2015 – 2017 Biennium Overview for Williston and the Region

Brent Bogar
Jadestone Consulting
Legislative Initiatives

- SB 2103 – Surge Bill
- HB 1176 – Formula Bill
- HB 1476 – Extraction Tax Trigger
- HB 1377 – Bucket Bill
SB 2103 – Surge Bill

- Introduced for early funding to meet 2015 construction season
- Original bill provided funding based on Senate Majority Leader Findings
- House Amendments changed County funding to UGPTI Road Needs
- House Amendments changed County funding to DOT/Roads
- Total Bill $1.1 Billion from SIIF
  - 47% of Funding to Oil and Gas Local Political Subs
  - 87% to Western ND including State DOT Funding
Surge Funding: Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>State DOT</td>
<td>$ 450,000,000</td>
</tr>
<tr>
<td>Non Oil Townships</td>
<td>$ 16,000,000</td>
</tr>
<tr>
<td>Top 10 Oil Counties</td>
<td>$ 240,000,000</td>
</tr>
<tr>
<td>Counties Outside Top 10</td>
<td>$ 112,000,000</td>
</tr>
<tr>
<td>Cities in Top 10 Counties</td>
<td>$ 100,000,000</td>
</tr>
<tr>
<td>Boundary Cities</td>
<td>$ 10,000,000</td>
</tr>
<tr>
<td>Hub Cities</td>
<td>$ 172,000,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 1,100,000,000</strong></td>
</tr>
</tbody>
</table>
HB 1176 – Formula Bill

- Introduced to change GPT distribution formula
- Original bill changed formula from 25% to 60%
- Original bill removed sunset of formula distribution change
- House Amendments changed formula to 30%
- Senate Amendments changed Impact Grant Funding allocations
  - $140 Million to Impact Grant Fund
- Hub City Change to Oil & Gas Related Employment (1 Biennium)
  - Minot (6% - 13%)
  - Fargo (2%)
  - Bismarck (3%)
  - Dickinson (22% – 40%)
  - Grand Forks (2%)
  - West Fargo (3%)
  - Williston (40% - 65%)
  - Jamestown (2%)
  - Mandan (9%)
Extraction Tax Distribution

- **Extraction Tax** 6.5% - 5%
  - Tax Rate 6.5 until 1/1/2016
  - Rate Change to 5%

11.5% - 10% Total O&G Tax

- **Gross Production Tax** 5%
  - Legacy Fund 30% of All Collections
  - Tribal Share 50% of All Tribal Production
  - Oil & Gas Research Fund $10 M

Constitutional & Statutory Distributions

- Foundation Aid Stabilization
- Common Schools Trust Fund
- Resources Trust Fund
- Energy Conservation Fund
- Renewable Energy Fund
- Infrastructure Revolving Loan Fund

State Distributions

- General Fund
- Property Tax Relief
- General Fund
- Strategic Investment Fund (SIIF)
- State Disaster Relief Fund

Remaining Funds

- Political Subdivisions (30%)
- Strategic Investment Fund (SIIF) (70%)

Impact Grant Fund ($140 Million)

Hub Cities Distributions

- Oil Hub Cities ($375k/1% O&G)
- Oil Hub City Schools ($125k/1% O&G)
- Non Oil Hub Cities ($250k/1% O&G)

Statutory Distributions

- O & G Stabilization Fund
- Outdoor Heritage Fund
- Abandoned Well & Site Reclamation fund

Oil & Gas Communities Distributions

- Counties (60%)
- Cities (20%)
- Townships (3% & 3%)
- Schools (5%)
- Hub Cities (9%)

O&G Communities

$5M Annual GPT

- 70%
- 30%

1/5

4/5

Remaining Funds

- Political Subdivisions (30%)
- Strategic Investment Fund (SIIF) (70%)
HB 1176 Impact Grants

- $48 Million Airports
- $30 Million Schools
- $10 Million Law Enforcement
- $10 Million Critical Access Hospitals
- $8 Million Specific Eligible Counties
- $6 Million Emergency Services
- $5 Million Non-Big 10 Counties
- $4 Million Nursing Homes/Home Health
- $3 Million Fire
- $2 Million Developmental Disabilities
- $2 Million Domestic Violence
- $2 Million District Health
- $2.5 Million Eligible Cities
- $6.8 Million Undesignated
HB 1476 – Extraction Tax Trigger Bill

- Not part of original Legislative Strategy
- NDAOGPC did not take an official position on the bill
- Removes the “Big Trigger” on the Extraction Tax as of Jan. 1, 2016
- Changes the Extraction Tax Rate to 5% from 6.5% on Jan. 1, 2016
  - Triggers to 6% if oil above $90 for 3 consecutive months
  - Triggers back to 5% if oil below $90 for 3 consecutive months
- Many of the reductions and exemptions are eliminated on Jan. 1, 2016
HB 1377 – Bucket Bill

- Not part of original Legislative Strategy
- Revenue forecast to fill State “Buckets” required unique approach for funding
- New Bucket created to provide funding to Oil and Gas Political Subdivisions
- Receive 30% of funds after the state “Buckets” are filled
- Oil and Gas Political Subdivisions receive extraction tax dollars
Bucket List

- General Fund - $200 Million
- Tax Relief Fund - $300 Million
- General Fund - $100 Million
- SIIF - $100 Million
- Disaster Relief - $22 Million ($16 Million)
- SIIF (70% of Additional Revenues)
- Political Subs (30% of Additional Revenues)
State Revenue Forecast

• $57.81 WTI Average Price
  • Moody Analytics Pricing Forecast for 24 Months

• $49.14 State Average Price
  • 15% Discount from WTI

• Production of 1.1 Million BPD

• Big Trigger 1st 6 Months of Biennium
  • HB 1476 Removed “Trigger” as of Jan. 1, 2016
### Bucket List

**Oil & Gas Revenue State Forecast**

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<tr>
<th>Fund</th>
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<td>Disaster Relief - $22 Million ($16 Million)</td>
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<tr>
<td>SIIF (70% of Additional Revenues) - $102 Million</td>
<td></td>
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<tr>
<td>Political Subs (30% of Additional Revenues) - $44 Million</td>
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</tr>
<tr>
<td>Additional State SIIF Funds (Royalties, Lease Bonuses, etc.) - $161 Million</td>
<td></td>
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NDAOGPC Revenue Forecast

- **$53.75 WTI Average Price**
  - 22 Month NYMEX Futures pricing as of 8/31/2015
  - WTI Price Average for July/August

- **$45.69 State Average Price**
  - 15% Discount from WTI

- **Production of 1.1 Million BPD**

- **Big Trigger for 1 Month of Biennium**
  - HB 1476 Removed “Trigger” as of Jan. 1, 2016
  - Extraction Tax decrease of 5% Average for Remainder of Biennium
## Bucket List

**Oil & Gas Revenue NDAOGPC Forecast**

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Questions

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