

**NORTH DAKOTA OIL AND GAS
REVENUE
AND
ALLOCATIONS
2013-2015 BIENNIUM**

SENATOR RICH WARDNER

OIL FORECAST NUMBERS

The following forecast was made before the 2013 Legislative Session. These are the numbers used to plan the 2013-2015 biennium budget.

PRICE

July 1, 2013 to June 30, 2014 estimated price \$75 per barrel.

July 1, 2014 to June 30, 2015 estimated price \$80 per barrel.

PRODUCTION

2013 -2015 biennium: Start at 800,000 barrels per day
increasing to 850,000 barrels per day.

**Estimated Oil and Gas Tax Revenue
Collected By the North Dakota Tax Department
\$5,279.6 Million**

Distributed By the State Treasurer

**State of North Dakota
Non-Tribal Tax Revenue
\$5,007.2 Million**

**Fort Berthold Indian Reservation
\$272.4 Million**

**State of North Dakota
Non-Tribal Tax Revenue**

\$5,007.2 Million

(5% Tax Rate)

**Oil and Gas Gross
Production Tax**

\$2,186.6 Million

(6.5% Tax Rate)

**Oil and Gas
Extraction Tax**

\$2,821.1 Million

**Distribution of the Oil and Gas
6.5% Extraction Tax
\$2,821.1 Million**

LEGACY FUND
30% of the Total Oil
and Gas Extraction Tax.
\$846.53 Million

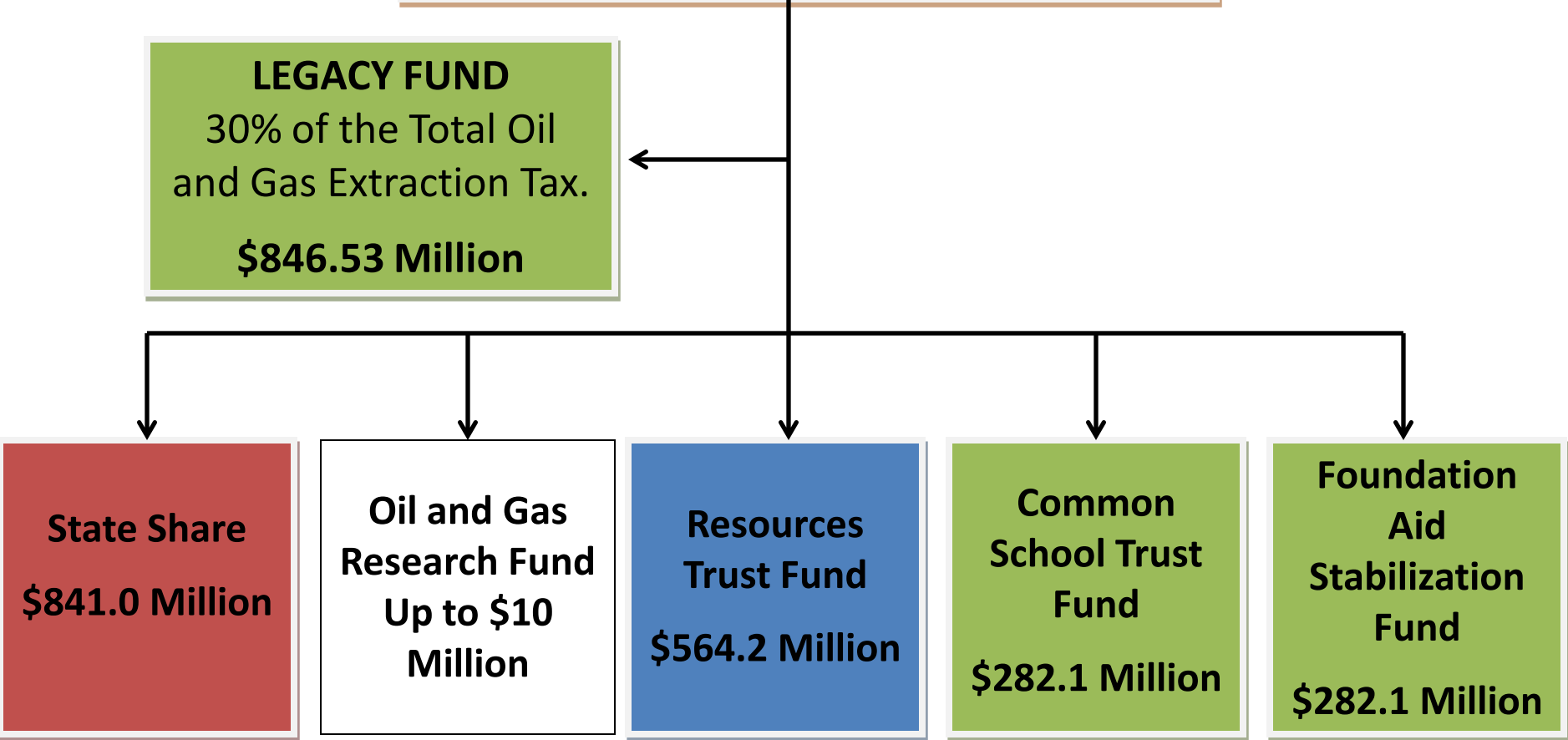
**State Share
\$841.0 Million**

**Oil and Gas
Research Fund
Up to \$10
Million**

**Resources
Trust Fund
\$564.2 Million**

**Common
School Trust
Fund
\$282.1 Million**

**Foundation
Aid
Stabilization
Fund
\$282.1 Million**



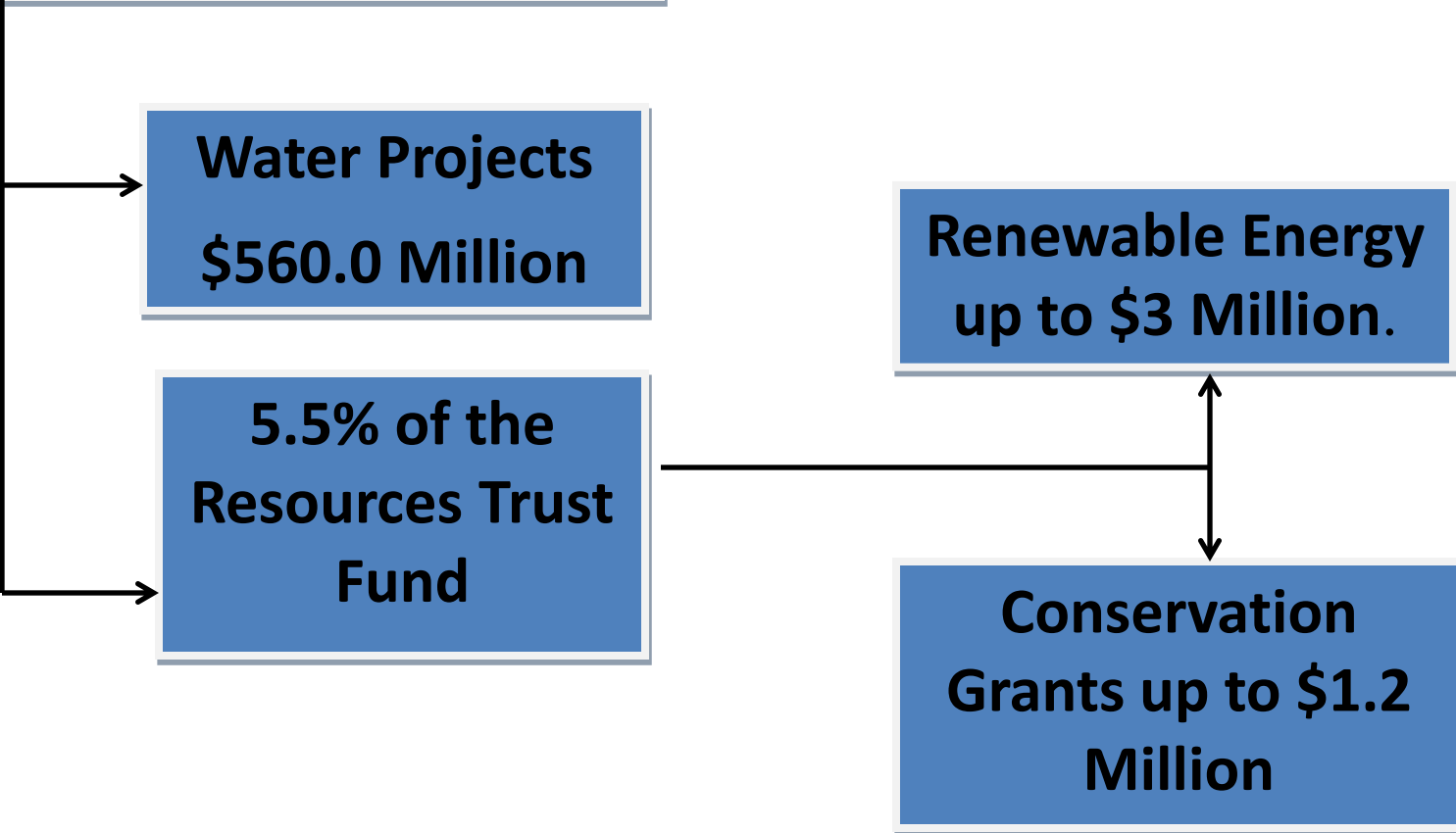
Resources Trust Fund
\$564.2 Million

Water Projects
\$560.0 Million

5.5% of the
Resources Trust
Fund

Renewable Energy
up to \$3 Million.

Conservation
Grants up to \$1.2
Million



**Distribution of the 5% Oil & Gas Gross
Production Tax**

\$2,186.6 Million

**1% of the 5%
\$437.3 Million**

**4% of the 5%
\$1,749.3 Million**

**Distribution
Gross Production Tax
1% Stream**

**1% of the 5%
\$437.3**

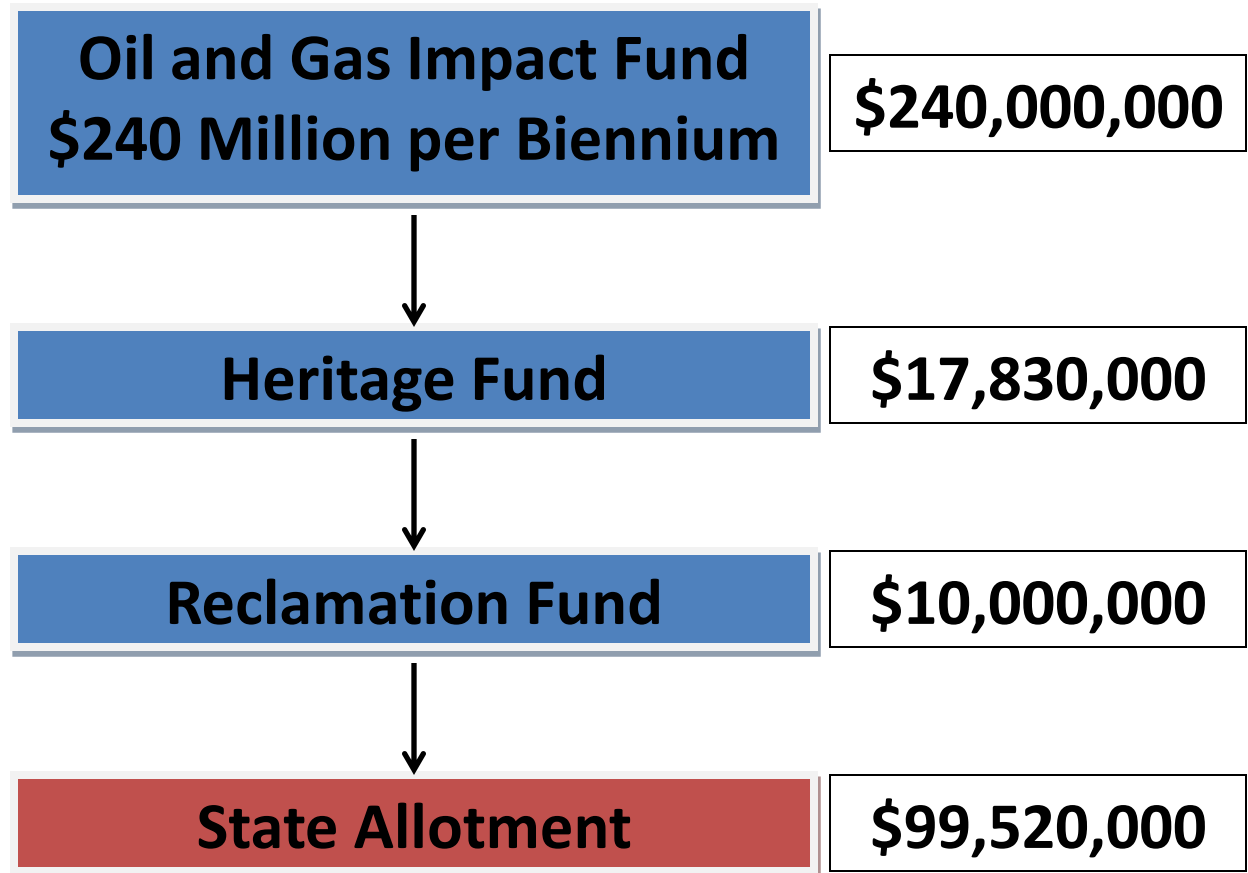
**\$375,000 per fiscal year to
Hub Cities for each full or
partial % point of private
covered employment in the
mining industry.**

\$52,500,000

**\$125,000 per fiscal year to
Hub City School Districts for
each partial % point covered
employment in mining
industry.**

\$17,450,000

**Distribution
Gross Production Tax
1% Stream**



Distribution Gross Production Tax 4% Stream

**4% of the 5%
\$1,749.3 Million**

State Share

Oil & Gas Producing Counties

0%

First 5 M

100 %

75%

Over 5 M

25%

**\$1,156.3 M
State Share**

**\$593.9 M
Counties Share**

**Distribution
Gross Production Tax
4% Counties**

**Counties That Received
\$5 Million or More**

**Counties 60%
\$304,480,000**

**Townships 3%
Distributed per
Road Miles.
\$15,225,000**

**Hub Cities 9%
Williston - 60%
Dickinson - 30%
Minot - 10%
\$45,670,000**

**Cities 20%
\$101,490,000**

**Townships 3%
Only in Counties
of 5 million or
More.
\$15,225,000**

**Schools 5%
\$25,370,000**

**Distribution
Gross Production Tax
4% Counties**

**Counties that Receive
less than \$5 M**

**Counties - 45%
\$10,990,000**

**Cities - 20%
\$4,890,000**

**Schools - 35%
Based on average
daily attendance.
\$8,550,000**

Distribution States Share of Gross Production Tax

States Share from
the 1% Stream.
\$99,520,000

States Share from
the 4% Stream.
\$1,156.3 M

States Share of the
total Gross
Production Tax.
\$1,255.82 M

States Share after
Legacy Fund.
\$588.82 M

LEGACY FUND
30% of the total
Gross Production Tax.
\$667.0 M

State of North Dakota Allocation of Oil and Gas Tax Revenue to Dedicated Funds

Gross Production Tax Revenue Stream	\$588.82 M
<u>Extraction Tax Revenue Stream</u>	<u>\$841.00 M</u>
<u>Total Allocation for Dedicated Funds</u>	<u>\$1,429.82 M</u>

Total Allocation for Dedicated Funds \$1,429.82 M

**State General Fund
\$200.0 M**

**Property Tax Relief
\$342.0 M**

**State General Fund
\$100.0 M**

Balance

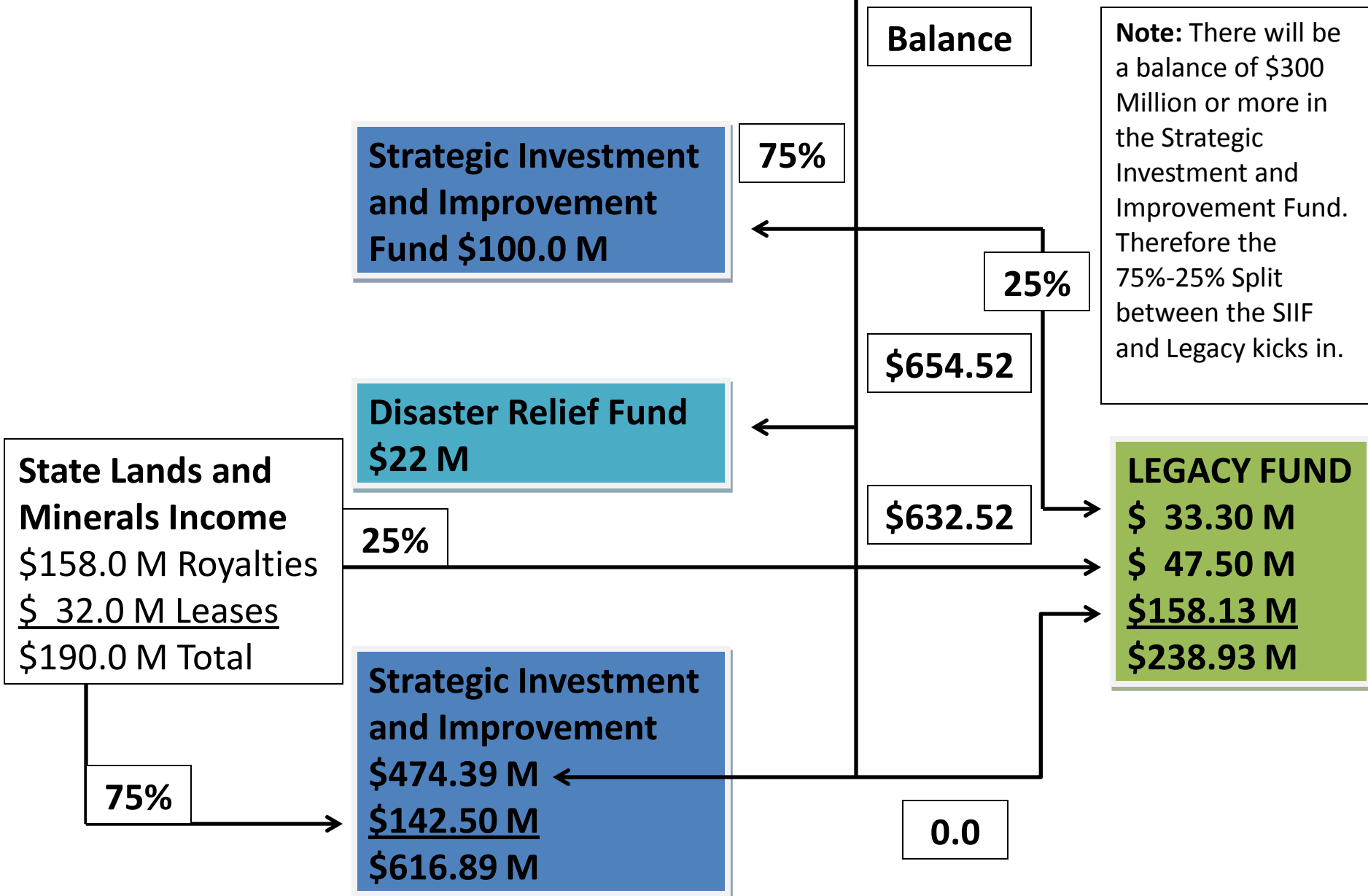
\$1,229.82

\$887.82

\$787.82

Continued

Total Allocation for Dedicated Funds **\$1,429.82 M**



LEGACY FUND

Gross Production Tax Revenue	- \$667.00 M
Extraction Tax Revenue	- \$846.00 M
25 % Split	- \$238.93 M
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Total 2013-15 Revenue	- \$1,751.93 M

HUB CITIES						
	% Workers	Dollars	% of 9%	Dollars	Grant Dollars	Total
Williston	43%	32.2 M	60%	28.0 M	2.0 M	62.2 M
Dickinson	21%	15.8 M	30%	14.0 M	7.0 M	36.8 M
Minot	6%	4.6 M	10%	4.6 M	5.0 M	14.2 M

One of the most asked questions that I am asked is, where is the BEEF? People want to know where all this money that the State of North Dakota is receiving from oil and gas tax dollars is located and where they are being spent. The following is a listing of the funds that receive the oil and gas tax dollars and the purpose of those funds. This list will show the current balance, the estimated revenue for the 2013-2015 biennium and the expected balance of each fund on June 30, 2015.

CONSTITUTIONAL TRUST FUNDS

The following **three funds** were put on the ballot and voted on by the people of North Dakota. They are a part of the state constitution and CAN NOT be changed unless they are put on the ballot and the change is passed by a vote of the people of North Dakota.

LEGACY FUND

July 1, 2013 Balance	Estimated Income 2013-2015 Biennium	Balance June 30, 2015
\$1,346.9 Million (\$1.35 Billion)	\$1,782.2 Million (\$1.78 Billion)	\$3,129.1 Million (\$3.13 Billion)

The state deposits 30% of the oil and gas tax revenue in the Legacy Fund. It is a constitutional fund and the legislature cannot spend any of the fund or earnings from the fund until 2017. At that time only 15% of the fund can be spent with a 2/3 vote of approval in both the House and Senate.

FOUNDATION AID STABILIZATION FUND

July 1, 2013 Balance	Estimated Income 2013-2015 Biennium	Balance June 30, 2013
\$332.9 Million	\$282.1 Million	\$614.0 Million

10% of the Oil and Gas Extraction Tax is deposited in the Foundation Aid Stabilization Fund. It is a constitutional fund and can only be spent if there is an across the board spending cut in the state by the Governor, because of a revenue short fall. This fund can only be spent on K-12 education to help keep the schools whole.

COMMON SCHOOLS TRUST FUND

July 1, 2013 Balance	Estimated Income 2013-2015 Biennium	Balance June 30, 2015
\$2,200.0 Million (\$2.2 Billion)	\$282.1 Million	\$2,482.1 Million (\$2.48 Billion)

This constitutional fund was put in place in 1889 when North Dakota became a state. Money generated from school lands (rents and sales) were placed in this fund and only the earnings generated are used for k-12 education. In the 1994 biennium 10% of the Oil and Gas Extraction Tax was added to the revenue stream.

Note: Only the revenue from the 10% Oil and Gas Extraction Tax is listed as income above. The 2013-2015 Biennium income to the Common School Trust Fund **does not include** the revenue from 45% of the tobacco money, school land rents, oil leasing, oil royalties and unclaimed property.

The Common Schools Trust Fund earnings are used to fund K-12 education. The earnings are put in the Foundation Aid Payments to school districts. The funds earning provided \$135.0 million in the 2013-15 biennium to schools.

DEDICATED SPENDABLE FUNDS

These funds are not in the constitution and are under the control of the North Dakota Legislature. Revenue from these funds are appropriated by the legislature to specific uses.

RESOURCES TRUST FUND

July 1, 2013 Balance	Estimated Income 2013-2015 Biennium	Balance June 30, 2015
\$50.0 Million	\$560.0 Million	\$0.0
		Appropriated

This fund is funded by 20% of the Oil and Gas Extraction Tax and funds water projects across the state. \$555.0 million is dedicated to water systems and flood control and starting this biennium \$3.0 million is dedicated to renewable energy research and \$1.2 million dedicated to conservation grants.

STATE DISASTER FUND

July 1, 2013

\$44.0 Million

Estimated Income

2013-2015 Biennium

\$22.0 Million

Balance

June 30, 2015

\$66.0 Million

The revenue in this fund comes from the oil and gas taxes and is capped at 22.0 million per biennium. The money is used for disasters. (Flooding, snow removal and etc.) \$14 Million was spent out of this fund on costs from the 2011 flooding .

STRATEGIC INVESTMENT AND IMPROVEMENT FUND

July 1, 2013

Estimated Income

Balance

2013-2015 Biennium

June 30, 2015

\$ 0.0

\$717.0 Million

\$717.0 Million

This fund was created by the legislature in 2011 session. The revenue comes from oil and gas tax, mineral leases and royalties on state lands. It is the last fund to receive revenue in the priority list, therefore, if revenues from oil and gas taxes decrease this fund could end up with no revenue or if revenues increase there could be more dollars in the fund. The fund is used to fund infrastructure and improvement in North Dakota. The funds from this fund are not appropriated until they are realized in the fund and they have to be appropriated by the legislature.

PROPERTY TAX SUSTAINABILITY FUND

July 1, 2013	Estimated Income 2013-2015 Biennium	Balance June 30, 2015
\$315.2 Million	\$342.0 Million	\$657.2 Million

This fund sets aside money for property tax relief for the 2015-17 biennium. It will be used in the school funding formula to replace 125 mills of local property tax and from this time on will be permanent. (No more buy down) The legislature set aside \$315.2 million out of the 2011-13 biennium General Fund ending fund balance for the 2015-17 biennium. The \$315.2 million plus the estimated 2013-15 income will equal \$657. The \$657.2 million will be used in the school funding formula. The revenue comes from the state share of the oil tax.

GENERAL FUND

Revenue

Ending Balance June 30,2013	Estimated Revenue 2013-15 Biennium	Estimated Total Available 2013-15	Estimated Ending Fund June 30, 2015
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\$1,396.0 Million + \$5,477.0 Million = \$6,873.0 Million

Spending

On Going Spending	One Time Spending	Total Spending	
\$4,429.0 Million	+ \$2,355.3 Million	= \$6,784.3 Million	\$88.7 Million

Additional Revenue

May 3, 2013 to June 30, 2013 - A wind fall to state	\$220.0 Million
Turn Back for State Agencies	30.0 Million
<u>Revenue over estimate July 1,2013 to June 30, 2014</u>	<u>203.4 Million</u>

As of November 1, 2013 the Estimated Ending Fund on June 30, 2015 \$542.1 Million

The General Fund dollars are collected and spent in North Dakota. The General Fund includes sales tax, Income tax, corporate tax, motor vehicle excise tax and some other general taxes. This fund does not contain federal dollars or special fund revenue, which comes from fees paid for licenses or services to state agencies.

BUDGET STABILIZATION FUND (Rainy Day Fund)

July, 2013	Estimated Income 2013-2015 Biennium	Balance June 30, 2015
\$402.5 Million	\$181.0 Million	\$583.5 Million

Created in 1987 by the legislature and provides that if the ending General Fund balance at the end of the biennium is \$65.0 million, then any amount over must be transferred to the Budget Stabilization Fund and the fund is capped or limited to 9.5% of General Fund spending .

OIL AND GAS TAX REVENUE - NORTH DAKOTA 2013-15 BIENNIUM

The revenue comes from the Gross Production Tax, Extraction Tax and the Leases and Royalties on State Lands. Total estimated revenue is **\$5,219.0 Million** or \$5.22 Billion.

CONSTITUTIONAL FUNDS

Legacy Fund (2010)	\$1,782.2 Million	
Common Schools (1994)	282.0 Million	
<u>Foundation Stabilization (1994)</u>	<u>282.0 Million</u>	
Total Savings Types	\$2,346.2 Million	45% Savings Type
Resources Trust Fund (1990)	560.0 Million	11% Water Projects and Renewable Energy

DEDICATED SPENDING

State General Fund	300.0 Million	5.8%	State Spending
Property Tax Fund	342.0 Million	6.6%	K-12 Spending
Other Funds - Heritage			
Heritage Fund	18.0 M		
Disaster Relief	22.0 M		
<u>Reclamation Fund</u>	<u>10.0 M</u>		
Total Other	50.0 M -- 50.0 Million	0.9%	Dedicated

OIL AND GAS COUNTIES FUNDS

Formula to Political Subs	593.9 M
Impact Grants	240.0 M
Hub Cities	52.5 M
<u>Hub Cities Schools</u>	<u>17.45 M</u>

Total to Oil/Gas Counties 903.9 M -- 903.9 Million 17% Oil and Gas Producing Area

STRATEGIC SPENDING

Strategic, Investment and
Infrastructure Fund

717.0 Million 13.8% Where Needed