OIL AND GAS TAX ALLOCATION FORMULA CHANGES - 2015-17 BIENNIUM AND 2017-19 BIENNIUM

CURRENT STATUTE FORMULAS

The schedule below provides information on changes to the oil and gas tax allocation formulas between the 2015-17 biennium and the 2017-19 biennium based on current statute. The changes are based on the provisions of North Dakota Century Code Chapters 57-51 and 57-51.1.

2015-17 Biennium Allocation Formulas	2017-19 Biennium Allocation Formulas
Hub cities[1] located in oil-producing counties $375,000 per full or partial percentage point of private covered employment engaged in **oil- and gas-related employment**	**Hub cities[2] located in oil-producing counties** $375,000 per full or partial percentage point of private covered employment engaged in the **mining industry**
Hub cities[1] located in non-oil-producing counties $250,000 per full or partial percentage point of private covered employment engaged in **oil- and gas-related employment**	**Hub cities[2] located in non-oil-producing counties** $250,000 per full or partial percentage point of private covered employment engaged in the **mining industry**
Hub city[1] school districts located in oil-producing counties $125,000 per full or partial percentage point of private covered employment engaged in **oil- and gas-related employment**	**Hub city[2] school districts located in oil-producing counties** $125,000 per full or partial percentage point of private covered employment engaged in the **mining industry**
Oil and gas impact grant fund Any remaining collections from the 1 percent of the 5 percent oil and gas gross production tax up to **$140 million** per biennium	**Oil and gas impact grant fund** Any remaining collections from the 1 percent of the 5 percent oil and gas gross production tax up to **$100 million** per biennium
State share of oil and gas taxes ("buckets") Any remaining collections after all other allocations are deposited in the **strategic investment and improvements fund (70 percent)** and the political subdivision allocation fund (30 percent)	**State share of oil and gas taxes ("buckets")** Any remaining collections after **all other allocations are deposited in the strategic investment and improvements fund**

[1]A "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.

[2]A "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 the mining industry**, according to data compiled by Job Service North Dakota.

POSSIBLE FORMULA CONCERNS

Possible concerns related to the oil and gas tax allocation formulas include the following:

- The allocations of the 1 percent of the 5 percent oil and gas gross production tax (20 percent of the oil and gas gross production tax) pursuant to Section 57-51-15(1) do not have a clear prioritization, which could result in inequitable reductions to the allocations if the oil and gas gross production tax allocations are insufficient for all of the allocations. These allocations include the hub cities, hub city school districts, school districts in eligible counties, the North Dakota outdoor heritage fund, the abandoned oil and gas well plugging and site reclamation fund, and the oil and gas impact grant fund.
- The designation of oil and gas impact grants lack a clear prioritization (2015 House Bill No. 1176), which could result in inequitable reductions to designated grant categories if the oil and gas gross production tax allocations are insufficient for all of the designations.
- The formulas used to determine the distributions to political subdivisions are based on the amount of oil and gas tax allocations that counties received in fiscal year 2014. One formula is used for counties that received less than $5 million of oil and gas tax allocations while another formula is used for counties that received $5 million or more of oil and gas tax allocations. The allocations to a county may be more or less in the current year than in fiscal year 2014. Changing formulas could impact school district funding.
- The political subdivision allocation fund receives oil and gas tax allocations only in the 2015-17 biennium, but the fund does not have an expiration date. The fund must have $10 million before the funds are distributed to the political subdivisions; however, the fund could receive less than $10 million, which would remain in the fund.