

AUTHORITY TO PURCHASE OIL AND GAS TAX REVENUE PUT OPTIONS

This memorandum provides information regarding the authority to purchase oil and gas tax revenue put options.

OIL AND GAS TAX REVENUE PUT OPTIONS AUTHORITY

The authority for the Office of Management and Budget to request the purchase of oil and gas tax revenue put options through the State Investment Board is provided in North Dakota Century Code Section 54-44-16:

Upon request of the director of the office of management and budget and upon approval by the industrial commission, the state investment board may purchase oil put options for the office of management and budget. The purchase of put options must be designed to offset reduced state general fund oil and gas tax revenues due to oil and gas prices falling below selected levels. Put options may be purchased only at such times that the purchase assures that oil tax revenues plus the revenues from the sale of put options will be in excess of the oil tax revenues estimated for that level of production by the most recently adjourned legislative assembly. The office of management and budget shall report any purchases of put options to the budget section of the legislative management.

LEGISLATIVE HISTORY OF OIL AND GAS TAX REVENUE PUT OPTIONS

2003

The 2003 Legislative Assembly in House Bill No. 1441, authorized the Office of Management and Budget to request the purchase of oil and gas tax revenue put options in order to offset reduced state general fund oil and gas tax revenues due to oil and gas prices falling below selected levels. Section 3 of 2003 House Bill No. 1441 provided the authority through June 30, 2005.

2005

The 2005 Legislative Assembly repealed the expiration date for the authorization for the state to purchase oil and gas tax revenue put options in Section 34 of Senate Bill No. 2014.

USE

To date, the Director of the Office of Management and Budget has not requested the State Investment Board to purchase oil put options.