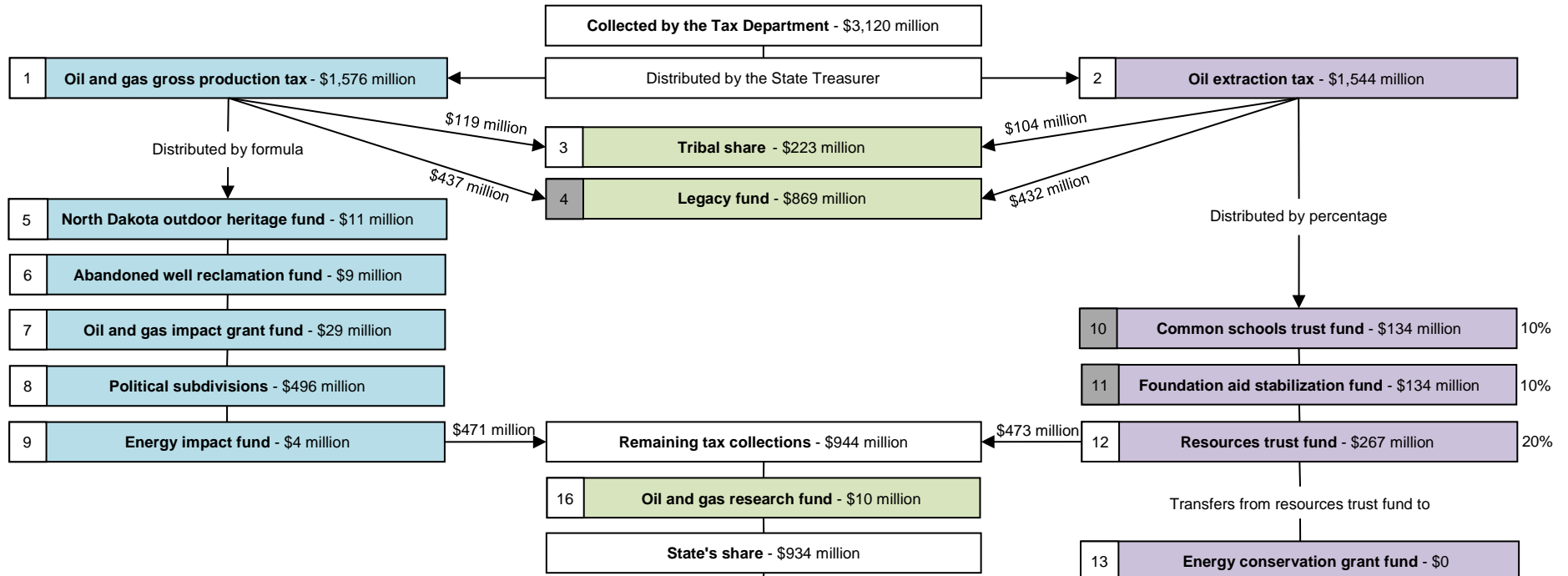


OIL AND GAS TAX ALLOCATIONS FROM THE 2011-13 BIENNIUM TO THE 2017-19 BIENNIUM

Allocations	Actual		Estimated		2017-19 Biennium Increase (Decrease) Compared to the 2015-17 Biennium	
	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium ¹	2017-19 Biennium ²	Amount	Percentage
Three Affiliated Tribes	\$196,434,608	\$443,091,532 ³	\$219,740,000 ³	\$223,210,000 ³	\$3,470,000	1.6%
Legacy fund	1,271,057,343 ⁴	1,860,223,128 ⁴	813,630,000 ⁴	869,060,000 ⁴	55,430,000	6.8%
North Dakota outdoor heritage fund	0	18,641,973 ⁵	19,750,000 ⁵	10,870,000 ⁵	(8,880,000)	(45.0%)
Abandoned well reclamation fund	0	10,000,000 ⁶	10,200,000 ⁶	8,430,000 ⁶	(1,770,000)	(17.4%)
Oil and gas impact grant fund	100,000,000	240,000,000	75,730,000 ⁷	29,110,000 ⁷	(46,620,000)	(61.6%)
Political subdivisions*	265,629,304	664,714,101 ⁸	542,500,000 ⁸	496,490,000 ⁸	(46,010,000)	(8.5%)
Energy impact fund	0	0	0	4,000,000 ⁹	4,000,000	N/A
Common schools trust fund	195,171,179 ¹⁰	282,260,501 ¹⁰	121,750,000 ¹⁰	133,550,000 ¹⁰	11,800,000	9.7%
Foundation aid stabilization fund	195,171,179 ¹⁰	282,260,501 ¹⁰	121,750,000 ¹⁰	133,550,000 ¹⁰	11,800,000	9.7%
Resources trust fund	390,342,356 ¹¹	564,521,002 ¹¹	243,510,000 ¹¹	267,100,000 ¹¹	23,590,000	9.7%
Oil and gas research fund	4,000,000 ¹²	10,000,000 ¹²	10,000,000 ¹²	10,000,000 ¹²	0	0.0%
General fund	300,000,000	300,000,000	300,000,000	400,000,000 ¹³	100,000,000	33.3%
Tax relief fund	341,790,000	341,790,000	300,000,000	200,000,000 ¹³	(100,000,000)	(33.3%)
Budget stabilization fund	0	0	0	75,000,000 ¹³	75,000,000	N/A
Lignite research fund	0	0	0	3,000,000 ¹³	3,000,000	N/A
Strategic investment and improvements fund	786,998,032	1,004,122,890	133,530,000	256,700,000 ¹³	123,170,000	92.2%
State disaster relief fund	22,000,000	22,000,000	5,410,000	0 ¹³	(5,410,000)	(100.0%)
Political subdivision allocation fund	0	0	14,360,000	0 ¹³	(14,360,000)	(100.0%)
Total oil and gas tax allocations	\$4,068,594,001	\$6,043,625,628	\$2,931,860,000	\$3,120,070,000	\$188,210,000	6.4%
*The amounts shown for the allocations to political subdivisions include the following:						
	2011-13 Biennium	2013-15 Biennium	2015-17 Biennium¹	2017-19 Biennium²	Amount	Percentage
Hub cities in oil-producing counties	\$7,281,532	\$100,644,230	\$117,970,000	\$79,110,000	(\$38,860,000)	(32.9%)
Hub cities in non-oil-producing counties	0	0	10,310,000	440,000	(9,870,000)	(95.7%)
Hub city schools	0	16,541,668	27,400,000	14,000,000	(13,400,000)	(48.9%)
Counties	235,866,442	359,293,774	242,040,000	252,650,000	10,610,000	4.4%
Cities	22,481,330	118,028,352	81,070,000	84,790,000	3,720,000	4.6%
Schools	0	36,195,048	39,850,000	40,760,000	910,000	2.3%
Townships	0	34,011,029	23,860,000	24,740,000	880,000	3.7%
Total political subdivisions	\$265,629,304	\$664,714,101	\$542,500,000	\$496,490,000	(\$46,010,000)	(8.5%)
¹ These amounts reflect the revised 2015-17 revenue forecast (March 2017). ² These amounts reflect the legislative forecast for the 2017-19 biennium. ³ The 2013 Legislative Assembly in House Bill No. 1198 amended North Dakota Century Code Section 57-51.2-02 to increase the tribal share of revenue allowable under the tribal agreement for production on nontrust lands from 20 percent of oil and gas gross production taxes to 50 percent of total oil and gas gross production tax and oil extraction tax. The bill also eliminates the 5-year oil extraction tax exemption for wells drilled on an Indian reservation after June 30, 2013. As a result, oil and gas tax revenue collections from tribal lands are allocated 50 percent to the state and 50 percent to the Three Affiliated Tribes of the Fort Berthold Reservation.						

- ⁴ The passage of Constitutional Measure No. 1 in the November 2010 general election resulted in the creation of a legacy fund. Beginning July 1, 2011, the legacy fund receives an allocation of 30 percent of oil and gas gross production and oil extraction taxes.
- ⁵ The 2013 Legislative Assembly in House Bill No. 1278 amended Section 57-51-15 to provide an allocation of 4 percent of the first 1 percent of oil and gas gross production tax revenue, to a newly created North Dakota outdoor heritage fund with an annual funding limit of \$15 million, or \$30 million per biennium. The 2015 Legislative Assembly in House Bill No. 1176 increased the allocation to 8 percent with an annual funding cap of \$20 million. **Senate Bill No. 2013 (2017) limits the allocation to \$10 million per biennium only for the 2017-19 biennium.**
- ⁶ House Bill No. 1333 (2013) amended Section 57-51-15 to provide for 4 percent of the first 1 percent of oil and gas gross production tax to be allocated to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding \$5 million per state fiscal year and not in an amount that would bring the balance of the fund to more than \$75 million. In House Bill No. 1032, the 2015 Legislative Assembly increased the allocation limit from \$5 million to \$7.5 million per fiscal year and increased the fund balance limit from \$75 million to \$100 million. **Senate Bill No. 2013 (2017) limits the allocation to \$4 million per fiscal year only for the 2017-19 biennium.**
- ⁷ The 2015 Legislative Assembly amended Section 57-51-15 to provide an allocation of up to \$140 million to the oil and gas impact grant fund for the 2015-17 biennium. However, the actual allocations to the oil and gas impact grant fund for the 2015-17 biennium are anticipated to be less than \$140 million due to lower oil prices and oil production levels than originally forecasted. **Senate Bill No. 2013 (2017) decreases the allocations to provide up to \$25 million per biennium for the 2017-19 biennium, and after the 2017-19 biennium, to provide up to \$5 million per biennium.**
- ⁸ Section 57-51-15 provides a formula for distribution of the oil and gas gross production tax to counties and other political subdivisions. In House Bill No. 1358, the 2013 Legislative Assembly changed the formula to provide 100 percent of the first \$5 million of revenue and 25 percent of all revenue over \$5 million to the county. In House Bill No. 1176, the 2015 Legislative Assembly increased the county allocation of revenue over \$5 million by 5 percent to provide 30 percent of all revenue over \$5 million to the county. **Senate Bill No. 2013 (2017) changes the allocations to hub cities by excluding the first 2 percentage points of mining employment; changes the supplemental school district allocation to provide specific allocations at varying levels; and changes the basis for the distributions to political subdivisions to reflect the most recently completed even-numbered fiscal year.**
- ⁹ Senate Bill No. 2013 (2017) creates an energy impact fund and, only for the 2017-19 biennium, designates \$2 million per fiscal year of the allocations to counties that received more than \$5 million to the energy impact fund.
- ¹⁰ The 1993 Legislative Assembly passed Senate Concurrent Resolution No. 4011, and the voters approved the constitutional measure in the November 1994 general election. The constitutional measure allocates 10 percent of the oil extraction tax revenues to the common schools trust fund and 10 percent to the foundation aid stabilization fund.
- ¹¹ Senate Bill No. 2014 (2013) provides an allocation of 5 percent of the oil extraction tax revenue deposited in the resources trust fund, not to exceed \$3 million, to the renewable energy development fund and an allocation of .5 percent of the oil extraction tax revenue deposited in the resources trust fund, not to exceed \$1.2 million, to a newly created energy conservation fund. **House Bill No. 1020 (2017) decreases the percentage transferred to the renewable energy development fund from 5 to 3 percent and limits the allocations to the energy conservation fund to \$200,000 only for the 2017-19 biennium.**
- Section 61-02-78 (2013 Senate Bill No. 2233) establishes an infrastructure revolving loan fund within the resources trust fund, which became effective January 1, 2015. The fund receives 10 percent of the oil extraction tax revenue deposited in the resources trust fund, which is available to provide loans for water supply, flood protection, or other water development and water management projects. **House Bill No. 1020 (2017) limits the total amount deposited in the infrastructure revolving loan fund to \$26 million.**
- ¹² Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes an oil and gas research fund and provides 2 percent of the state's share of oil and gas gross production tax and oil extraction tax revenues, up to \$4 million per biennium, are to be deposited in the oil and gas research fund. All money deposited in the oil and gas research fund is appropriated as a continuing appropriation to the Oil and Gas Research Council. The 2013 Legislative Assembly in Senate Bill No. 2014 increased the allocation to \$10 million per biennium.
- ¹³ The 2011 Legislative Assembly created a new section to Chapter 57-51.1 to provide for the allocation of the state's share of oil and gas tax revenues designated for deposit in the general fund under Chapters 57-51 and 57-51.1. In House Bill No. 1377, the 2015 Legislative Assembly amended the section to change the allocations. **House Bill No. 1152 (2017) changes the allocations for the 2017-19 biennium to increase the allocation to the general fund from \$300 million to \$400 million (only for the 2017-19 biennium); to provide an allocation of \$75 million to the budget stabilization fund; to provide an allocation of up to \$3 million to the lignite research fund; and to decrease the allocation to the state disaster relief fund from up to \$22 million to up to \$20 million.**

2017-19 BIENNIUM OIL AND GAS TAX REVENUE ALLOCATION FLOWCHART BASED ON APRIL 2017 LEGISLATIVE FORECAST



Summary of Estimated 2017-19 Biennium Allocations	
	Total
3 Tribal share	\$223,210,000
4 Legacy fund	869,060,000
5 North Dakota outdoor heritage fund	10,870,000
6 Abandoned well reclamation fund	8,430,000
7 Oil and gas impact grant fund	29,110,000
8 Political subdivisions	496,490,000
9 Energy impact fund	4,000,000
10 Common schools trust fund	133,550,000
11 Foundation aid stabilization fund	133,550,000
12 Resources trust fund	263,900,000
13 Energy conservation grant fund	200,000
14 Renewable energy development fund	3,000,000
15 Infrastructure revolving loan fund	0
16 Oil and gas research fund	10,000,000
17 General fund	400,000,000
18 Tax relief fund	200,000,000
19 Budget stabilization fund	75,000,000
20 Lignite research fund	3,000,000
21 Strategic investment and improvements fund	256,700,000
22 State disaster relief fund	0
Total	\$3,120,070,000

17A	General fund - First \$200 million - \$200 million
18	Tax relief fund - Next \$200 million - \$200 million
19	Budget stabilization fund - Next \$75 million - \$75 million
17B	General fund - Next \$200 million - \$200 million
20	Lignite research fund - 20 percent of next \$100 million up to \$3 million - \$3 million
21A	Strategic investment and improvements fund - 80 percent or 100 percent of next \$100 million - \$97 million
22	State disaster relief fund - Next \$20 million if fund balance does not exceed \$20 million - \$0
21B	Strategic investment and improvements fund - Any remaining revenues - \$159 million

A summary of the funds is shown on the following page.

The shading in the number boxes represents constitutional allocations

NOTE: The amounts shown are preliminary estimates. The actual amounts allocated for the 2017-19 biennium may differ significantly from these amounts based on actual oil price and oil production.

Box	Tax/Fund	Description
1	Oil and gas gross production tax	North Dakota Century Code Section 57-51-02 provides for a tax of 5 percent of the gross value at the well of oil produced in North Dakota unless exempted and tax on gas of four cents times the gas base rate adjustment for each fiscal year as calculated by the Tax Department.
2	Oil extraction tax	Section 57-51.1-02, as amended by 2015 House Bill No. 1476, provides for a tax of 5 percent of the gross value at the well on the extraction of oil unless exempted. Prior to January 1, 2016, the oil extraction tax rate was 6.5 percent.
3	Tribal share	Chapter 57-51.2 provides the requirements for allocating oil and gas tax related to the oil production within the Fort Berthold Reservation. The oil and gas tax revenues are allocated 50 percent to the state and 50 percent to the Three Affiliated Tribes of the Fort Berthold Reservation.
4	Legacy fund	Section 26 of Article X of the Constitution of North Dakota provides for a deposit to the legacy fund of 30 percent of total revenue derived from taxes on oil and gas production and extraction.
5	North Dakota outdoor heritage fund	House Bill No. 1278 (2013) created the North Dakota outdoor heritage fund to preserve natural areas and public lands. House Bill No. 1176 (2015) amended Section 57-51-15 to provide 8 percent of revenues from the first 1 percent of the oil and gas gross production tax, up to \$20 million per fiscal year, be deposited in the fund. Senate Bill No. 2013 (2017) limits the allocations to \$10 million per biennium only for the 2017-19 biennium.
6	Abandoned oil and gas well plugging and site reclamation fund	House Bill No. 1333 (2013) and House Bill No. 1032 (2015) amended Section 57-51-15 to increase the allocations to the abandoned oil and gas well plugging and site reclamation fund. Based on current law, 4 percent of the first 1 percent of oil and gas gross production tax is allocated to the fund not to exceed \$7.5 million per fiscal year and not in an amount that would bring the balance of the fund to more than \$100 million. Senate Bill No. 2013 (2017) limits the allocations to \$4 million per fiscal year only for the 2017-19 biennium.
7	Oil and gas impact grant fund	Section 57-51-15 (1989 House Bill No. 1302) establishes the oil and gas impact grant fund to provide grants to political subdivisions impacted by oil development. House Bill No. 1176 (2015) amended Section 57-51-15 to provide an allocation from the first 1 percent of the 5 percent oil and gas gross production tax, up to \$140 million for the 2015-17 biennium. Senate Bill No. 2013 (2017) decreases the allocations to provide up to \$25 million per biennium for the 2017-19 biennium, and after the 2017-19 biennium, to provide up to \$5 million per biennium.
8	Political subdivisions	Oil and gas gross production taxes are distributed to political subdivisions under Section 57-51-15 as amended by Senate Bill No. 2013 (2017).
9	Energy impact fund	Senate Bill No. 2013 (2017) creates the energy impact fund and, only for the 2017-19 biennium, provides an allocation of up to \$2 million per fiscal year from the allocations to counties that received \$5 million or more of total allocations.
10	Common schools trust fund	Section 1 of Article IX of the Constitution of North Dakota provides for a common schools trust fund to be used to support the common schools of the state. Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the common schools trust fund to become part of the principal of the fund. The earnings are distributed through the state school aid payments.
11	Foundation aid stabilization fund	Section 24 of Article X of the Constitution of North Dakota provides for a distribution of 10 percent of oil extraction taxes to the foundation aid stabilization fund. Section 24, as amended by 2015 Senate Concurrent Resolution No. 4003 and approved by the voters, restricts a portion of the fund to offset state school aid payments due to a revenue shortfall and allows the remainder to be used for educational purposes.
12	Resources trust fund	Section 57-51.1-07 provides for a distribution of 20 percent of oil extraction taxes to the resources trust fund. Section 22 of Article X of the Constitution of North Dakota provides that the fund may be used, subject to legislative appropriation, for constructing water-related projects, including rural water systems, and funding of programs for energy conservation.
13	Energy conservation grant fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of one-half of 1 percent of the amount credited to the resources trust fund from the resources trust fund into the energy conservation grant fund, up to \$1.2 million per biennium. House Bill No. 1020 (2017) limits the allocations to \$200,000 per biennium only for the 2017-19 biennium.
14	Renewable energy development fund	Senate Bill No. 2014 (2013) amended Section 57-51.1-07 to provide for a transfer of 5 percent of the amount credited to the resources trust fund from the resources trust fund into the renewable energy development fund, up to \$3 million per biennium. House Bill No. 1020 (2017) decreases the percentage transferred from 5 to 3 percent.
15	Infrastructure revolving loan fund	Senate Bill No. 2233 (2013) created an infrastructure revolving loan fund within the resources trust fund to provide loans for water projects. Ten percent of the oil extraction tax allocations deposited in the fund are designated for the infrastructure revolving loan fund. House Bill No. 1020 (2017) limits the total amount deposited in the infrastructure revolving loan fund to \$26 million.
16	Oil and gas research fund	Section 57-51.1-07.3 (2003 Senate Bill No. 2311) establishes the oil and gas research fund for the Oil and Gas Research Council to provide grants. Senate Bill No. 2014 (2013) amended Section 57-51.1-07.3 to provide that 2 percent of the state's share of the oil and gas tax revenues, up to \$10 million per biennium, is to be deposited into the oil and gas research fund.
17A, 17B	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5, as amended by 2017 House Bill No. 1152 provides for an allocation of \$400 million of the state's share of oil and gas tax revenues to the general fund for the 2017-19 biennium and an allocation of \$300 million after the 2017-19 biennium.
18	Tax relief fund	House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to provide for the allocation of \$200 million of the state's share of oil and gas tax revenues to the tax relief fund each biennium.

19	Lignite research fund	The lignite research fund is established under Section 57-61-01.6 for research, development projects, and marketing activities related to the lignite industry. House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to provide for an allocation of up to \$3 million from the state's share of oil and gas tax revenues.
20	Budget stabilization fund	The budget stabilization fund is established under Section 54-27.2-01. The Governor may order a transfer from the budget stabilization fund to the general fund when certain criteria are met to offset a general fund revenue shortfall. House Bill No. 1152 (2017) amends Section 57-51.1-07.5 to provide for an allocation of up to \$75 million from the state's share of oil and gas tax revenues.
21A, 21B	Strategic investment and improvements fund	Section 15-08.1-08 provides for the strategic investment and improvements fund. The fund is to be used for one-time expenditures to improve state infrastructure or initiatives to improve the efficiency and effectiveness of state government. Section 57-51.1-07.5 provides for the allocation of certain oil tax revenues to the strategic investment and improvements fund.
22	State disaster relief fund	Section 37-17.1-27 provides for the state disaster relief fund to be used for the required state share of funding for expenses associated with presidential-declared disasters. Section 57-51.1-07.5, as amended by 2017 House Bill No. 1152, provides for the distribution of up to \$20 million of oil tax revenues to the state disaster relief fund each biennium, but not in an amount that would bring the balance of the fund to more than \$20 million.