legislative assembly that the funds appropriated be derived from legacy fund earnings
4 transferred to the general fund during the biennium beginning July 1, 2019, and ending June 30,
5 2021.

6 **SECTION 3. EMERGENCY.** This Act is declared to be an emergency measure.