



# OIL AND GAS TAX REVENUES

How the Oil Industry and Region Benefit and Support the State

# OIL AND GAS TAX REVENUE STUDY

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## *Supporting Organizations*

- **North Dakota Petroleum Council**

- Promote and enhance the discovery, development, production, transportation, refining, conservation, and marketing of oil and gas in North Dakota, South Dakota, and the Rocky Mountain region; to promote opportunities for open discussion, lawful interchange of information, and education concerning the petroleum industry; to monitor and influence legislative and regulatory activities on the state and national level; and to accumulate and disseminate information concerning the petroleum industry to foster the best interests of the public and industry.

- **Western Dakota Energy Association**

- Supports sustainable energy development and responsible revenue sharing for its members, and promotes the greater good of North Dakota.



# OIL AND GAS TAX REVENUE STUDY

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## *Purpose*

- To review the extraction and gross production tax collections by the State of North Dakota from fiscal year 2008 to 2018.
- To highlight the benefits the citizens and political subdivisions have received through state distributions of those taxes.
- To detail where and how the funding has been used through the various funds and distributions authorized by the legislature.



# OIL AND GAS TAX DESCRIPTIONS

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## *Extraction Tax*

- The gross value of oil production at the well, less any part which is specifically exempt.
- History
  - The oil extraction tax became effective January 1, 1981, as a result of an initiated measure passed by the voters of North Dakota at a tax rate of 6.5%.
  - Multiple incentives and triggers passed between 1987 and 2015.
  - Multiple changes to the distribution of funds
    - 1981 = 30% State General Fund, 60% Schools, 10% Resource Trust Fund
    - 1997 = 60% State General Fund, 20% Schools, 10% Resource Trust Fund
    - 2011 = 30% General Fund, 30% Legacy Fund, 20% Schools, 20% Resource Trust Fund
- Rate
  - January 1, 1981 = 6.5%
  - January 1, 2016 = 5.0%



# OIL AND GAS TAX BENEFITS - EXTRACTION

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## *Constitutional Funds*

- 30% Legacy Fund
  - Constitutional Amendment in 2010. Provide 30 percent of oil and gas gross production and oil extraction taxes on oil and gas produced after June 30, 2011, be transferred to the legacy fund.
- 20% Resources Trust Fund
  - Created in 1980, Amended to constitution in 1990. Provide that the principal and income of the fund to be spent only through legislative appropriations for water related projects and energy conservation programs.
- 10% Common Schools Trust Fund
  - Established in original state constitution, amended in 1994, amended in 2016. Distributions are made to the benefit of educational institutions in the state.
- 10% Foundation Aid Fund
  - Constitutional Amendment in 1994, amended in 2016. The interest income earned is deposited to the State's General Fund. The principal may only be expended due to a revenue shortage to offset any foundation aid reductions by executive action.



# OIL AND GAS TAX BENEFITS - EXTRACTION

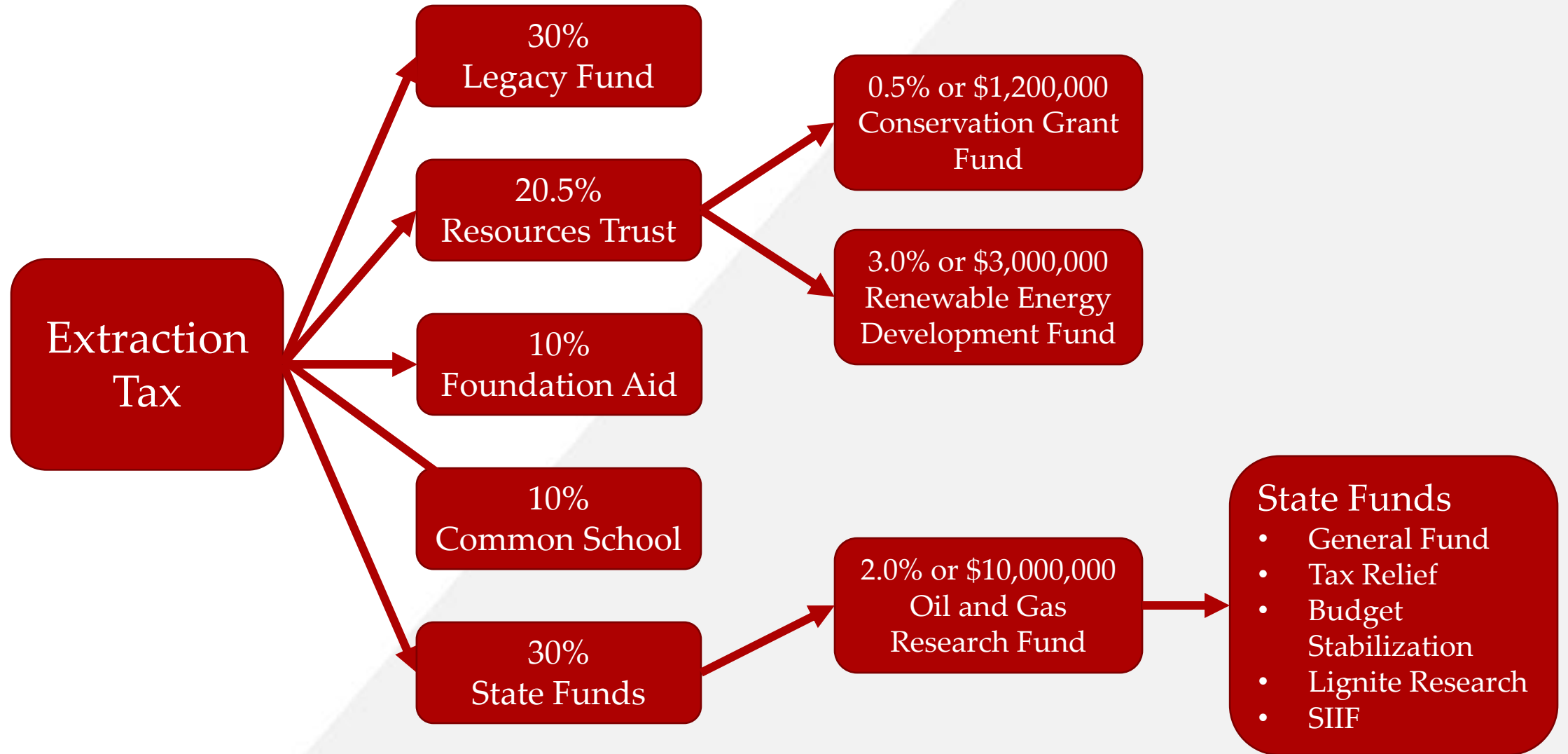
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## *State Funds*

- Conservation Grant Fund
- Renewable Energy Development Fund
- Oil and Gas Research Fund
- General Fund
- Tax Relief Fund
- Budget Stabilization Fund
- Lignite Research Fund
- Strategic Investment and Improvement Fund



# OIL AND GAS TAX – EXTRACTION



# OIL AND GAS TAX DESCRIPTIONS

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## *Gross Production Tax*

- Gross value of oil production at the well, less any part which is specifically exempt, is taxed in lieu of property taxes on the oil and gas producing properties. Gas production is taxed on a volume basis at a rate determined by the movement of a fuels cost index.
- History
  - Introduced in the 1953 Legislative Session after the discovery of oil and the expansion of the oil and gas activity in North Dakota.
  - Multiple changes to the distribution of funds
    - State General Fund
    - Oil and Gas Research Fund
    - Outdoor Heritage Fund
    - Oil Producing Political Subdivisions
    - Oil and Gas Impact Grant Fund
    - Legacy Fund
- Rates
  - July 1, 1953 = 4.25%
  - July 1, 1957 = 5.0%





# OIL AND GAS TAX BENEFITS – GROSS PRODUCTION

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## *State Funds*

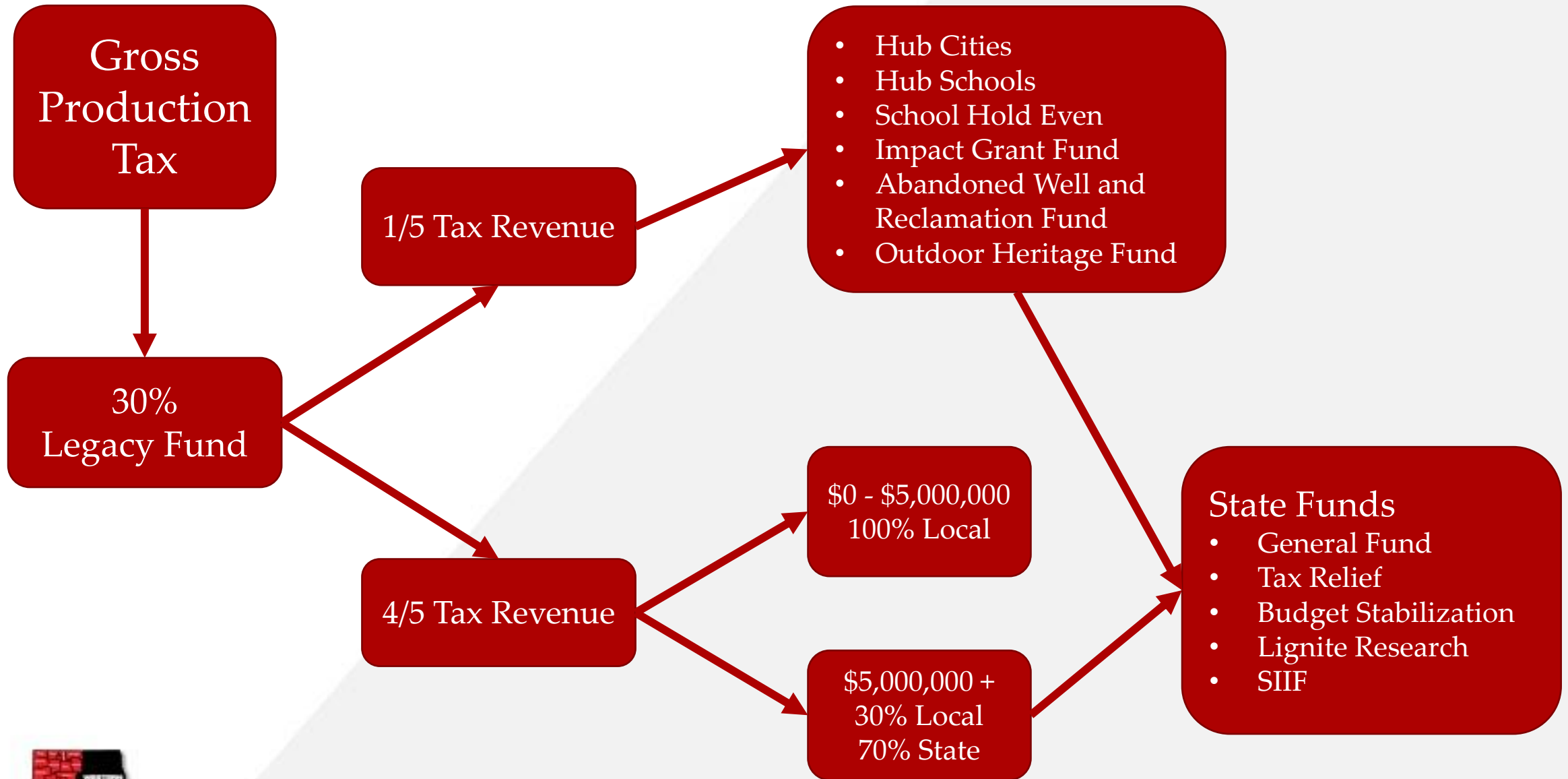
- Abandoned Well and Reclamation Fund
- Outdoor Heritage Fund
- General Fund
- Tax Relief Fund
- Budget Stabilization Fund
- Lignite Research Fund
- Strategic Investment and Improvement Fund

## *In Lieu of Property Tax*

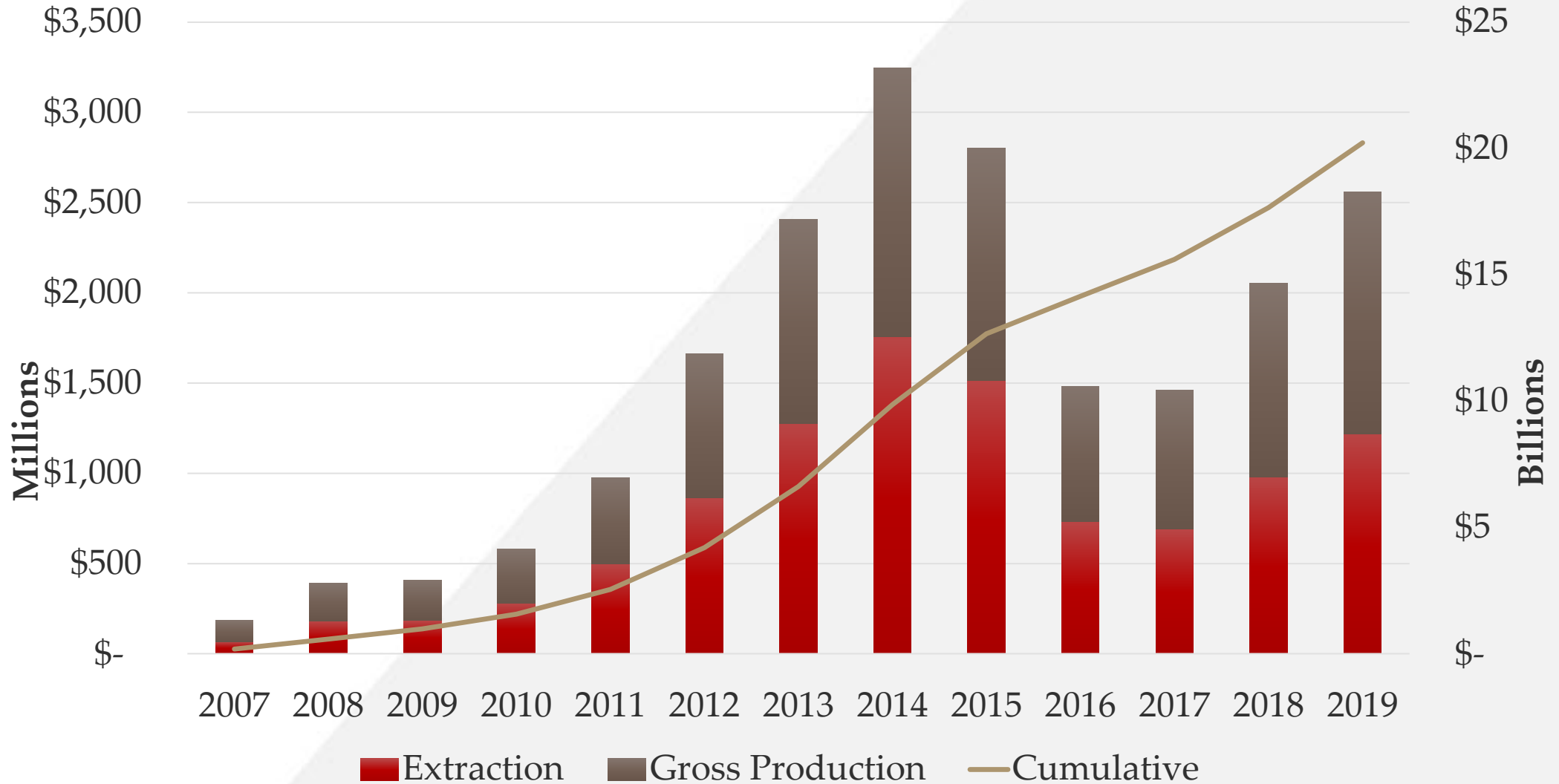
- Hub Cities and School
- Counties, Cities, Schools, Townships
- Impact Grant Funds



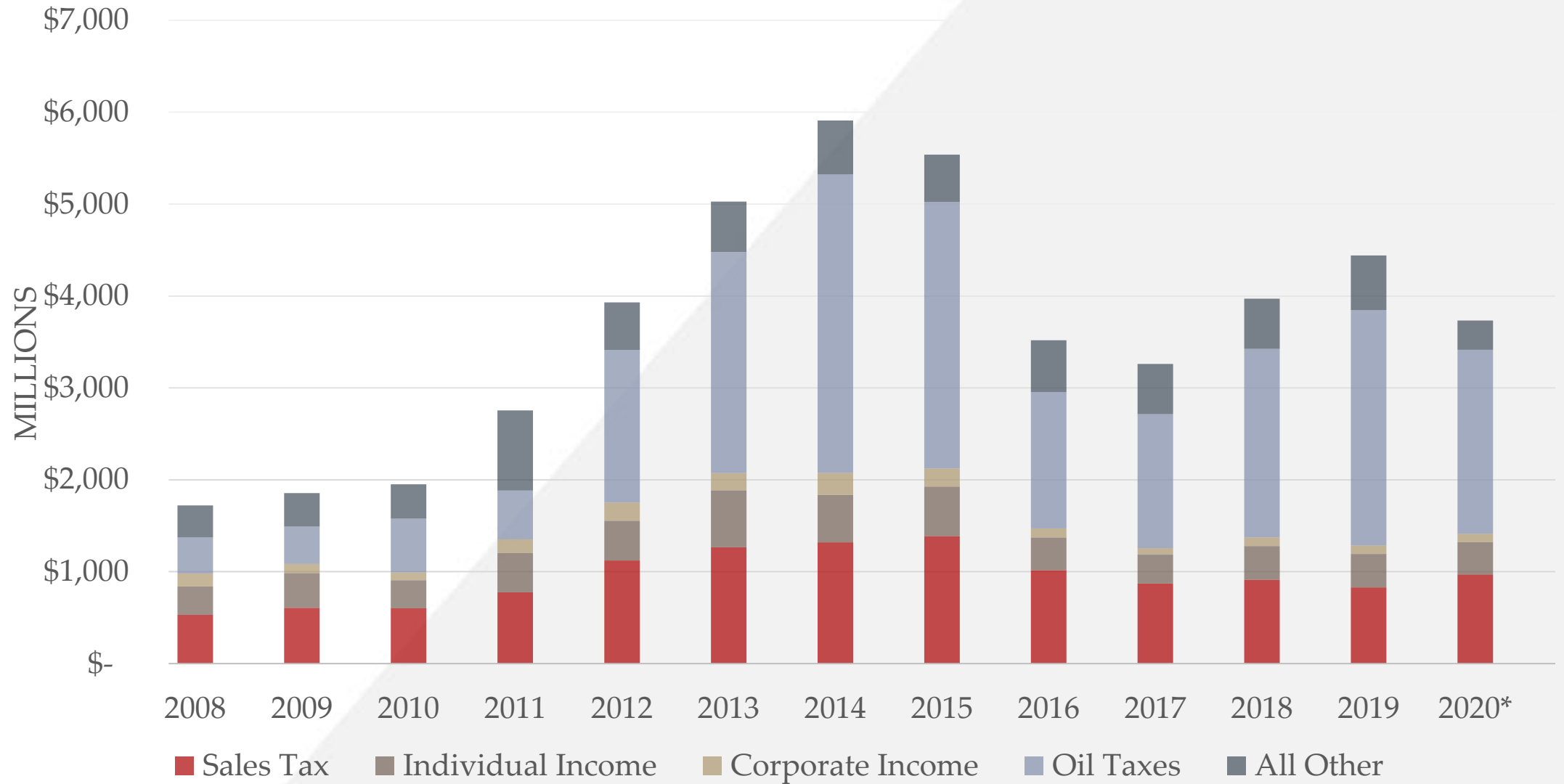
# OIL AND GAS TAX – GROSS PRODUCTION



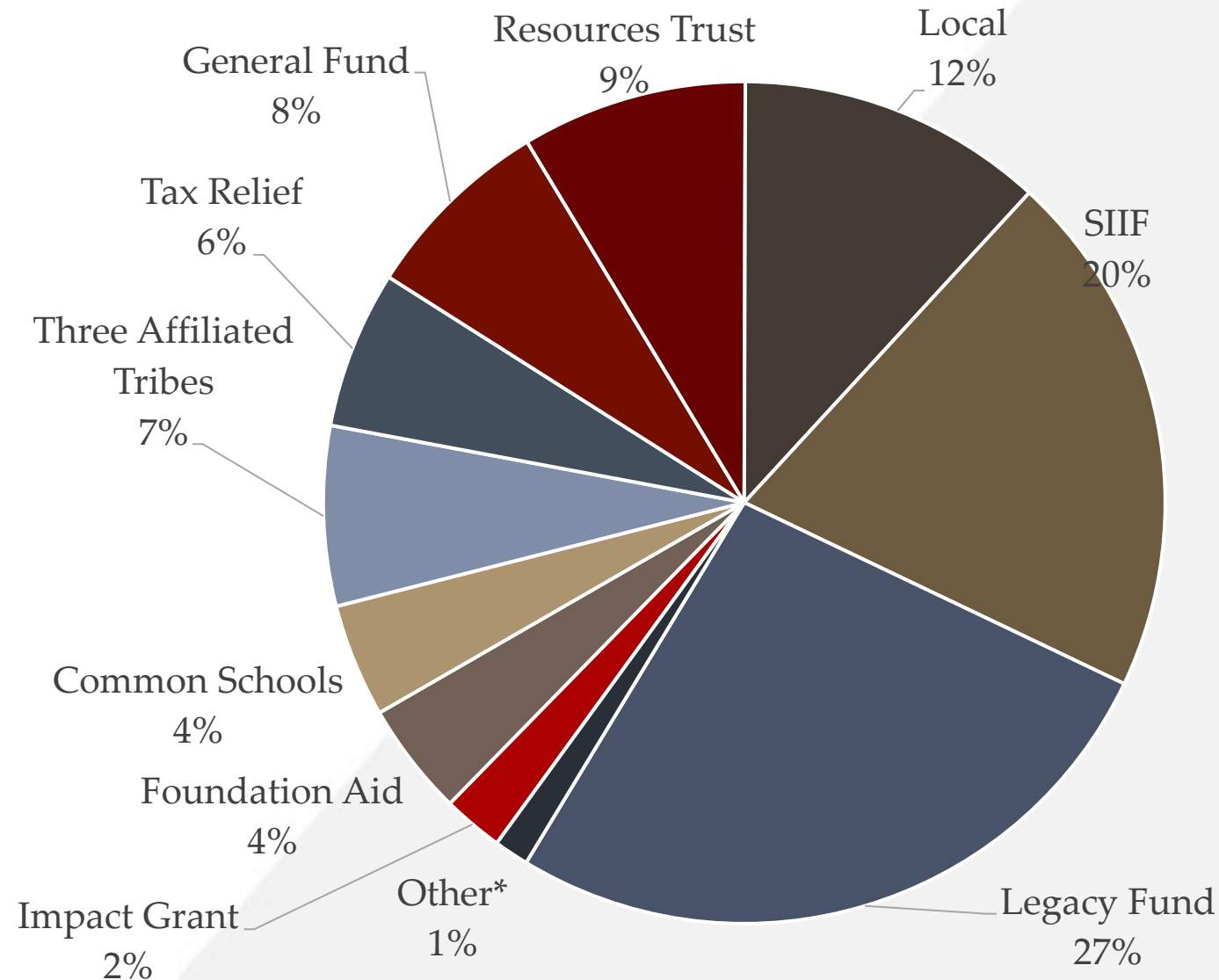
# OIL AND GAS TAX COLLECTIONS



# TOTAL STATE TAX COLLECTIONS BY TYPE



# OIL AND GAS TAX DISTRIBUTIONS FY 2008-2019



\* Preliminary reported numbers



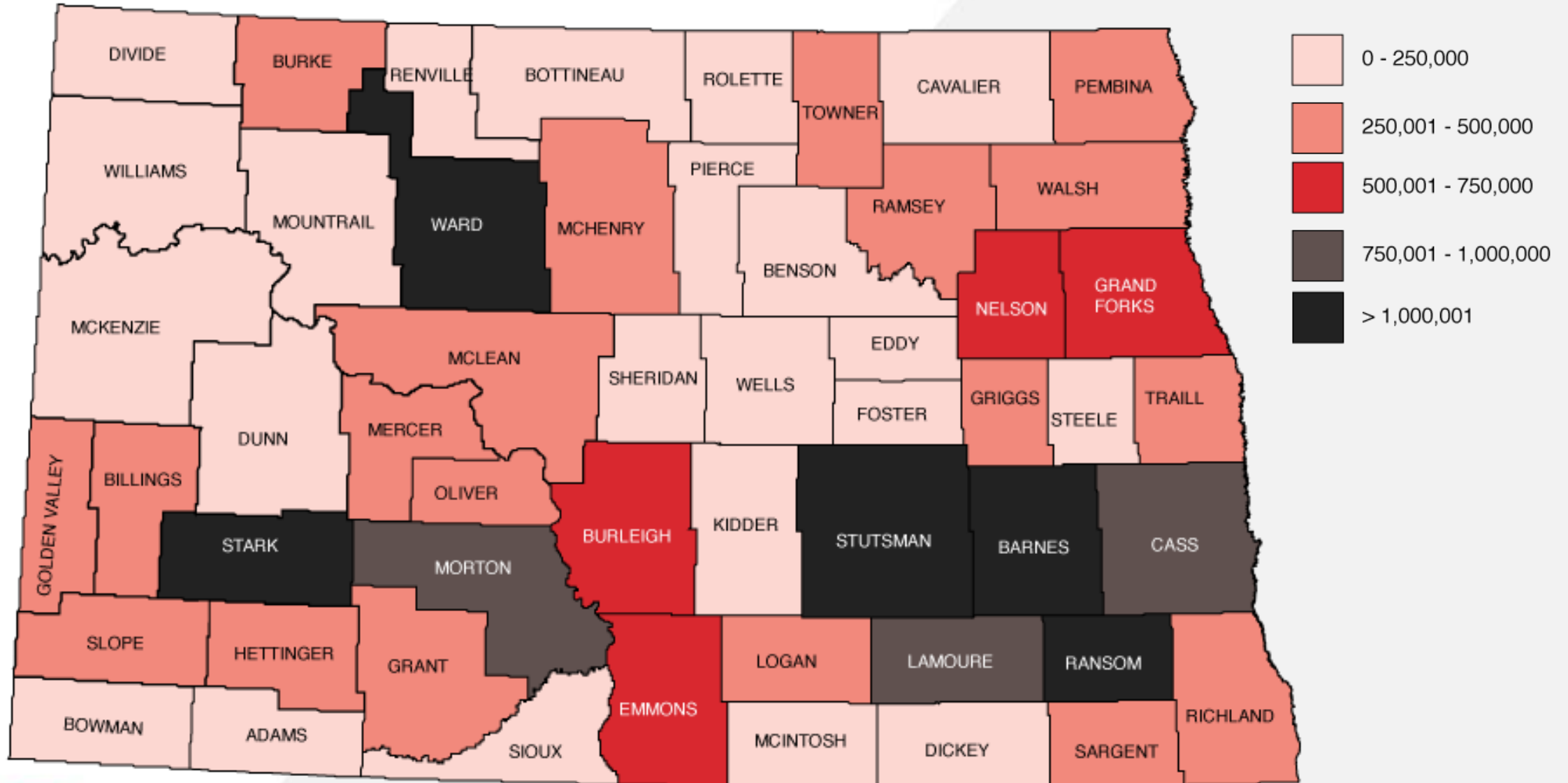
# OIL AND GAS TAX SURGE BILL – 2015 FY

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<b>RECIPIANT</b>	<b>TOTAL</b>
HUB CITIES	\$ 172,000,000
OIL COUNTIES	\$ 240,000,000
OIL COUNTY CITIES	\$ 100,000,000
NON OIL TOWNSHIPS	\$ 16,000,000
BOUNDARY CITIES	\$ 10,000,000
COUNTIES	\$ 112,000,000
NDDOT	\$ 450,000,000
<b>TOTAL</b>	<b>\$ 1,100,000,000</b>



# OIL AND GAS TAX OUTDOOR HERITAGE FUND



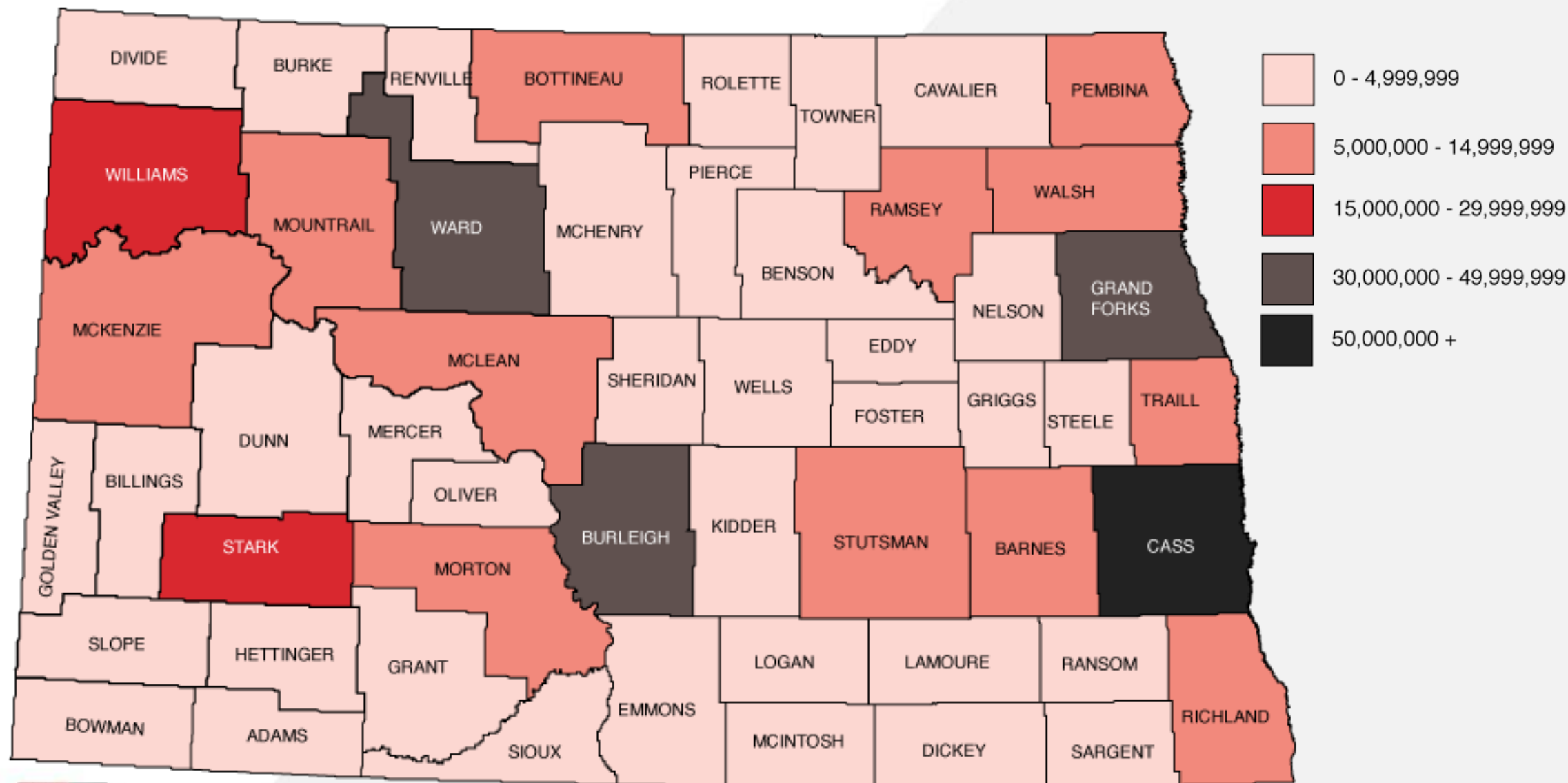
# OIL AND GAS TAX PROPERTY TAX RELIEF 2014 - 2017

COUNTY	TOTAL	% of TOTAL
WALSH	\$ 6,947,436	1.6%
MOUNTRAIL	\$ 7,521,271	1.7%
BARNES	\$ 8,014,572	1.8%
MCKENZIE	\$ 8,146,128	1.9%
RICHLAND	\$ 11,184,334	2.5%
STUTSMAN	\$ 12,253,679	2.8%
MORTON	\$ 14,917,586	3.4%
STARK	\$ 19,292,078	4.4%
WILLIAMS	\$ 23,037,155	5.2%
WARD	\$ 39,296,054	8.9%
GRAND FORKS	\$ 39,306,298	8.9%
BURLEIGH	\$ 46,117,894	10.5%
CASS	\$ 93,447,480	21.2%
OTHER 40 COUNTIES	\$ 110,765,864	25.2%
<b>TOTAL</b>	<b>\$ 440,247,835</b>	<b>100.0%</b>

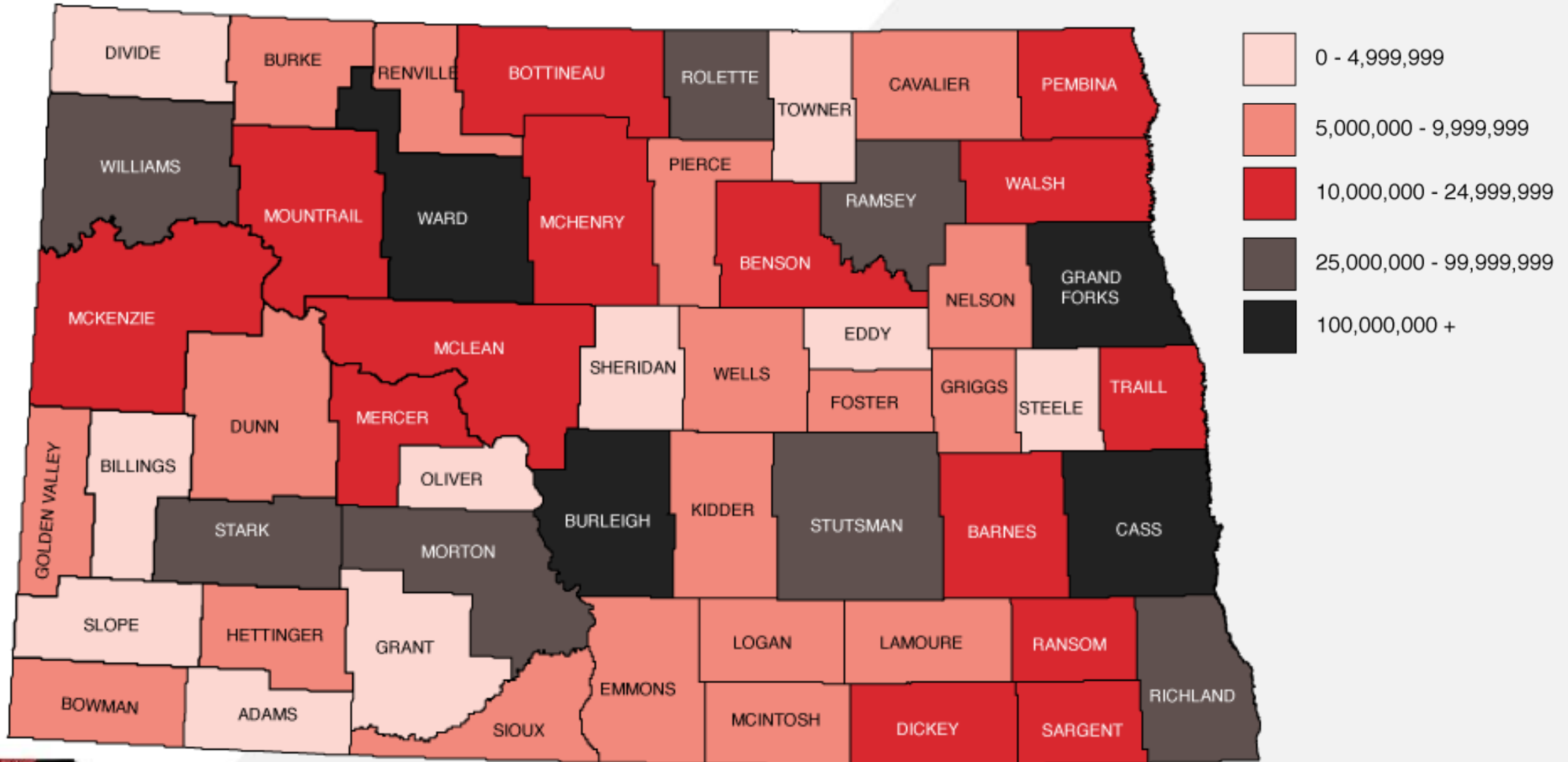




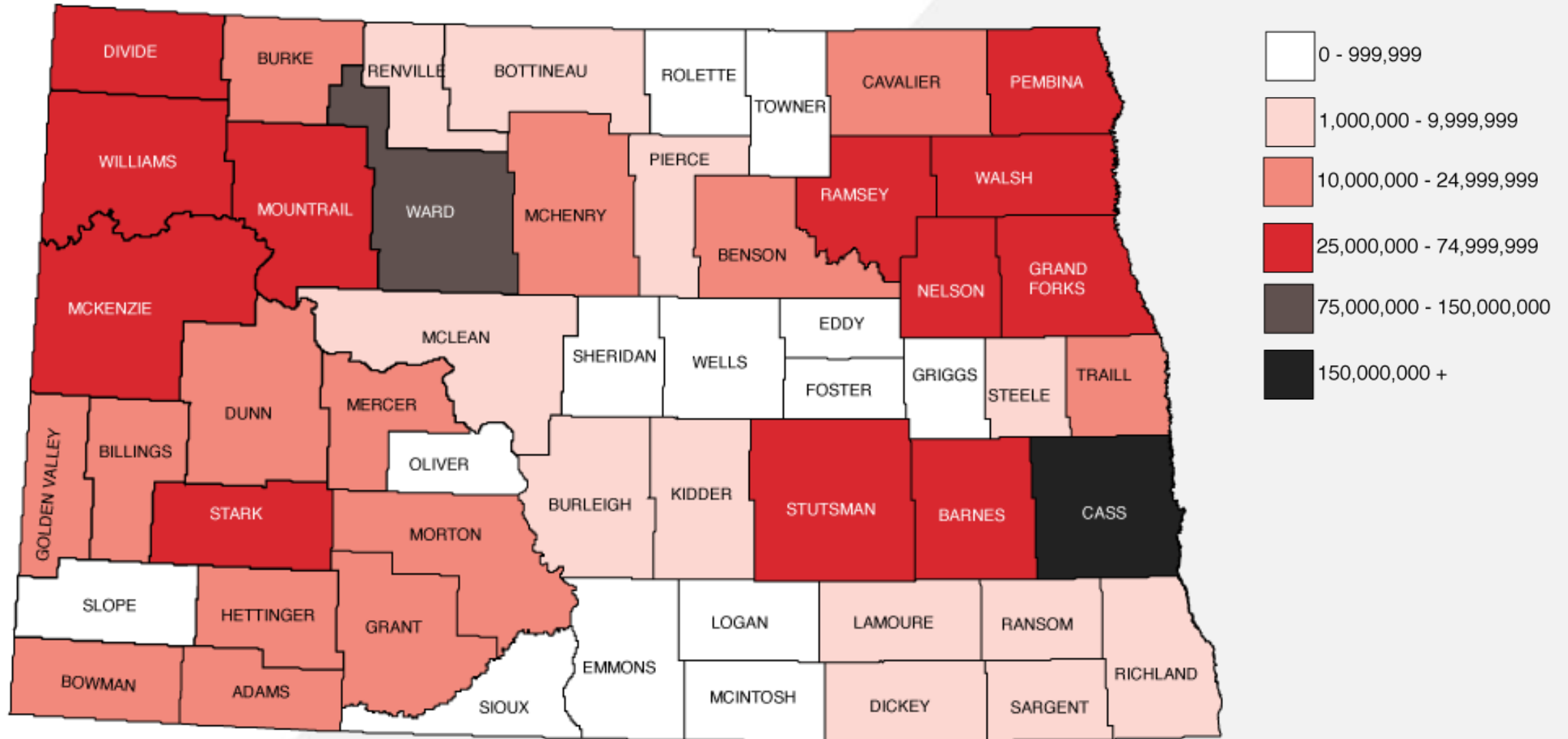
# OIL AND GAS TAX PROPERTY TAX RELIEF 2014 - 2019



# OIL AND GAS TAX DISTRIBUTIONS – EDUCATION



# OIL AND GAS TAX DISTRIBUTIONS – WATER PROJECTS



# OIL AND GAS TAX BENEFITS - SUMMARY

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## *Statewide Benefits*

- Infrastructure Investments
  - Oil and Gas Producing region through In Lieu of Property Tax GPT Formula
  - Statewide through appropriations from the RTF, SIIF, DOT
- Educational Funding
  - Foundation Aid Payments
  - Rapid Enrollment Grants
- Tax Relief Fund
- Budget Stabilization Fund
- Research Investments
  - Oil and Gas Research Fund
  - Renewable Energy Development Fund
  - Lignite Energy Research Fund



# OIL AND GAS TAX BENEFITS - CONCLUSIONS

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## *Statewide Benefits*

- Continued support of the responsible development of the oil and gas resources in the state provide benefits for all of North Dakota
  - Common Sense Regulations
  - Reasonable Tax Policy
  - Infrastructure Development
- Continued support of investments for infrastructure in the oil and gas producing region are important to the success of the industry
  - Stable Funding Formula
  - Community Infrastructure Investments
  - Quality of Life Initiatives



# OIL AND GAS TAX REVENUE STUDY

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