

**SECOND ENGROSSMENT
with Senate Amendments
REENGROSSED 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 options hedging 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 may purchase oil put options for the office~~
12 ~~of management and budget. The purchase of put options must be designed to offset reduced~~
13 ~~state general fund oil and gas tax revenues due to oil and gas prices falling below selected~~
14 ~~levels. Put options may be purchased only at such times that the purchase assures that oil tax~~
15 ~~revenues plus the revenues from the sale of put options will be in excess of the oil tax revenues~~
16 ~~estimated for that level of production by the most recently adjourned legislative assembly. The~~
17 ~~office of management and budget shall report any purchases of put options to the budget~~
18 ~~section of the legislative management.~~

19 1. There is created in the state treasury the oil and gas tax revenue hedging fund. The
20 fund consists of all moneys transferred to the fund by the legislative assembly, interest
21 and earnings upon moneys in the fund, and proceeds from any hedging financial
22 instruments. The moneys in the fund are appropriated to the office of management
23 and budget on a continuing basis for the purpose of implementing hedging strategies.

1 as approved by the oil and gas tax revenue hedging advisory committee and for
2 administrative expenses.

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

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

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

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

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

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

9 3. The advisory committee shall meet at least quarterly, and the office of management
10 and budget shall provide administrative services to the committee.

11 4. The advisory committee shall recommend hedging strategies to offset any potential
12 reductions to state oil and gas tax revenues. Hedging strategies include put and call
13 options or any other hedging financial instruments. The committee may recommend
14 that hedging strategies not be implemented. The committee shall submit quarterly
15 reports to the legislative management regarding the results of the hedging strategies.

16 5. The office of management and budget may contract for consulting services to
17 implement the hedging strategies, and any related contracting expenses must be paid
18 from the fund.

19 6. On or before September fifteenth of each year, the committee shall certify to the state
20 treasurer the amount of accumulated funds in the oil and gas tax revenue hedging
21 fund on June thirtieth of the preceding fiscal year. The state treasurer shall transfer
22 any amount exceeding twenty million dollars from the oil and gas tax revenue hedging
23 fund to the strategic investment and improvements fund by September thirtieth of each
24 fiscal year.

25 **SECTION 2. APPROPRIATION - TRANSFER - INTENT.** There is appropriated out of any
26 moneys in the general fund in the state treasury, not otherwise appropriated, the sum of
27 \$20,000,000, which the office of management and budget shall transfer to the oil and gas tax
28 revenue hedging fund during the period beginning with the effective date of this Act and ending
29 June 30, 2023. It is the intent of the sixty-seventh legislative assembly that excess amounts
30 generated from hedging strategies, which are transferred to the strategic investment and

1 improvements fund, be used to repay the general fund before being appropriated for other
2 purposes.

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