

**HOUSE BILL NO. 1176**

Introduced by

Representatives Kempenich, Brandenburg, Dockter, Hatlestad, Owens, Streytle, Toman,  
Trottier

Senators Bowman, O'Connell, Oehlke, Unruh

1 A BILL for an Act to amend and reenact sections 15.1-27-04.1, 57-51-01, and 57-51-15 of the  
2 North Dakota Century Code, relating to mineral revenue received by school districts and oil and  
3 gas gross production tax definitions and allocations; to provide appropriations; and to provide  
4 an effective date.

5 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

6 **SECTION 1. AMENDMENT.** Section 15.1-27-04.1 of the North Dakota Century Code is  
7 amended and reenacted as follows:

8 **15.1-27-04.1. (~~Effective through June 30, 2015~~) Baseline funding - Establishment -**  
9 **Determination of state aid.**

- 10 1. In order to determine the amount of state aid payable to each district, the  
11 superintendent of public instruction shall establish each district's baseline funding. A  
12 district's baseline funding consists of:
- 13 a. All state aid received by the district in accordance with chapter 15.1-27 during the  
14 2012-13 school year;
  - 15 b. The district's 2012-13 mill levy reduction grant, as determined in accordance with  
16 chapter 57-64, as it existed on June 30, 2013;
  - 17 c. An amount equal to that raised by the district's 2012 general fund levy or that  
18 raised by one hundred ten mills of the district's 2012 general fund levy, whichever  
19 is less;
  - 20 d. An amount equal to that raised by the district's 2012 long-distance learning and  
21 educational technology levy;
  - 22 e. An amount equal to that raised by the district's 2012 alternative education  
23 program levy; and

- 1           f. An amount equal to:
- 2           (1) Seventy-five percent of all revenue received by the school district and
- 3                 reported under code 2000 of the North Dakota school district financial
- 4                 accounting and reporting manual, as developed by the superintendent of
- 5                 public instruction in accordance with section 15.1-02-08;
- 6           (2) Seventy-five percent of all mineral revenue received by the school district
- 7                 through direct allocation from the state treasurer and not reported under
- 8                 code 2000 of the North Dakota school district financial accounting and
- 9                 reporting manual, as developed by the superintendent of public instruction
- 10                in accordance with section 15.1-02-08;
- 11          (3) Seventy-five percent of all tuition received by the school district and
- 12                reported under code 1300 of the North Dakota school district financial
- 13                accounting and reporting manual, as developed by the superintendent of
- 14                public instruction in accordance with section 15.1-02-08, with the exception
- 15                of revenue received specifically for the operation of an educational program
- 16                provided at a residential treatment facility and tuition received for the
- 17                provision of an adult farm management program;
- 18          (4) Seventy-five percent of all revenue received by the school district from
- 19                payments in lieu of taxes on the distribution and transmission of electric
- 20                power;
- 21          (5) Seventy-five percent of all revenue received by the school district from
- 22                payments in lieu of taxes on electricity generated from sources other than
- 23                coal;
- 24          (6) All revenue received by the school district from mobile home taxes;
- 25          (7) Seventy-five percent of all revenue received by the school district from the
- 26                leasing of land acquired by the United States for which compensation is
- 27                allocated to the state under 33 U.S.C. 701(c)(3);
- 28          (8) All telecommunications tax revenue received by the school district; and
- 29          (9) All revenue received by the school district from payments in lieu of taxes
- 30                and state reimbursement of the homestead credit and disabled veterans
- 31                credit.

- 1           2.    The superintendent shall divide the district's total baseline funding by the district's  
2                    2012-13 weighted student units in order to determine the district's baseline funding per  
3                    weighted student unit.
- 4           3.    a.    In 2013-14, the superintendent shall multiply the district's weighted student units  
5                    by eight thousand eight hundred ten dollars.
- 6                    (1)   The superintendent shall adjust the product to ensure that the product is at  
7                    least equal to the greater of:
- 8                    (a)   One hundred two percent of the district's baseline funding per  
9                    weighted student unit, as established in subsection 2, multiplied by  
10                   the district's 2013-14 weighted student units; or
- 11                   (b)   One hundred percent of the district's baseline funding as established  
12                   in subsection 1.
- 13                   (2)   The superintendent shall also adjust the product to ensure that the product  
14                   does not exceed one hundred ten percent of the district's baseline funding  
15                   per weighted student unit multiplied by the district's 2013-14 weighted  
16                   student units, as established in subsection 2.
- 17           b.    In 2014-15, the superintendent shall multiply the district's weighted student units  
18                   by nine thousand ninety-two dollars.
- 19                   (1)   The superintendent shall adjust the product to ensure that the product is at  
20                   least equal to the greater of:
- 21                   (a)   One hundred four percent of the district's baseline funding per  
22                   weighted student unit, as established in subsection 2, multiplied by  
23                   the district's 2014-15 weighted student units; or
- 24                   (b)   One hundred percent of the district's baseline funding as established  
25                   in subsection 1.
- 26                   (2)   The superintendent shall also adjust the product to ensure that the product  
27                   does not exceed one hundred twenty percent of the district's baseline  
28                   funding per weighted student unit, as established in subsection 2, multiplied  
29                   by the district's 2014-15 weighted student units.
- 30           4.    ~~After~~Except as provided in subsection 5, after determining the product in accordance  
31                   with subsection 3, the superintendent of public instruction shall:

- 1           a. Subtract an amount equal to sixty mills multiplied by the taxable valuation of the  
2           school district, provided that after 2013, the amount in dollars subtracted for  
3           purposes of this subdivision may not exceed the previous year's amount in  
4           dollars subtracted for purposes of this subdivision by more than twelve percent;  
5           and
- 6           b. Subtract an amount equal to seventy-five percent of all revenues listed in  
7           paragraphs 1 through 5, and 7 of subdivision f of subsection 1 and one hundred  
8           percent of all revenues listed in paragraphs 6, 8, and 9 of subdivision f of  
9           subsection 1.
- 10         5. a. If a school district's evidence of indebtedness for an eligible school construction  
11           loan is payable in whole or in part from the district's distribution of oil and gas  
12           gross production tax in accordance with section 57-51-15, the superintendent of  
13           public instruction shall, after determining the product in accordance with  
14           subsection 3:
- 15           (1) Subtract an amount equal to sixty mills multiplied by the taxable valuation of  
16           the school district, provided that the amount in dollars subtracted for  
17           purposes of this subdivision may not exceed the previous year's amount in  
18           dollars subtracted for purposes of this subdivision by more than twelve  
19           percent;
- 20           (2) Subtract an amount equal to seventy-five percent of all revenues listed in  
21           paragraphs 1, 3 through 5, and 7 of subdivision f of subsection 1 and one  
22           hundred percent of all revenues listed in paragraphs 6, 8, and 9 of  
23           subdivision f of subsection 1; and
- 24           (3) Subtract an amount equal to seventy-five percent of all revenues listed in  
25           paragraph 2 of subdivision f of subsection 1 minus the lesser of:
- 26           (a) Any amount of such revenues used to pay the district's evidence of  
27           indebtedness on an eligible school construction project; or
- 28           (b) Sixty percent of all revenues listed in paragraph 2 of subdivision f of  
29           subsection 1.

- 1           **b.** For purposes of this subsection, an eligible school construction loan means  
2           evidence of an indebtedness for a school construction project that was incurred  
3           on or after January 1, 2010, provided:
- 4           (1) Indebtedness for the project was approved by sixty percent of the qualified  
5           electors of the school district voting on the question; or
- 6           (2) (a) The cost of the project at the time of indebtedness is in excess of five  
7           hundred thousand dollars; and
- 8           (b) The project received approval by the superintendent of public  
9           instruction in accordance with section 15.1-36-01.
- 10          6. The amount remaining after the computation required under subsection 4 or 5 is the  
11          amount of state aid to which a school district is entitled, subject to any other statutory  
12          requirements or limitations.

13          **SECTION 2. AMENDMENT.** Section 57-51-01 of the North Dakota Century Code is  
14          amended and reenacted as follows:

15          **57-51-01. (~~Effective for taxable events occurring through June 30, 2015~~) Definitions.**

16          As used in this chapter:

- 17          1. "Barrel of oil" means forty-two United States gallons of two hundred thirty-one cubic  
18          inches per gallon computed at a temperature of sixty degrees Fahrenheit [158.99 liters  
19          computed at a temperature of 15.56 degrees Celsius].
- 20          2. "Commissioner" means the state tax commissioner.
- 21          3. "Field" means the geographic area underlaid by one or more pools, as defined by the  
22          industrial commission.
- 23          4. "Gas" means natural gas and casinghead gas.
- 24          5. "Hub city" means a city with a population of twelve thousand five hundred or more,  
25          according to the last official decennial federal census, which has more than one  
26          percent of its private covered employment engaged in the mining industry oil and  
27          gas-related employment, according to annual data compiled by job service North  
28          Dakota.
- 29          6. "Hub city school district" means the school district with the highest student enrollment  
30          within the city limits of a hub city.
- 31          7. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.

- 1           8. "Person" includes partnership, corporation, limited liability company, association,  
2           fiduciary, trustee, and any combination of individuals.
- 3           9. "Posted price" means the price specified in publicly available posted price bulletins or  
4           other public notices, net of any adjustments for quality and location.
- 5           10. "Shallow gas" means gas produced from a gas well completed in or producing from a  
6           shallow gas zone, as certified to the tax commissioner by the industrial commission.
- 7           11. "Shallow gas zone" means a strata or formation, including lignite or coal strata or  
8           seam, located above the depth of five thousand feet [1524 meters] below the surface,  
9           or located more than five thousand feet [1524 meters] below the surface but above the  
10          top of the Rierdon formation, from which gas is or may be produced.
- 11          12. "Transportation costs" means the costs incurred for transporting oil established in  
12          accordance with the first applicable of the following methods:
- 13           a. Actual costs incurred under the arm's-length contract between the producer and  
14           the transporter of oil.
- 15           b. An applicable common carrier rate established and filed with the North Dakota  
16           public service commission, or the appropriate federal jurisdictional agency.
- 17           c. When no common carrier rate would be applicable, the transportation costs are  
18           those reasonable costs associated with the actual operating and maintenance  
19           expenses, overhead costs directly attributable and allocable to the operation and  
20           maintenance, and either depreciation and a return on undepreciated capital  
21           investment, or a cost equal to a return on the investment in the transportation  
22           system, as determined by the commissioner.

23          ~~(Effective for taxable events occurring after June 30, 2015) Definitions.~~ As used in this  
24 chapter:

- 25          1. ~~"Barrel of oil" means forty two United States gallons of two hundred thirty one cubic~~  
26          ~~inches per gallon computed at a temperature of sixty degrees Fahrenheit [158.99 liters~~  
27          ~~computed at a temperature of 15.56 degrees Celsius].~~
- 28          2. ~~"Commissioner" means the state tax commissioner.~~
- 29          3. ~~"Field" means the geographic area underlaid by one or more pools, as defined by the~~  
30          ~~industrial commission.~~
- 31          4. ~~"Gas" means natural gas and casinghead gas.~~

- 1       5. ~~"Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.~~
- 2       6. ~~"Person" includes partnership, corporation, limited liability company, association,~~
- 3       fiduciary, trustee, and any combination of individuals.
- 4       7. ~~"Posted price" means the price specified in publicly available posted price bulletins or~~
- 5       other public notices, net of any adjustments for quality and location.
- 6       8. ~~"Shallow gas" means gas produced from a gas well completed in or producing from a~~
- 7       shallow gas zone, as certified to the tax commissioner by the industrial commission.
- 8       9. ~~"Shallow gas zone" means a strata or formation, including lignite or coal strata or~~
- 9       seam, located above the depth of five thousand feet [1524 meters] below the surface,
- 10      or located more than five thousand feet [1524 meters] below the surface but above the
- 11      top of the Rierdon formation, from which gas is or may be produced.
- 12     10. ~~"Transportation costs" means the costs incurred for transporting oil established in~~
- 13      accordance with the first applicable of the following methods:
- 14      a. ~~Actual costs incurred under the arm's-length contract between the producer and~~
- 15      the transporter of oil.
- 16      b. ~~An applicable common carrier rate established and filed with the North Dakota~~
- 17      public service commission, or the appropriate federal jurisdictional agency.
- 18      c. ~~When no common carrier rate would be applicable, the transportation costs are~~
- 19      those reasonable costs associated with the actual operating and maintenance
- 20      expenses, overhead costs directly attributable and allocable to the operation and
- 21      maintenance, and either depreciation and a return on undepreciated capital
- 22      investment, or a cost equal to a return on the investment in the transportation
- 23      system, as determined by the commissioner.

24       **SECTION 3. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is

25      amended and reenacted as follows:

26       **57-51-15. (Effective for taxable events occurring through June 30, 2015) Gross**

27      **production tax allocation.**

28      The gross production tax must be allocated monthly as follows:

- 29      1. First the tax revenue collected under this chapter equal to one percent of the gross
- 30      value at the well of the oil and one-fifth of the tax on gas must be deposited with the
- 31      state treasurer who shall:

- 1           a.    Allocate to each hub city a monthly amount that will provide a total allocation of  
2                    ~~three hundred seventy-five~~five hundred thousand dollars per fiscal year for each  
3                    full or partial percentage point of its private covered employment engaged in ~~the~~  
4                    ~~mining industry~~oil and gas-related employment, according to annual data  
5                    compiled by job service North Dakota;
- 6           b.    Allocate to each hub city school district a monthly amount that will provide a total  
7                    allocation of one hundred ~~twenty-five~~fifty thousand dollars per fiscal year for each  
8                    full or partial percentage point of the hub city's private covered employment  
9                    engaged in ~~the mining industry~~oil and gas-related employment, according to  
10                  annual data compiled by job service North Dakota;
- 11          c.    Allocate a monthly amount that will provide a total allocation of one million seven  
12                  hundred fifty thousand dollars per fiscal year to be added by the state treasurer to  
13                  the allocations to school districts under subdivision b of subsection 5 for each  
14                  county that received five million dollars or more of allocations under subsection 2  
15                  in the most recently completed state fiscal year;
- 16          ~~e-d.~~   Credit revenues to the oil and gas impact grant fund, but not in an amount  
17                  exceeding ~~two~~one hundred forty million dollars per biennium;
- 18          ~~d-e.~~   Credit four percent of the amount available under this subsection to the North  
19                  Dakota outdoor heritage fund, but not in an amount exceeding fifteen million  
20                  dollars in a state fiscal year and not in an amount exceeding thirty million dollars  
21                  per biennium;
- 22          ~~e-f.~~   Credit four percent of the amount available under this subsection to the  
23                  abandoned oil and gas well plugging and site reclamation fund, but not in an  
24                  amount exceeding five million dollars in a state fiscal year and not in an amount  
25                  that would bring the balance in the fund to more than seventy-five million dollars;  
26                  and
- 27          ~~f-g.~~   Allocate the remaining revenues under subsection 3.
- 28          2.    After deduction of the amount provided in subsection 1, annual revenue collected  
29                  under this chapter from oil and gas produced in each county must be allocated as  
30                  follows:
- 31                  a.    The first five million dollars is allocated to the county.



- 1           b. Of all annual revenue exceeding five million dollars, ~~twenty-five~~sixty percent is  
2           allocated to the county.
- 3           3. After the allocations under subsections 1 and 2, the amount remaining is allocated first  
4           to provide for deposit of thirty percent of all revenue collected under this chapter in the  
5           legacy fund as provided in section 26 of article X of the Constitution of North Dakota  
6           and the remainder must be allocated to the state general fund. If the amount available  
7           for a monthly allocation under this subsection is insufficient to deposit thirty percent of  
8           all revenue collected under this chapter in the legacy fund, the state treasurer shall  
9           transfer the amount of the shortfall from the state general fund share of oil extraction  
10          tax collections and deposit that amount in the legacy fund.
- 11          4. For a county that received less than five million dollars of allocations under  
12          subsection 2 in the most recently completed state fiscal year, revenues allocated to  
13          that county must be distributed ~~no less than~~at least quarterly by the state treasurer as  
14          follows:
- 15          a. Forty-five percent must be distributed to the county treasurer and credited to the  
16          county general fund. However, the ~~allocation~~distribution to a county under this  
17          subdivision must be credited to the state general fund if in a taxable year after  
18          2012 the county is not levying a total of at least ten mills for combined levies for  
19          county road and bridge, farm-to-market and federal aid road, and county road  
20          purposes.
- 21          b. ~~Thirty-five percent of all revenues allocated to any county for allocation under this~~  
22          ~~subsection must be apportioned by the state treasurer no less than~~  
23          ~~quarterly~~distributed to school districts within the county, ~~excluding consideration~~  
24          ~~of and allocation to any hub city school district in the county~~, on the average daily  
25          attendance distribution basis for kindergarten through grade twelve students  
26          residing within the county, as certified to the state treasurer by the county  
27          superintendent of schools. However, a hub city school district must be omitted  
28          from distributions under this subdivision.
- 29          c. Twenty percent must be ~~apportioned no less than quarterly by the state~~  
30          ~~treasurer~~distributed to the incorporated cities of the county. A hub city must be  
31          omitted from ~~apportionment~~distributions under this subdivision.

1            ~~Apportionment~~Distributions among cities under this subsection must be based  
2            upon the population of each incorporated city according to the last official  
3            decennial federal census. In determining the population of any city in which total  
4            employment increases by more than two hundred percent seasonally due to  
5            tourism, the population of that city for purposes of this subdivision must be  
6            increased by eight hundred percent.

7            5. For a county that received five million dollars or more of allocations under subsection 2  
8            in the most recently completed state fiscal year, revenues allocated to that county  
9            must be distributed ~~no less than~~ at least quarterly by the state treasurer as follows:

10           a. Sixty percent must be distributed to the county treasurer and credited to the  
11           county general fund. However, the ~~allocation~~distribution to a county under this  
12           subdivision must be credited to the state general fund if in a taxable year after  
13           2012 the county is not levying a total of at least ten mills for combined levies for  
14           county road and bridge, farm-to-market and federal aid road, and county road  
15           purposes.

16           b. Five percent must be ~~apportioned by the state treasurer no less than~~  
17           ~~quarterly~~distributed to school districts within the county on the average daily  
18           attendance distribution basis for kindergarten through grade twelve students  
19           residing within the county, as certified to the state treasurer by the county  
20           superintendent of schools. However, a hub city school district must be omitted  
21           from ~~consideration and apportionment~~distributions under this subdivision.

22           c. Twenty percent must be ~~apportioned no less than quarterly by the state~~  
23           ~~treasurer~~distributed to the incorporated cities of the county. A hub city must be  
24           omitted from ~~apportionment~~distributions under this subdivision.

25           ~~Apportionment~~Distributions among cities under this subsection must be based  
26           upon the population of each incorporated city according to the last official  
27           decennial federal census. In determining the population of any city in which total  
28           employment increases by more than two hundred percent seasonally due to  
29           tourism, the population of that city for purposes of this subdivision must be  
30           increased by eight hundred percent.

- 1           d.    Three percent must be ~~apportioned no less than quarterly by the state-~~  
2           ~~treasurer~~allocated among the organized and unorganized townships of the  
3           county. The state treasurer shall ~~apportion~~allocate the funds available under this  
4           subdivision among townships in the proportion ~~that township~~ to each township's  
5           road miles ~~in the township bear~~relative to the total township road miles in the  
6           county. The amount ~~apportioned~~allocated to unorganized townships under this  
7           subdivision must be distributed to the county treasurer and credited to a special  
8           fund for unorganized township roads, which the board of county commissioners  
9           shall use for the maintenance and improvement of roads in unorganized  
10          townships.
- 11          e.    Three percent must be ~~allocated by the state treasurer~~ among the organized and  
12          unorganized townships in all the counties that received five million dollars or  
13          more of allocations under subsection 2 in the most recently completed state fiscal  
14          year. The amount available under this subdivision must be ~~allocated no less than~~  
15          ~~quarterly~~ by the state treasurer in an equal amount to each eligible organized and  
16          unorganized township. The amount allocated to unorganized townships under  
17          this subdivision must be distributed to the county treasurer and credited to a  
18          special fund for unorganized township roads, which the board of county  
19          commissioners shall use for the maintenance and improvement of roads in  
20          unorganized townships.
- 21          f.    Nine percent must be ~~allocated by the state treasurer~~distributed among hub  
22          cities. ~~The amount available for allocation under this subdivision must be~~  
23          ~~apportioned by the state treasurer no less than quarterly among hub cities.~~ Sixty  
24          percent of funds available under this subdivision must be distributed to the hub  
25          city receiving the ~~greatest~~highest percentage of allocations to hub cities under  
26          subdivision a of subsection 1 for the quarterly period, thirty percent of funds  
27          available under this subdivision must be distributed to the hub city receiving the  
28          second ~~greatest~~highest percentage of such allocations, and ten percent of funds  
29          available under this subdivision must be distributed to the hub city receiving the  
30          third ~~greatest~~highest percentage of such allocations.

1           6. Within thirty days after the end of each calendar year, the board of county  
2           commissioners of each county that has received an allocation under this section shall  
3           file a report for the calendar year with the commissioner, in a format prescribed by the  
4           commissioner, including:

- 5           a. The county's statement of revenues and expenditures; and  
6           b. ~~The amount allocated to or for the benefit of townships or school districts, the~~  
7           ~~amount allocated to each organized township or school district and the amount~~  
8           ~~expended from each such allocation by that township or school district, the~~  
9           ~~amount expended by the board of county commissioners on behalf of each~~  
10          ~~unorganized township for which an expenditure was made, and the amount~~  
11          ~~available for allocation to or for the benefit of townships or school districts which~~  
12          ~~remained unexpended at the end of the fiscal year.~~The county's ending fund  
13          balances;  
14          c. The amounts allocated under this section to the county's general fund, the  
15          amounts expended from these allocations, and the purposes of the expenditures;  
16          and  
17          d. The amounts allocated under this section to or for the benefit of townships within  
18          the county, the amounts expended from these allocations, and the purposes of  
19          the expenditures.

20           Within fifteen days after the time when reports under this subsection ~~were~~are due, the  
21           commissioner shall provide the reports to the legislative council compiling the  
22           information from reports received under this subsection.

23          7. Within thirty days after the end of each fiscal year ended June thirtieth, each school  
24          district that has received an allocation under this section shall file a report for the fiscal  
25          year ended June thirtieth with the commissioner, in a format prescribed by the  
26          commissioner, including:

- 27          a. The school district's statement of revenue and expenditures;  
28          b. The school district's ending fund balances; and  
29          c. The amounts allocated under this section to the school district, the amounts  
30          expended from these allocations, and the purposes of the expenditures.

1           Within fifteen days after the time when reports under this subsection are due, the  
2           commissioner shall provide the reports to the legislative council compiling the  
3           information from reports received under this subsection.

4           ~~(Effective for taxable events occurring after June 30, 2015) Gross production tax~~  
5 ~~allocation.~~ The gross production tax must be allocated monthly as follows:

- 6           1. ~~First the tax revenue collected under this chapter equal to one percent of the gross~~  
7           ~~value at the well of the oil and one fifth of the tax on gas must be deposited with the~~  
8           ~~state treasurer who shall:~~
  - 9           a. ~~Allocate five hundred thousand dollars per fiscal year to each city in an~~  
10           ~~oil-producing county which has a population of seven thousand five hundred or~~  
11           ~~more and more than two percent of its private covered employment engaged in~~  
12           ~~the mining industry, according to data compiled by job service North Dakota. The~~  
13           ~~allocation under this subdivision must be doubled if the city has more than seven~~  
14           ~~and one-half percent of its private covered employment engaged in the mining~~  
15           ~~industry, according to data compiled by job service North Dakota;~~
  - 16           b. ~~Credit revenues to the oil and gas impact grant fund, but not in an amount~~  
17           ~~exceeding one hundred million dollars per biennium;~~
  - 18           c. ~~Credit four percent of the amount available under this subsection to the North~~  
19           ~~Dakota outdoor heritage fund, but not in an amount exceeding fifteen million~~  
20           ~~dollars in a state fiscal year and not in an amount exceeding thirty million dollars~~  
21           ~~per biennium;~~
  - 22           d. ~~Credit four percent of the amount available under this subsection to the~~  
23           ~~abandoned oil and gas well plugging and site reclamation fund, but not in an~~  
24           ~~amount exceeding five million dollars in a state fiscal year and not in an amount~~  
25           ~~that would bring the balance in the fund to more than seventy-five million dollars;~~  
26           ~~and~~
  - 27           e. ~~Allocate the remaining revenues under subsection 3.~~
- 28           2. ~~After deduction of the amount provided in subsection 1, annual revenue collected~~  
29           ~~under this chapter from oil and gas produced in each county must be allocated as~~  
30           ~~follows:~~
  - 31           a. ~~The first two million dollars is allocated to the county.~~

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- 1           b. ~~Of the next one million dollars, seventy-five percent is allocated to the county.~~
- 2           e. ~~Of the next one million dollars, fifty percent is allocated to the county.~~
- 3           d. ~~Of the next fourteen million dollars, twenty-five percent is allocated to the county.~~
- 4           e. ~~Of all annual revenue exceeding eighteen million dollars, ten percent is allocated~~  
5           ~~to the county.~~
- 6        3. ~~After the allocations under subsections 1 and 2, the amount remaining is allocated first~~  
7        ~~to provide for deposit of thirty percent of all revenue collected under this chapter in the~~  
8        ~~legacy fund as provided in section 26 of article X of the Constitution of North Dakota~~  
9        ~~and the remainder must be allocated to the state general fund. If the amount available~~  
10       ~~for a monthly allocation under this subsection is insufficient to deposit thirty percent of~~  
11       ~~all revenue collected under this chapter in the legacy fund, the state treasurer shall~~  
12       ~~transfer the amount of the shortfall from the state general fund share of oil extraction~~  
13       ~~tax collections and deposit that amount in the legacy fund.~~
- 14       4. ~~The amount to which each county is entitled under subsection 2 must be allocated~~  
15       ~~within the county so the first five million three hundred fifty thousand dollars is~~  
16       ~~allocated under subsection 5 for each fiscal year and any amount received by a county~~  
17       ~~exceeding five million three hundred fifty thousand dollars is credited by the county~~  
18       ~~treasurer to the county infrastructure fund and allocated under subsection 6.~~
- 19       5. a. ~~Forty-five percent of all revenues allocated to any county for allocation under this~~  
20       ~~subsection must be credited by the county treasurer to the county general fund.~~  
21       ~~However, the allocation to a county under this subdivision must be credited to the~~  
22       ~~state general fund if during that fiscal year the county does not levy a total of at~~  
23       ~~least ten mills for combined levies for county road and bridge, farm-to-market and~~  
24       ~~federal aid road, and county road purposes.~~
- 25       b. ~~Thirty-five percent of all revenues allocated to any county for allocation under this~~  
26       ~~subsection must be apportioned by the county treasurer no less than quarterly to~~  
27       ~~school districts within the county on the average daily attendance distribution~~  
28       ~~basis, as certified to the county treasurer by the county superintendent of~~  
29       ~~schools. However, no school district may receive in any single academic year an~~  
30       ~~amount under this subsection greater than the county average per student cost~~  
31       ~~multiplied by seventy percent, then multiplied by the number of students in~~

1 average daily attendance or the number of children of school age in the school  
2 census for the county, whichever is greater. Provided, however, that in any county  
3 in which the average daily attendance or the school census, whichever is greater,  
4 is fewer than four hundred, the county is entitled to one hundred twenty percent  
5 of the county average per student cost multiplied by the number of students in  
6 average daily attendance or the number of children of school age in the school  
7 census for the county, whichever is greater. Once this level has been reached  
8 through distributions under this subsection, all excess funds to which the school  
9 district would be entitled as part of its thirty-five percent share must be deposited  
10 instead in the county general fund. The county superintendent of schools of each  
11 oil-producing county shall certify to the county treasurer by July first of each year  
12 the amount to which each school district is limited pursuant to this subsection. As  
13 used in this subsection, "average daily attendance" means the average daily  
14 attendance for the school year immediately preceding the certification by the  
15 county superintendent of schools required by this subsection.

16 The countywide allocation to school districts under this subdivision is subject  
17 to the following:

- 18 (1) The first three hundred fifty thousand dollars is apportioned entirely among  
19 school districts in the county.
- 20 (2) The next three hundred fifty thousand dollars is apportioned seventy-five  
21 percent among school districts in the county and twenty-five percent to the  
22 county infrastructure fund.
- 23 (3) The next two hundred sixty-two thousand five hundred dollars is  
24 apportioned two-thirds among school districts in the county and one-third to  
25 the county infrastructure fund.
- 26 (4) The next one hundred seventy-five thousand dollars is apportioned fifty  
27 percent among school districts in the county and fifty percent to the county  
28 infrastructure fund.
- 29 (5) Any remaining amount is apportioned to the county infrastructure fund  
30 except from that remaining amount the following amounts are apportioned  
31 among school districts in the county:

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- 1                   (a) Four hundred ninety thousand dollars, for counties having a  
2                   population of three thousand or fewer.
- 3                   (b) Five hundred sixty thousand dollars, for counties having a population  
4                   of more than three thousand and fewer than six thousand.
- 5                   (c) Seven hundred thirty-five thousand dollars, for counties having a  
6                   population of six thousand or more.
- 7                   e. Twenty percent of all revenues allocated to any county for allocation under this  
8                   subsection must be apportioned no less than quarterly by the state treasurer to  
9                   the incorporated cities of the county. Apportionment among cities under this  
10                  subsection must be based upon the population of each incorporated city  
11                  according to the last official decennial federal census. In determining the  
12                  population of any city in which total employment increases by more than two  
13                  hundred percent seasonally due to tourism, the population of that city for  
14                  purposes of this subdivision must be increased by eight hundred percent. If a city  
15                  receives a direct allocation under subsection 1, the allocation to that city under  
16                  this subsection is limited to sixty percent of the amount otherwise determined for  
17                  that city under this subsection and the amount exceeding this limitation must be  
18                  reallocated among the other cities in the county.
- 19                  6. a. Forty-five percent of all revenues allocated to a county infrastructure fund under  
20                  subsections 4 and 5 must be credited by the county treasurer to the county  
21                  general fund. However, the allocation to a county under this subdivision must be  
22                  credited to the state general fund if during that fiscal year the county does not  
23                  levy a total of at least ten mills for combined levies for county road and bridge,  
24                  farm to market and federal aid road, and county road purposes.
- 25                  b. Thirty-five percent of all revenues allocated to the county infrastructure fund  
26                  under subsections 4 and 5 must be allocated by the board of county  
27                  commissioners to or for the benefit of townships in the county on the basis of  
28                  applications by townships for funding to offset oil and gas development impact to  
29                  township roads or other infrastructure needs or applications by school districts for  
30                  repair or replacement of school district vehicles necessitated by damage or  
31                  deterioration attributable to travel on oil and gas development impacted roads. An



1 organized township is not eligible for an allocation of funds under this subdivision-  
2 unless during that fiscal year that township levies at least ten mills for township-  
3 purposes. For unorganized townships within the county, the board of county-  
4 commissioners may expend an appropriate portion of revenues under this-  
5 subdivision to offset oil and gas development impact to township roads or other-  
6 infrastructure needs in those townships. The amount deposited during each-  
7 calendar year in the county infrastructure fund which is designated for allocation-  
8 under this subdivision and which is unexpended and unobligated at the end of  
9 the calendar year must be transferred by the county treasurer to the county road  
10 and bridge fund for use on county road and bridge projects.

- 11 e. Twenty percent of all revenues allocated to any county infrastructure fund under  
12 subsections 4 and 5 must be allocated by the county treasurer no less than  
13 quarterly to the incorporated cities of the county. Apportionment among cities  
14 under this subsection must be based upon the population of each incorporated  
15 city according to the last official decennial federal census. If a city receives a  
16 direct allocation under subsection 1, the allocation to that city under this  
17 subsection is limited to sixty percent of the amount otherwise determined for that  
18 city under this subsection and the amount exceeding this limitation must be  
19 reallocated among the other cities in the county.

- 20 7. Within thirty days after the end of each calendar year, the board of county-  
21 commissioners of each county that has received an allocation under this section shall  
22 file a report for the calendar year with the commissioner, in a format prescribed by the  
23 commissioner, including:

- 24 a. The county's statement of revenues and expenditures; and
- 25 b. The amount available in the county infrastructure fund for allocation to or for the  
26 benefit of townships or school districts, the amount allocated to each organized  
27 township or school district and the amount expended from each such allocation-  
28 by that township or school district, the amount expended by the board of county  
29 commissioners on behalf of each unorganized township for which an expenditure  
30 was made, and the amount available for allocation to or for the benefit of

1                    ~~townships or school districts which remained unexpended at the end of the fiscal~~  
2                    ~~year.~~

3                    ~~Within fifteen days after the time when reports under this subsection were due, the~~  
4                    ~~commissioner shall provide the reports to the legislative council compiling the~~  
5                    ~~information from reports received under this subsection.~~

6                    **SECTION 4. APPROPRIATION - DEPARTMENT OF TRANSPORTATION.** There is  
7                    appropriated out of any moneys in the general fund in the state treasury, not otherwise  
8                    appropriated, the sum of \$120,000,000, or so much of the sum as may be necessary, to the  
9                    department of transportation for the purpose of distribution among counties that received no  
10                   allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than  
11                   \$5,000,000 for state fiscal year 2014, for the biennium beginning July 1, 2015, and ending  
12                   June 30, 2017. The amounts available under this section must be distributed on or after  
13                   February 1, 2016.

- 14                   1. The sum appropriated in this section must be used to rehabilitate or reconstruct county  
15                   paved and unpaved roads and bridges needed to support economic activity in North  
16                   Dakota.
- 17                   a. To be eligible to receive a distribution under this section, a county must have  
18                   received no allocation of funding or a total allocation under subsection 2 of  
19                   section 57-51-15 of less than \$5,000,000 for state fiscal year 2014.
- 20                   b. Distributions among eligible counties under this section must be based on the  
21                   miles of roads defined by the department of transportation as county major  
22                   collector roadways in each county.
- 23                   c. The department of transportation may use data supplied by the upper great  
24                   plains transportation institute in determining the projects to receive funding under  
25                   this section.
- 26                   2. Each county requesting funding under this section shall submit the request in  
27                   accordance with criteria developed by the department of transportation.
- 28                   a. The request must include a proposed plan for funding projects that rehabilitate or  
29                   reconstruct paved and unpaved roads and bridges within the county.
- 30                   b. The plan must be based on actual road and bridge conditions and the integration  
31                   of projects with state highway and other county projects.

- 1           c. Projects funded under this section must comply with the American association of  
2           state highway transportation officials pavement design procedures and the  
3           department of transportation local government requirements. Upon completion of  
4           major reconstruction projects, the roadway segment must be posted at a legal  
5           load limit of 105,500 pounds [47853.993 kilograms].
- 6           d. Funds may not be used for routine maintenance.
- 7           3. The department of transportation, in consultation with the county, may approve the  
8           plan or approve the plan with amendments.
- 9           4. The funding appropriated in this section may be used for:
- 10          a. Ninety percent of the cost of the approved projects not to exceed the funding  
11          available for that county.
- 12          b. Funding may be used for construction, engineering, and plan development costs.
- 13          5. Upon approval of the plan, the department of transportation shall transfer to the county  
14          the approved funding for engineering and plan development costs.
- 15          6. Upon execution of a construction contract by the county, the department of  
16          transportation shall transfer to the county the approved funding to be distributed for  
17          county and township rehabilitation and reconstruction projects.
- 18          7. The recipient counties shall report to the department of transportation upon awarding  
19          of each contract and upon completion of each project in a manner prescribed by the  
20          department.
- 21          8. The funding under this section may be applied to engineering, design, and  
22          construction costs incurred on related projects as of January 1, 2015.
- 23          9. For purposes of this section, a "bridge" is a structure that has an opening of more than  
24          20 feet [6.096 meters] as measured along the centerline of the roadway. It may also  
25          be the clear openings of more than 20 feet [6.096 meters] of a group of pipes as long  
26          as the pipes are spaced less than half the distance apart of the smallest diameter  
27          pipe.
- 28          10. Section 54-44.1-11 does not apply to funding under this section. Any funds not spent  
29          by June 30, 2017, must be continued into the biennium beginning July 1, 2017, and  
30          ending June 30, 2019, and may be expended only for purposes authorized by this  
31          section.

1       **SECTION 5. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND.** There is  
2 appropriated out of any moneys in the oil and gas impact grant fund in the state treasury, not  
3 otherwise appropriated, the sum of \$139,000,000, or so much of the sum as may be necessary,  
4 to the board of university and school lands for the purpose of oil and gas impact grants, for the  
5 biennium beginning July 1, 2015, and ending June 30, 2017. Grants awarded under this section  
6 are not subject to section 54-44.1-11.

7       **SECTION 6. EFFECTIVE DATE.** Sections 2 and 3 of this Act are effective for taxable  
8 events occurring after June 30, 2015.