## **OIL AND GAS TAX REVENUE ALLOCATION FLOWCHART - 2023-25 BIENNIUM**

This memorandum provides information on the estimated allocation of oil and gas tax collections for the 2023-25 biennium reflecting the 2023 legislative revenue forecast, prepared at the close of the 2023 legislative session. The amounts reflect oil prices decreasing from \$70 per barrel (1<sup>st</sup> year) to \$62 per barrel (2<sup>nd</sup> year) during the biennium and oil production remaining at 1.1 million barrels per day during the biennium. A description of each of the funds is included on the second page.



ESTIMATED 2023-25 BIENNIUM ALLOCATIONS - 2023 LEGISLATIVE REVENUE FORECAST

NOTE: The amounts reflected in these schedules are preliminary estimates for August 2023 through July 2025. The actual amounts allocated for the 2023-25 biennium may differ significantly from these amounts based on actual oil price and oil production.

		Total
3	Tribal share	\$670,450,000
4	Legacy fund	1,343,220,000
5	North Dakota outdoor heritage fund	15,000,000
6	Abandoned well reclamation fund	14,490,000
7	Political subdivisions	682,390,000
8	Common schools trust fund	219,440,000
9	Foundation aid stabilization fund	219,440,000
10	Resources trust fund (net deposits)	445,660,000
11	Energy conservation grant fund	1,200,000
12	Renewable energy development fund	3,000,000
13	Oil and gas research fund17,500State energy research center fund7,500	
14		
15	General fund 460,000	
16	Tax relief fund 250,000,	
17	Budget stabilization fund	
18	Lignite research fund	10,000,000
19	State disaster relief fund	12,530,000
20	Strategic investment and improvements fund	453,990,000
21	Public Employees Retirement System fund	65,000,000
22	Municipal infrastructure fund	115,000,000
23	County and township infrastructure fund	115,000,000
24	Airport infrastructure fund	20,000,000
	Total	\$5,140,810,000

The schedule below provides a brief description of the taxes and funds included in the flowchart on the previous page. Changes approved by the 2023 Legislative Assembly are shown in boldface.

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 unl adjustment for each fiscal year as calculated by the Tax Department.
2	Oil extraction tax	Section 57-51.1-02, as amended by House Bill No. 1476 (2015), provides for a tax of 5 percent of the gross value at the well on the extraction of was 6.5 percent. Senate Bill No. 2328 (2021) provides an oil extraction tax credit for the use of an onsite flare mitigation system. House Bill No. become effective if the average West Texas Intermediate price of oil exceeded the "trigger" price for 3 consecutive months. House B production from a restimulation well.
3A, 3B	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 are to the Three Affiliated Tribes of the Fort Berthold Reservation. Senate Bill No. 2319 (2021) provided an allocation to the Three Affiliated Tribes for
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 taxe
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 first 1 percent of the oil and gas gross production tax, up to \$20 million per fiscal year, be deposited in the fund. House Bill No. 1014 (2023) I biennium, the same as the 2021-23 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 v 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 v No. 1014 (2019) decreased the maximum fund balance by \$50 million, from \$100 million to \$50 million. Senate Bill No. 2059 (2023) increases the
7	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). He to hub cities, hub city school districts, and school districts for supplemental payments, and the bill also adjusts the allocation percentages for the di
8	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 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 No. 2362 (2019) changed the method of allocating oil extraction tax revenue related to the state's share of revenue associated with production on
9	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 stabi No. 4003 (2015) and approved by the voters, restricts a portion of the fund to offset state school aid payments due to a revenue shortfall and allows (2019) changed the method of allocating oil extraction tax revenue related to the state's share of revenue associated with production on tribal lands
10	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 Constitut appropriation, for constructing water-related projects, including rural water systems, and funding of programs for energy conservation. Senate E revenue related to the state's share of revenue associated with production on tribal lands and provided an additional .5 percent allocation to the rewhich result in an increase in the allocations to the fund.
11	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 resource grant fund, up to \$1.2 million per biennium.
12	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 fund, up to \$3 million per biennium. House Bill No. 1020 (2017) decreased the percentage transferred from 5 to 3 percent.
13	Oil and gas research fund	Section 57-51.1-07.3 (Senate Bill No. 2311 (2003)) established the oil and gas research fund for the Oil and Gas Research Council to provide grant 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 for \$10 million to \$14.5 million, for the 2021-23 biennium. House Bill No. 1014 (2023) increases the allocations by \$7.5 million, from \$10 million to \$10 million to \$14.5 million, for the 2021-23 biennium.
14	State energy research center fund	Senate Bill No. 2249 (2019) created a state energy research center fund and allocates 1 percent of the state's share of oil and gas tax revenues, u contract with the Energy and Environmental Research Center for research projects. Senate Bill No. 2161 (2023) increases the allocation to pro
15A, 15B	General fund	The general fund is the chief operating fund of the state. Section 57-51.1-07.5, as amended by House Bill No. 1152 (2017), provided for an allocat general fund for the 2017-19 biennium and an allocation of \$300 million after the 2017-19 biennium. House Bill No. 1066 (2019) increased the allocation from \$400 million to \$460 million.
16	Social services fund	House Bill No. 1152 (2017) amended Section 57-51.1-07.5 to provide for the allocation of \$200 million of the state's share of oil and gas tax reverse renames the tax relief fund the social services fund and increases the allocation from \$200 million to \$250 million.
17	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 revenue shortfall. House Bill No. 1152 (2017) amended Section 57-51.1-07.5 to provide for an allocation of up to \$75 million from the state's share
18	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 provide for an allocation of up to \$3 million from the state's share of oil and gas tax revenues. House Bill No. 1066 (2019) increased the allocation
19	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 preside Bill No. 1152 (2017), provided for the distribution of up to \$20 million of oil tax revenues to the state disaster relief fund each biennium, but not in an a Senate Bill No. 2016 (2019) decreased the allocation to provide up to \$15 million of allocations, but not in an amount that would bring the balance Senate Bill No. 2249 (2021) increased the allocation limit by \$5 million, from \$15 million to \$20 million.
20A, 20B	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 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.
21	Public Employees Retirement System fund	House Bill No. 1040 (2023) adds an allocation of \$65 million per biennium to the Public Employees Retirement System fund for the main
22	Municipal infrastructure fund	House Bill No. 1066 (2019) created a municipal infrastructure fund and allocates up to \$115 million per biennium for grants to non-oil-producing citie the allocations to the municipal infrastructure fund and the county and township infrastructure fund to provide allocations to the two funds at the improvements fund.
23	County and township infrastructure fund	House Bill No. 1066 (2019) created a county and township infrastructure fund and allocates up to \$115 million per biennium for grants to non- projects. House Bill No. 1015 (2021) aligned the allocations to the municipal infrastructure fund and the county and township infrastructure fund allocation to the strategic investment and improvements fund.
24	Airport infrastructure fund	House Bill No. 1066 (2019) created an airport infrastructure fund and allocates up to \$20 million per biennium for airport infrastructure projects, sub

nless exempted, and a tax on gas of four cents times the gas base rate

of oil unless exempted. Prior to January 1, 2016, the oil extraction tax rate **b. 1286 (2023) removes the oil extraction tax rate increase that would b Bill No. 1427 (2023) creates an oil extraction tax rate reduction on** 

and gas tax revenues are allocated 50 percent to the state and 50 percent on wells that cross into a reservation.

xes on oil and gas production and extraction.

15) amended Section 57-51-15 to provide 8 percent of revenues from the ) limits the allocations to \$7.5 million per fiscal year for the 2023-25

s well plugging and site reclamation fund. Based on current law, 4 percent t would bring the balance of the fund to more than \$100 million. House Bill **the fund balance limit from \$50 million to \$100 million.** 

House Bill No. 1066 (2019) changed the funding source for the allocations distributions to townships and hub city school districts.

Is of the state. Section 24 of Article X of the Constitution of North Dakota be earnings are distributed through state school aid payments. Senate Bill in tribal lands, increasing the allocation to the common schools trust fund. abilization fund. Section 24, as amended by Senate Concurrent Resolution is the remainder to be used for educational purposes. Senate Bill No. 2362 ands, increasing the allocation to the foundation aid stabilization fund.

ution of North Dakota provides the fund may be used, subject to legislative Bill No. 2362 (2019) changed the method of allocating oil extraction tax resources trust fund as an adjustment for prior period allocations, both of

rces trust fund from the resources trust fund into the energy conservation

ind from the resources trust fund into the renewable energy development

nts. Senate Bill No. 2014 (2013) amended Section 57-51.1-07.3 to provide ind. Senate Bill No. 2014 (2021) increased the allocations by \$4.5 million, **nillion to \$17.5 million, for the 2023-25 biennium.** 

up to \$5 million per biennium, to the fund for the Industrial Commission to **rovide up to \$7.5 million per biennium through the 2027-29 biennium.** ation of \$400 million of the state's share of oil and gas tax revenues to the allocation to \$400 million. **Senate Bill No. 2367 (2023) increases the** 

venues to the tax relief fund each biennium. Senate Bill No. 2367 (2023)

to the general fund when certain criteria are met to offset a general fund re of oil and gas tax revenues.

ite industry. House Bill No. 1152 (2017) amended Section 57-51.1-07.5 to n to \$10 million.

sidential-declared disasters. Section 57-51.1-07.5, as amended by House n amount that would bring the balance of the fund to more than \$20 million. nce of the fund to more than \$15 million. House Bill No. 1015 (2021) and

tate infrastructure or initiatives to improve the efficiency and effectiveness nd.

## in retirement plan.

ies for essential infrastructure projects. House Bill No. 1015 (2021) aligned the same time after the initial allocation to the strategic investment and

n-oil-producing counties and townships for road and bridge infrastructure Id to provide allocations to the two funds at the same time after the initial

ubject to legislative appropriation.