

HOUSE BILL NO. 1176

Introduced by

Representatives Kempenich, Brandenburg, Dockter, Hatlestad, Owens, Streyle, 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; to provide
4 exemptions; to provide for reports to the budget section; and to provide 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(e)(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~~
11 ~~the amount of state aid to which a school district is entitled, subject to any other~~
12 ~~statutory requirements or limitations.~~

13 **SECTION 1.** Section 57-51-01 of the North Dakota Century Code is amended and
14 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~~seven
26 and one-half percent of its private covered employment engaged in the mining-
27 industry~~oil and gas-related employment~~, according to annual data compiled by job
28 service North 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 2. 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 to each county that received more than five million dollars but less than
12 thirty million dollars of total allocations under subsection 2 in state fiscal year
13 2014 a monthly amount that will provide a total allocation of one million ~~seven~~
14 hundred ~~fifty~~ thousand dollars per fiscal year to be added by the state treasurer to
15 the allocations to school districts under subdivision b of subsection 5 ~~for each~~
16 county that received five million dollars or more of allocations under subsection 2
17 in the most recently completed state fiscal year;
- 18 e.d. Credit revenues to the oil and gas impact grant fund, but not in an amount
19 exceeding ~~two~~one hundred forty million dollars per biennium;
- 20 d.e. Credit ~~four~~~~eight~~ percent of the amount available under this subsection to the
21 North Dakota outdoor heritage fund, but not in an amount exceeding
22 ~~fifteen~~~~twenty~~ million dollars in a state fiscal year and not in an amount exceeding
23 ~~thirty~~~~forty~~ million dollars per biennium;
- 24 e.f. Credit four percent of the amount available under this subsection to the
25 abandoned oil and gas well plugging and site reclamation fund, but not in an
26 amount exceeding five million dollars in a state fiscal year and not in an amount
27 that would bring the balance in the fund to more than seventy-five million dollars;
28 and
- 29 f.g. Allocate the remaining revenues under subsection 3.

- 1 2. After deduction of the amount provided in subsection 1, annual revenue collected
2 under this chapter from oil and gas produced in each county must be allocated as
3 follows:
- 4 a. The first five million dollars is allocated to the county.
- 5 b. Of all annual revenue exceeding five million dollars, ~~twenty-five~~sixtythree percent
6 is allocated to the county.
- 7 3. After the allocations under subsections 1 and 2, the amount remaining is allocated first
8 to provide for deposit of thirty percent of all revenue collected under this chapter in the
9 legacy fund as provided in section 26 of article X of the Constitution of North Dakota
10 and the remainder must be allocated to the state general fund. If the amount available
11 for a monthly allocation under this subsection is insufficient to deposit thirty percent of
12 all revenue collected under this chapter in the legacy fund, the state treasurer shall
13 transfer the amount of the shortfall from the state general fund share of oil extraction
14 tax collections and deposit that amount in the legacy fund.
- 15 4. For a county that received less than five million dollars of allocations under
16 subsection 2 in ~~the most recently completed~~ state fiscal year 2014, revenues allocated
17 to that county must be distributed ~~no less than~~at least quarterly by the state treasurer
18 as follows:
- 19 a. Forty-five percent must be distributed to the county treasurer and credited to the
20 county general fund. However, the ~~allocation~~distribution to a county under this
21 subdivision must be credited to the state general fund if in a taxable year after
22 2012 the county is not levying a total of at least ten mills for combined levies for
23 county road and bridge, farm-to-market and federal aid road, and county road
24 purposes.
- 25 b. ~~Thirty-five percent of all revenues allocated to any county for allocation under this~~
26 ~~subsection must be apportioned by the state treasurer no less than~~
27 ~~quarterly~~distributed to school districts within the county, ~~excluding consideration~~
28 ~~of and allocation to any hub city school district in the county~~, on the average daily
29 attendance distribution basis for kindergarten through grade twelve students
30 residing within the county, as certified to the state treasurer by the county

1 superintendent of schools. However, a hub city school district must be omitted
2 from distributions under this subdivision.

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

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

12 5. For a county that received five million dollars or more of allocations under subsection 2
13 in ~~the most recently completed~~ state fiscal year 2014, revenues allocated to that
14 county must be distributed ~~no less than~~ at least quarterly by the state treasurer as
15 follows:

16 a. ~~Sixty~~Sixty-four percent must be distributed to the county treasurer and credited to
17 the county general fund. However, the ~~allocation~~distribution to a county under this
18 subdivision must be credited to the state general fund if in a taxable year after
19 2012 the county is not levying a total of at least ten mills for combined levies for
20 county road and bridge, farm-to-market and federal aid road, and county road
21 purposes.

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

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

31 ~~Apportionment~~Distributions among cities under this subsection must be based

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

6 | d. ~~Three~~Two percent must be ~~apportioned no less than quarterly by the state~~
7 ~~treasurer~~allocated among the organized and unorganized townships of the
8 county. The state treasurer shall ~~apportion~~allocate the funds available under this
9 subdivision among townships in ~~the proportion that township to each township's~~
10 ~~road miles in the township bear~~relative to the total township road miles in the
11 county. The amount ~~apportioned~~allocated to unorganized townships under this
12 subdivision must be distributed to the county treasurer and credited to a special
13 fund for unorganized township roads, which the board of county commissioners
14 shall use for the maintenance and improvement of roads in unorganized
15 townships.

16 | e. ~~Three~~Two percent must be allocated ~~by the state treasurer~~ among the organized
17 and unorganized townships in all the counties that received five million dollars or
18 more of allocations under subsection 2 in the most recently completed state fiscal
19 year. The amount available under this subdivision must be allocated ~~no less than~~
20 ~~quarterly~~ by the state treasurer in an equal amount to each eligible organized and
21 unorganized township. The amount allocated to unorganized townships under
22 this subdivision must be distributed to the county treasurer and credited to a
23 special fund for unorganized township roads, which the board of county
24 commissioners shall use for the maintenance and improvement of roads in
25 unorganized townships.

26 | f. ~~Nine~~Seven percent must be allocated ~~by the state treasurer~~distributed among
27 hub cities. ~~The amount available for allocation under this subdivision must be~~
28 ~~apportioned by the state treasurer no less than quarterly among hub cities.~~ Sixty
29 percent of funds available under this subdivision must be distributed to the hub
30 city receiving the ~~greatest~~highest percentage of allocations to hub cities under
31 subdivision a of subsection 1 for the quarterly period, thirty percent of funds

1 available under this subdivision must be distributed to the hub city receiving the
2 second ~~greatest~~highest percentage of such allocations, and ten percent of funds
3 available under this subdivision must be distributed to the hub city receiving the
4 third ~~greatest~~highest percentage of such allocations.

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

9 a. The county's statement of revenues and expenditures; ~~and~~

10 b. ~~The amount allocated to or for the benefit of townships or school districts, the~~
11 ~~amount allocated to each organized township or school district and the amount~~
12 ~~expended from each such allocation by that township or school district, the~~
13 ~~amount expended by the board of county commissioners on behalf of each~~
14 ~~unorganized township for which an expenditure was made, and the amount~~
15 ~~available for allocation to or for the benefit of townships or school districts which~~
16 ~~remained unexpended at the end of the fiscal year.~~ The county's ending fund
17 balances;

18 c. The amounts allocated under this section to the county's general fund, the
19 amounts expended from these allocations, and the purposes of the expenditures;
20 and

21 d. The amounts allocated under this section to or for the benefit of townships within
22 the county, the amounts expended from these allocations, and the purposes of
23 the expenditures.

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

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

31 a. The school district's statement of revenue and expenditures;

- 1 b. The school district's ending fund balances; and
2 c. The amounts allocated under this section to the school district, the amounts
3 expended from these allocations, and the purposes of the expenditures.

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

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

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

12 ~~a. Allocate five hundred thousand dollars per fiscal year to each city in an~~
13 ~~oil-producing county which has a population of seven thousand five hundred or~~
14 ~~more and more than two percent of its private covered employment engaged in~~
15 ~~the mining industry, according to data compiled by job service North Dakota. The~~
16 ~~allocation under this subdivision must be doubled if the city has more than seven~~
17 ~~and one-half percent of its private covered employment engaged in the mining~~
18 ~~industry, according to data compiled by job service North Dakota;~~

19 ~~b. Credit revenues to the oil and gas impact grant fund, but not in an amount~~
20 ~~exceeding one hundred million dollars per biennium;~~

21 ~~e. Credit four percent of the amount available under this subsection to the North~~
22 ~~Dakota outdoor heritage fund, but not in an amount exceeding fifteen million~~
23 ~~dollars in a state fiscal year and not in an amount exceeding thirty million dollars~~
24 ~~per biennium;~~

25 ~~d. Credit four percent of the amount available under this subsection to the~~
26 ~~abandoned oil and gas well plugging and site reclamation fund, but not in an~~
27 ~~amount exceeding five million dollars in a state fiscal year and not in an amount~~
28 ~~that would bring the balance in the fund to more than seventy-five million dollars;~~
29 ~~and~~

30 ~~e. Allocate the remaining revenues under subsection 3.~~

Sixty-fourth
Legislative Assembly

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

1 basis, as certified to the county treasurer by the county superintendent of
2 schools. However, no school district may receive in any single academic year an
3 amount under this subsection greater than the county average per student cost
4 multiplied by seventy percent, then multiplied by the number of students in
5 average daily attendance or the number of children of school age in the school
6 census for the county, whichever is greater. Provided, however, that in any county
7 in which the average daily attendance or the school census, whichever is greater,
8 is fewer than four hundred, the county is entitled to one hundred twenty percent
9 of the county average per student cost multiplied by the number of students in
10 average daily attendance or the number of children of school age in the school
11 census for the county, whichever is greater. Once this level has been reached
12 through distributions under this subsection, all excess funds to which the school
13 district would be entitled as part of its thirty-five percent share must be deposited
14 instead in the county general fund. The county superintendent of schools of each
15 oil-producing county shall certify to the county treasurer by July first of each year
16 the amount to which each school district is limited pursuant to this subsection. As
17 used in this subsection, "average daily attendance" means the average daily
18 attendance for the school year immediately preceding the certification by the
19 county superintendent of schools required by this subsection.

20 The countywide allocation to school districts under this subdivision is subject
21 to the following:

- 22 (1) The first three hundred fifty thousand dollars is apportioned entirely among
23 school districts in the county.
- 24 (2) The next three hundred fifty thousand dollars is apportioned seventy-five
25 percent among school districts in the county and twenty-five percent to the
26 county infrastructure fund.
- 27 (3) The next two hundred sixty-two thousand five hundred dollars is
28 apportioned two-thirds among school districts in the county and one-third to
29 the county infrastructure fund.

- 1 (4) ~~The next one hundred seventy-five thousand dollars is apportioned fifty-~~
2 ~~percent among school districts in the county and fifty percent to the county-~~
3 ~~infrastructure fund.~~
- 4 (5) ~~Any remaining amount is apportioned to the county infrastructure fund-~~
5 ~~except from that remaining amount the following amounts are apportioned-~~
6 ~~among school districts in the county:~~
- 7 (a) ~~Four hundred ninety thousand dollars, for counties having a-~~
8 ~~population of three thousand or fewer.~~
- 9 (b) ~~Five hundred sixty thousand dollars, for counties having a population-~~
10 ~~of more than three thousand and fewer than six thousand.~~
- 11 (c) ~~Seven hundred thirty-five thousand dollars, for counties having a-~~
12 ~~population of six thousand or more.~~
- 13 e. ~~Twenty percent of all revenues allocated to any county for allocation under this-~~
14 ~~subsection must be apportioned no less than quarterly by the state treasurer to~~
15 ~~the incorporated cities of the county. Apportionment among cities under this~~
16 ~~subsection must be based upon the population of each incorporated city~~
17 ~~according to the last official decennial federal census. In determining the~~
18 ~~population of any city in which total employment increases by more than two-~~
19 ~~hundred percent seasonally due to tourism, the population of that city for~~
20 ~~purposes of this subdivision must be increased by eight hundred percent. If a city~~
21 ~~receives a direct allocation under subsection 1, the allocation to that city under~~
22 ~~this subsection is limited to sixty percent of the amount otherwise determined for~~
23 ~~that city under this subsection and the amount exceeding this limitation must be~~
24 ~~reallocated among the other cities in the county.~~
- 25 6. a. ~~Forty-five percent of all revenues allocated to a county infrastructure fund under-~~
26 ~~subsections 4 and 5 must be credited by the county treasurer to the county~~
27 ~~general fund. However, the allocation to a county under this subdivision must be~~
28 ~~credited to the state general fund if during that fiscal year the county does not~~
29 ~~levy a total of at least ten mills for combined levies for county road and bridge,~~
30 ~~farm to market and federal aid road, and county road purposes.~~

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1 b. ~~Thirty-five percent of all revenues allocated to the county infrastructure fund~~
2 ~~under subsections 4 and 5 must be allocated by the board of county~~
3 ~~commissioners to or for the benefit of townships in the county on the basis of~~
4 ~~applications by townships for funding to offset oil and gas development impact to~~
5 ~~township roads or other infrastructure needs or applications by school districts for~~
6 ~~repair or replacement of school district vehicles necessitated by damage or~~
7 ~~deterioration attributable to travel on oil and gas development impacted roads. An~~
8 ~~organized township is not eligible for an allocation of funds under this subdivision~~
9 ~~unless during that fiscal year that township levies at least ten mills for township~~
10 ~~purposes. For unorganized townships within the county, the board of county~~
11 ~~commissioners may expend an appropriate portion of revenues under this~~
12 ~~subdivision to offset oil and gas development impact to township roads or other~~
13 ~~infrastructure needs in those townships. The amount deposited during each~~
14 ~~calendar year in the county infrastructure fund which is designated for allocation~~
15 ~~under this subdivision and which is unexpended and unobligated at the end of~~
16 ~~the calendar year must be transferred by the county treasurer to the county road~~
17 ~~and bridge fund for use on county road and bridge projects.~~

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

27 7. ~~Within thirty days after the end of each calendar year, the board of county~~
28 ~~commissioners of each county that has received an allocation under this section shall~~
29 ~~file a report for the calendar year with the commissioner, in a format prescribed by the~~
30 ~~commissioner, including:~~

31 a. ~~The county's statement of revenues and expenditures; and~~

1 b. The amount available in the county infrastructure fund for allocation to or for the
2 benefit of townships or school districts, the amount allocated to each organized
3 township or school district and the amount expended from each such allocation
4 by that township or school district, the amount expended by the board of county
5 commissioners on behalf of each unorganized township for which an expenditure
6 was made, and the amount available for allocation to or for the benefit of
7 townships or school districts which remained unexpended at the end of the fiscal
8 year.

9 Within fifteen days after the time when reports under this subsection were due, the
10 commissioner shall provide the reports to the legislative council compiling the
11 information from reports received under this subsection.

12 ~~— SECTION 4. APPROPRIATION – DEPARTMENT OF TRANSPORTATION. There is~~
13 ~~appropriated out of any moneys in the general fund in the state treasury, not otherwise~~
14 ~~appropriated, the sum of \$120,000,000, or so much of the sum as may be necessary, to the~~
15 ~~department of transportation for the purpose of distribution among counties that received no~~
16 ~~allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than~~
17 ~~\$5,000,000 for state fiscal year 2014, for the biennium beginning July 1, 2015, and ending~~
18 ~~June 30, 2017. The amounts available under this section must be distributed on or after~~
19 ~~February 1, 2016.~~

20 ~~— 1. The sum appropriated in this section must be used to rehabilitate or reconstruct county~~
21 ~~paved and unpaved roads and bridges needed to support economic activity in North~~
22 ~~Dakota.~~

23 ~~— a. To be eligible to receive a distribution under this section, a county must have~~
24 ~~received no allocation of funding or a total allocation under subsection 2 of~~
25 ~~section 57-51-15 of less than \$5,000,000 for state fiscal year 2014.~~

26 ~~— b. Distributions among eligible counties under this section must be based on the~~
27 ~~miles of roads defined by the department of transportation as county major~~
28 ~~collector roadways in each county.~~

29 ~~— c. The department of transportation may use data supplied by the upper great~~
30 ~~plains transportation institute in determining the projects to receive funding under~~
31 ~~this section.~~

- 1 ~~2. Each county requesting funding under this section shall submit the request in~~
2 ~~accordance with criteria developed by the department of transportation.~~
- 3 ~~a. The request must include a proposed plan for funding projects that rehabilitate or~~
4 ~~reconstruct paved and unpaved roads and bridges within the county.~~
- 5 ~~b. The plan must be based on actual road and bridge conditions and the integration~~
6 ~~of projects with state highway and other county projects.~~
- 7 ~~c. Projects funded under this section must comply with the American association of~~
8 ~~state highway transportation officials pavement design procedures and the~~
9 ~~department of transportation local government requirements. Upon completion of~~
10 ~~major reconstruction projects, the roadway segment must be posted at a legal~~
11 ~~load limit of 105,500 pounds [47853.993 kilograms].~~
- 12 ~~d. Funds may not be used for routine maintenance.~~
- 13 ~~3. The department of transportation, in consultation with the county, may approve the~~
14 ~~plan or approve the plan with amendments.~~
- 15 ~~4. The funding appropriated in this section may be used for:~~
- 16 ~~a. Ninety percent of the cost of the approved projects not to exceed the funding~~
17 ~~available for that county.~~
- 18 ~~b. Funding may be used for construction, engineering, and plan development costs.~~
- 19 ~~5. Upon approval of the plan, the department of transportation shall transfer to the county~~
20 ~~the approved funding for engineering and plan development costs.~~
- 21 ~~6. Upon execution of a construction contract by the county, the department of~~
22 ~~transportation shall transfer to the county the approved funding to be distributed for~~
23 ~~county and township rehabilitation and reconstruction projects.~~
- 24 ~~7. The recipient counties shall report to the department of transportation upon awarding~~
25 ~~of each contract and upon completion of each project in a manner prescribed by the~~
26 ~~department.~~
- 27 ~~8. The funding under this section may be applied to engineering, design, and~~
28 ~~construction costs incurred on related projects as of January 1, 2015.~~
- 29 ~~9. For purposes of this section, a "bridge" is a structure that has an opening of more than~~
30 ~~20 feet [6.096 meters] as measured along the centerline of the roadway. It may also~~
31 ~~be the clear openings of more than 20 feet [6.096 meters] of a group of pipes as long~~

1 ~~as the pipes are spaced less than half the distance apart of the smallest diameter-~~
2 ~~pipe.~~

3 ~~10. Section 54-44.1-11 does not apply to funding under this section. Any funds not~~
4 ~~spent by June 30, 2017, must be continued into the biennium beginning July 1, 2017,~~
5 ~~and ending June 30, 2019, and may be expended only for purposes authorized by this~~
6 ~~section.~~

7 **SECTION 3. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-**
8 **PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION.** There is
9 appropriated out of any moneys in the general fund in the state treasury, not otherwise
10 appropriated, the sum of \$112,000,000, or so much of the sum as may be necessary, to the
11 department of transportation for the purpose of distributions to non-oil-producing counties, for
12 the biennium beginning July 1, 2015, and ending June 30, 2017. The distributions must be
13 based on county major collector roadway miles as defined by the department of transportation.
14 The distribution to each non-oil-producing county must be proportional to each non-oil-
15 producing county's total county major collector roadway miles relative to the combined total of
16 county major collector roadway miles of all the eligible non-oil-producing counties under this
17 section. For purposes of this section, "non-oil-producing counties" means the forty-three
18 counties that received no allocation of funding or a total allocation under subsection 2 of section
19 57-51-15 of less than \$5,000,000 for the period beginning September 1, 2013, and ending
20 August 31, 2014. The amounts available under this section must be distributed on or after
21 February 1, 2016.

- 22 1. a. Each county requesting funding under this section for county road and bridge
23 projects shall submit the request in accordance with criteria developed by the
24 department of transportation. The request must include a proposed plan for
25 funding projects that rehabilitate or reconstruct paved and unpaved roads and
26 bridges within the county which are needed to support economic activity in the
27 state. The plan must meet the following criteria:
- 28 (1) Roadways and bridges must provide continuity and connectivity to efficiently
29 integrate and improve major paved and unpaved corridors within the county
30 and across county borders.

1 (2) Projects must be consistent with the upper great plains transportation
2 institute's estimated road and bridge investment needs for the years 2015 to
3 2034 and other planning studies.

4 (3) Upon completion of a major roadway construction or reconstruction project,
5 the roadway segment must be posted at a legal load limit of 105,500
6 pounds [47853.995 kilograms].

7 (4) Design speed on the roadway must be at least 55 miles per hour
8 [88.51 kilometers per hour], unless the department of transportation
9 provides an exemption.

10 (5) Projects must comply with the American association of state highway
11 transportation officials pavement design procedures and standards
12 developed by the department of transportation in conjunction with the local
13 jurisdiction.

14 (6) Bridges must be designed to meet an HL 93 loading.

15 b. The department of transportation, in consultation with the county, may approve
16 the plan or approve the plan with amendments. Upon approval of the plan, the
17 department of transportation shall transfer to the county the approved funding for
18 engineering and plan development costs. Upon execution of a construction
19 contract by the county, the department of transportation shall transfer to the
20 county the approved funding for county and township rehabilitation and
21 reconstruction projects. Counties shall report to the department of transportation
22 upon awarding of each contract and upon completion of each project in a manner
23 prescribed by the department.

24 c. Funding provided under this section may be used for construction, engineering,
25 and plan development costs, but may not be used for routine maintenance.
26 Funding provided under this section may be applied to engineering, design, and
27 construction costs incurred on related projects as of January 1, 2016. Section
28 54-44.1-11 does not apply to funding under this section. Any funds not spent by
29 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 the purposes authorized by

1 this section. The funding provided in this section is considered a one-time funding
2 item.

3 2. The department of transportation shall report to the budget section and to the
4 appropriations committees of the sixty-fifth legislative assembly on the use of this one-
5 time funding, including the amounts distributed to each county, the amounts spent to
6 date, and the amounts anticipated to be continued into the 2017-19 biennium.

7 **SECTION 4. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND - GRANT**

8 **RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION.** There is
9 appropriated out of any moneys in the oil and gas impact grant fund in the state treasury, not
10 otherwise appropriated, the sum of ~~\$139,000,000~~\$139,626,588, or so much of the sum as may
11 be necessary, to the board of university and school lands for the purpose of oil and gas impact
12 grants, for the biennium beginning July 1, 2015, and ending June 30, 2017. Grants awarded
13 under this section are not subject to section 54-44.1-11. The commissioner of the board of
14 university and school lands shall report to the budget section and to the appropriations
15 committees of the sixty-fifth legislative assembly on the use of the funding provided in this
16 section, including the amounts awarded to taxing districts, the amounts spent to date, and the
17 amounts anticipated to be continued into the 2017-2019 biennium. During the biennium
18 beginning July 1, 2015, and ending June 30, 2017, the energy infrastructure and impact office
19 director shall include in recommendations to the board of university and school lands on grants
20 to eligible entities in oil and gas development impact areas:

21 1. \$10,000,000, or so much of the sum as may be necessary, for grants to airports
22 impacted by oil and gas development. The director of the energy infrastructure and
23 impact office shall adopt grant procedures and requirements necessary for the
24 distribution of grants under this subsection, which must include cost-share
25 requirements. Cost-share requirements must consider the availability of local funds to
26 support the project. Grant funds must be distributed giving priority to projects that have
27 been awarded or are eligible to receive federal funding.

28 2. \$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A
29 hub city is a city that received an allocation under subdivision a of subsection 1 of
30 section 57-51-15 in state fiscal year 2014. A hub city is eligible to receive grants from
31 the oil and gas impact grant fund only to the extent provided for under this subsection.

- 1 Of the funding provided in this subsection, a hub city may receive no more than
2 \$4,000,000.
- 3 3. \$20,000,000, or so much of the sum as may be necessary, for grants to school
4 districts impacted by oil and gas development. Grant funds may be used only for
5 purposes relating to renovation and improvement projects. A school district is eligible
6 to receive grants from the oil and gas impact grant fund only to the extent that the
7 amount awarded does not bring the total amount of grants awarded from the oil and
8 gas impact grant fund to the school district for the period beginning July 1, 2011, and
9 ending June 30, 2017, to more than \$10,000,000.
- 10 4. \$500,000, or so much of the sum as may be necessary, to each eligible city. For
11 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
12 and gas development with a population of more than 1,084, but fewer than 1,097
13 according to the last official decennial federal census.
- 14 5. \$200,000, or so much of the sum as may be necessary, to each eligible city. For
15 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
16 and gas development with a population of more than 445, but fewer than 475
17 according to the last official decennial federal census.
- 18 6. \$100,000, or so much of the sum as may be necessary, to each eligible city. For
19 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
20 and gas development with a population of more than 1,019, but fewer than 1,070
21 according to the last official decennial federal census.

22 **SECTION 5. EFFECTIVE DATE.** Sections 21 and 32 of this Act are effective for taxable
23 events occurring after June 30, 2015.