

Sixty-fourth
Legislative Assembly
of North Dakota

ENGROSSED 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 57-51-01 and 57-51-15 of the North Dakota
2 Century Code, relating to oil and gas gross production tax definitions and allocations; to provide
3 appropriations; to provide exemptions; to provide for reports to the budget section; and to
4 provide an effective date.

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

6 **SECTION 1.** Section 57-51-01 of the North Dakota Century Code is amended and
7 reenacted as follows:

8 **57-51-01. (~~Effective for taxable events occurring through June 30, 2015~~) Definitions.**

9 As used in this chapter:

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

- 1 7. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.
- 2 8. "Person" includes partnership, corporation, limited liability company, association,
- 3 fiduciary, trustee, and any combination of individuals.
- 4 9. "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 10. "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 11. "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 12. "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 ~~(Effective for taxable events occurring after June 30, 2015) Definitions.~~ As used in this
25 chapter:

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

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

25 **SECTION 2. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is

26 amended and reenacted as follows:

27 **~~57-51-15. (Effective for taxable events occurring through June 30, 2015) Gross~~**

28 **production tax allocation.**

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

- 1 1. First the tax revenue collected under this chapter equal to one percent of the gross
2 value at the well of the oil and one-fifth of the tax on gas must be deposited with the
3 state treasurer who shall:
- 4 a. Allocate to each hub city a monthly amount that will provide a total allocation of
5 three hundred seventy-five thousand dollars per fiscal year for each full or partial
6 percentage point of its private covered employment engaged in ~~the mining-~~
7 ~~industry~~oil and gas-related employment, according to annual data compiled by
8 job service North Dakota;
- 9 b. Allocate to each hub city school district a monthly amount that will provide a total
10 allocation of one hundred twenty-five thousand dollars per fiscal year for each full
11 or partial percentage point of the hub city's private covered employment engaged
12 in ~~the mining industry~~oil and gas-related employment, according to annual data
13 compiled by job service North Dakota;
- 14 c. Allocate to each county that received more than five million dollars but less than
15 thirty million dollars of total allocations under subsection 2 in state fiscal year
16 2014 a monthly amount that will provide a total allocation of one million five
17 hundred thousand dollars per fiscal year to be added by the state treasurer to the
18 allocations to school districts under subdivision b of subsection 5;
- 19 ~~e.d.~~ Credit revenues to the oil and gas impact grant fund, but not in an amount
20 exceeding ~~two~~one hundred forty million dollars per biennium;
- 21 ~~d.e.~~ Credit ~~four~~eight percent of the amount available under this subsection to the
22 North Dakota outdoor heritage fund, but not in an amount exceeding
23 ~~fifteen~~twenty million dollars in a state fiscal year and not in an amount exceeding
24 ~~thirty~~forty million dollars per biennium;
- 25 ~~e.f.~~ 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 ~~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~~thirty percent is
6 allocated to the county. However, if the average statewide production of oil meets
7 or exceeds one million two hundred thousand barrels of oil per day in the month
8 of February 2016, allocations to the county occurring after June 30, 2016, must
9 be increased to forty percent of all annual revenue exceeding five million dollars.
10 An additional five percent of all annual revenue exceeding five million dollars also
11 must be allocated to the department of transportation for allocation among
12 non-oil-producing counties at the times revenues are distributed to oil-producing
13 counties under this section. The allocation to each non-oil-producing county must
14 be proportional to each non-oil-producing county's estimated unmet road and
15 bridge investment needs relative to the combined total of estimated unmet road
16 and bridge investment needs of all the eligible non-oil-producing counties. For
17 purposes of this subdivision:

18 (1) "Average statewide production" means the number of barrels of oil
19 produced from wells within this state during the calendar month divided by
20 the number of calendar days in that month, as determined by the industrial
21 commission.

22 (2) "Estimated unmet road and bridge investment needs" means a county's
23 total estimated road and bridge investment needs for the years 2015 to
24 2034 identified in the most recently completed report by the upper great
25 plains transportation institute less the amount distributed to the county
26 under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the
27 sixty-fourth legislative assembly.

28 (3) "Non-oil-producing counties" means the forty-three counties that received
29 no allocation of funding or a total allocation under this subsection of less
30 than five million dollars for the period beginning September 1, 2013, and
31 ending August 31, 2014.

1 3. After the allocations under subsections 1 and 2, the amount remaining is allocated first
2 to provide for deposit of thirty percent of all revenue collected under this chapter in the
3 legacy fund as provided in section 26 of article X of the Constitution of North Dakota
4 and the remainder must be allocated to the state general fund. If the amount available
5 for a monthly allocation under this subsection is insufficient to deposit thirty percent of
6 all revenue collected under this chapter in the legacy fund, the state treasurer shall
7 transfer the amount of the shortfall from the state general fund share of oil extraction
8 tax collections and deposit that amount in the legacy fund.

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

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

19 b. ~~Thirty-five percent of all revenues allocated to any county for allocation under this~~
20 ~~subsection must be apportioned by the state treasurer no less than~~
21 ~~quarterly~~ distributed to school districts within the county, ~~excluding consideration~~
22 ~~of and allocation to any hub city school district in the county~~, on the average daily
23 attendance distribution basis for kindergarten through grade twelve students
24 residing within the county, as certified to the state treasurer by the county
25 superintendent of schools. However, a hub city school district must be omitted
26 from distributions under this subdivision.

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

30 ~~Apportionment~~ Distributions among cities under this subsection must be based
31 upon the population of each incorporated city according to the last official

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

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

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

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

21 c. Twenty percent must be ~~apportioned no less than quarterly by the state~~
22 ~~treasurer~~ distributed to the incorporated cities of the county. A hub city must be
23 omitted from ~~apportionment~~ distributions under this subdivision.
24 ~~Apportionment~~ Distributions among cities under this subsection must be based
25 upon the population of each incorporated city according to the last official
26 decennial federal census. In determining the population of any city in which total
27 employment increases by more than two hundred percent seasonally due to
28 tourism, the population of that city for purposes of this subdivision must be
29 increased by eight hundred percent.

30 d. ~~Three~~ Two percent must be ~~apportioned no less than quarterly by the state~~
31 ~~treasurer~~ allocated among the organized and unorganized townships of the

1 county. The state treasurer shall ~~apportion~~allocate the funds available under this
2 subdivision among townships in the proportion ~~that township~~ to each township's
3 road miles ~~in the township bear~~relative to the total township road miles in the
4 county. The amount ~~apportioned~~allocated to unorganized townships under this
5 subdivision must be distributed to the county treasurer and credited to a special
6 fund for unorganized township roads, which the board of county commissioners
7 shall use for the maintenance and improvement of roads in unorganized
8 townships.

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

19 f. ~~Nine~~Seven percent must be allocated ~~by the state treasurer~~distributed among
20 hub cities. ~~The amount available for allocation under this subdivision must be~~
21 ~~apportioned by the state treasurer no less than quarterly among hub cities.~~ Sixty
22 percent of funds available under this subdivision must be distributed to the hub
23 city receiving the ~~greatest~~highest percentage of allocations to hub cities under
24 subdivision a of subsection 1 for the quarterly period, thirty percent of funds
25 available under this subdivision must be distributed to the hub city receiving the
26 second ~~greatest~~highest percentage of such allocations, and ten percent of funds
27 available under this subdivision must be distributed to the hub city receiving the
28 third ~~greatest~~highest percentage of such allocations.

29 6. Within thirty days after the end of each calendar year, the board of county
30 commissioners of each county that has received an allocation under this section shall

1 file a report for the calendar year with the commissioner, in a format prescribed by the
2 commissioner, including:

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

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

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

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

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

1 ~~(Effective for taxable events occurring after June 30, 2015) Gross production tax-~~

2 ~~allocation.~~ The gross production tax must be allocated monthly as follows:

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

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

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

15 c. ~~Credit four percent of the amount available under this subsection to the North-~~
16 ~~Dakota outdoor heritage fund, but not in an amount exceeding fifteen million-~~
17 ~~dollars in a state fiscal year and not in an amount exceeding thirty million dollars-~~
18 ~~per biennium;~~

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

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

25 2. ~~After deduction of the amount provided in subsection 1, annual revenue collected-~~
26 ~~under this chapter from oil and gas produced in each county must be allocated as~~
27 ~~follows:~~

28 a. ~~The first two million dollars is allocated to the county.~~

29 b. ~~Of the next one million dollars, seventy-five percent is allocated to the county.~~

30 c. ~~Of the next one million dollars, fifty percent is allocated to the county.~~

31 d. ~~Of the next fourteen million dollars, twenty-five percent is allocated to the county.~~

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- 1 e. ~~Of all annual revenue exceeding eighteen million dollars, ten percent is allocated~~
2 ~~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. ~~The amount to which each county is entitled under subsection 2 must be allocated~~
12 ~~within the county so the first five million three hundred fifty thousand dollars is~~
13 ~~allocated under subsection 5 for each fiscal year and any amount received by a county~~
14 ~~exceeding five million three hundred fifty thousand dollars is credited by the county~~
15 ~~treasurer to the county infrastructure fund and allocated under subsection 6.~~
- 16 5. a. ~~Forty five percent of all revenues allocated to any county for allocation under this~~
17 ~~subsection must be credited by the county treasurer to the county general fund.~~
18 ~~However, the allocation to a county under this subdivision must be credited to the~~
19 ~~state general fund if during that fiscal year the county does not levy a total of at~~
20 ~~least ten mills for combined levies for county road and bridge, farm to market and~~
21 ~~federal aid road, and county road purposes.~~
- 22 b. ~~Thirty five percent of all revenues allocated to any county for allocation under this~~
23 ~~subsection must be apportioned by the county treasurer no less than quarterly to~~
24 ~~school districts within the county on the average daily attendance distribution~~
25 ~~basis, as certified to the county treasurer by the county superintendent of~~
26 ~~schools. However, no school district may receive in any single academic year an~~
27 ~~amount under this subsection greater than the county average per student cost~~
28 ~~multiplied by seventy percent, then multiplied by the number of students in~~
29 ~~average daily attendance or the number of children of school age in the school~~
30 ~~census for the county, whichever is greater. Provided, however, that in any county~~
31 ~~in which the average daily attendance or the school census, whichever is greater,~~

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

13 The countywide allocation to school districts under this subdivision is subject
14 to the following:

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

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

1 purposes. For unorganized townships within the county, the board of county
2 commissioners may expend an appropriate portion of revenues under this
3 subdivision to offset oil and gas development impact to township roads or other
4 infrastructure needs in those townships. The amount deposited during each
5 calendar year in the county infrastructure fund which is designated for allocation
6 under this subdivision and which is unexpended and unobligated at the end of
7 the calendar year must be transferred by the county treasurer to the county road
8 and bridge fund for use on county road and bridge projects.

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

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

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

23 b. The amount available in the county infrastructure fund for allocation to or for the
24 benefit of townships or school districts, the amount allocated to each organized
25 township or school district and the amount expended from each such allocation
26 by that township or school district, the amount expended by the board of county
27 commissioners on behalf of each unorganized township for which an expenditure
28 was made, and the amount available for allocation to or for the benefit of
29 townships or school districts which remained unexpended at the end of the fiscal
30 year.

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

4 **SECTION 3. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-**
5 **PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION.** There is

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

- 19 1. a. Each county requesting funding under this section for county road and bridge
20 projects shall submit the request in accordance with criteria developed by the
21 department of transportation. The request must include a proposed plan for
22 funding projects that rehabilitate or reconstruct paved and unpaved roads and
23 bridges within the county which are needed to support economic activity in the
24 state. The plan must meet the following criteria:
- 25 (1) Roadways and bridges must provide continuity and connectivity to efficiently
26 integrate and improve major paved and unpaved corridors within the county
27 and across county borders.
- 28 (2) Projects must be consistent with the upper great plains transportation
29 institute's estimated road and bridge investment needs for the years 2015 to
30 2034 and other planning studies.

- 1 (3) Upon completion of a major roadway construction or reconstruction project,
2 the roadway segment must be posted at a legal load limit of 105,500
3 pounds [47853.995 kilograms].
- 4 (4) Design speed on the roadway must be at least 55 miles per hour
5 [88.51 kilometers per hour], unless the department of transportation
6 provides an exemption.
- 7 (5) Projects must comply with the American association of state highway
8 transportation officials pavement design procedures and standards
9 developed by the department of transportation in conjunction with the local
10 jurisdiction.
- 11 (6) Bridges must be designed to meet an HL 93 loading.
- 12 b. The department of transportation, in consultation with the county, may approve
13 the plan or approve the plan with amendments. Upon approval of the plan, the
14 department of transportation shall transfer to the county the approved funding for
15 engineering and plan development costs. Upon execution of a construction
16 contract by the county, the department of transportation shall transfer to the
17 county the approved funding for county and township rehabilitation and
18 reconstruction projects. Counties shall report to the department of transportation
19 upon awarding of each contract and upon completion of each project in a manner
20 prescribed by the department.
- 21 c. Funding provided under this section may be used for construction, engineering,
22 and plan development costs, but may not be used for routine maintenance.
23 Funding provided under this section may be applied to engineering, design, and
24 construction costs incurred on related projects as of January 1, 2016. Section
25 54-44.1-11 does not apply to funding under this section. Any funds not spent by
26 June 30, 2017, must be continued into the biennium beginning July 1, 2017, and
27 ending June 30, 2019, and may be expended only for the purposes authorized by
28 this section. The funding provided in this section is considered a one-time funding
29 item.
- 30 2. The department of transportation shall report to the budget section and to the
31 appropriations committees of the sixty-fifth legislative assembly on the use of this one-

1 time funding, including the amounts distributed to each county, the amounts spent to
2 date, and the amounts anticipated to be continued into the 2017-19 biennium.

3 **SECTION 4. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND - GRANT**
4 **RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION.** There is

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

- 17 1. \$10,000,000, or so much of the sum as may be necessary, for grants to airports
18 impacted by oil and gas development. The director of the energy infrastructure and
19 impact office shall adopt grant procedures and requirements necessary for the
20 distribution of grants under this subsection, which must include cost-share
21 requirements. Cost-share requirements must consider the availability of local funds to
22 support the project. Grant funds must be distributed giving priority to projects that have
23 been awarded or are eligible to receive federal funding.
- 24 2. \$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A
25 hub city is a city that received an allocation under subdivision a of subsection 1 of
26 section 57-51-15 in state fiscal year 2014. A hub city is eligible to receive grants from
27 the oil and gas impact grant fund only to the extent provided for under this subsection.
28 Of the funding provided in this subsection, a hub city may receive no more than
29 \$4,000,000.
- 30 3. \$20,000,000, or so much of the sum as may be necessary, for grants to school
31 districts impacted by oil and gas development. Grant funds may be used only for

1 purposes relating to renovation and improvement projects. A school district is eligible
2 to receive grants from the oil and gas impact grant fund only to the extent that the
3 amount awarded does not bring the total amount of grants awarded from the oil and
4 gas impact grant fund to the school district for the period beginning July 1, 2011, and
5 ending June 30, 2017, to more than \$10,000,000.

6 4. \$500,000, or so much of the sum as may be necessary, to each eligible city. For
7 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
8 and gas development with a population of more than 1,084, but fewer than 1,097
9 according to the last official decennial federal census.

10 5. \$200,000, 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 445, but fewer than 475
13 according to the last official decennial federal census.

14 6. \$100,000, 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 1,019, but fewer than 1,070
17 according to the last official decennial federal census.

18 **SECTION 5. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for taxable
19 events occurring after June 30, 2015.