

Sixty-fifth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1366

Introduced by

Representatives Sukut, Streyle, Zubke

Senators Armstrong, Krebsbach, Rust

1 A BILL for an Act to amend and reenact subsection 5 of section 57-51-01 and section 57-51-15
2 of the North Dakota Century Code, relating to oil and gas gross production tax definitions and
3 allocations; to provide an appropriation to the board of university and school lands; to provide a
4 statement of legislative intent; and to provide an effective date.

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

6 **SECTION 1. AMENDMENT.** Subsection 5 of section 57-51-01 of the North Dakota Century
7 Code is amended and reenacted as follows:

8 5. "Hub city" means, ~~for the period beginning September 1, 2015, and ending August 31,~~
9 ~~2017, a city with a population of twelve thousand five hundred or more, according to~~
10 ~~the last official decennial federal census, which has more than one percent of its~~
11 ~~private covered employment engaged in oil and gas related employment, according to~~
12 ~~annual data compiled by job service North Dakota.~~ "Hub city" means, after August 31,
13 2017, a city with a population of twelve thousand five hundred or more, according to
14 the last official decennial federal census, which has more than one percent of its
15 private covered employment engaged in the mining industry, according to annual data
16 compiled by job service North Dakota.

17 **SECTION 2. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is
18 amended and reenacted as follows:

19 **57-51-15. Gross production tax allocation.**

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

21 1. ~~First the~~The tax revenue collected under this chapter equal to one percent of the gross
22 value at the well of the oil and one-fifth of the tax on gas must be deposited with the
23 state treasurer ~~who shall~~. The state treasurer shall allocate the funding in the following
24 order:

- 1 a. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~
2 ~~2017, to each hub city, which is located in a county that received an allocation~~
3 ~~under subsection 2, a monthly amount that will provide a total allocation of three~~
4 ~~hundred seventy five thousand dollars per fiscal year for each full or partial~~
5 ~~percentage point of its private covered employment engaged in oil and~~
6 ~~gas related employment, according to annual data compiled by job service North~~
7 ~~Dakota and after August 31, 2017, allocate to~~To each hub city, which is located in
8 a county that received an allocation under subsection 2 in the most recently
9 completed even-numbered fiscal year, the state treasurer shall allocate a monthly
10 amount that will provide a total allocation of three hundred seventy-five thousand
11 dollars per fiscal year for each full or partial percentage point of its private
12 covered employment engaged in the mining industry, according to annual data
13 compiled by job service North Dakota;.
- 14 b. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~
15 ~~2017, to each hub city, which is located in a county that did not receive an~~
16 ~~allocation under subsection 2, a monthly amount that will provide a total~~
17 ~~allocation of two hundred fifty thousand dollars per fiscal year for each full or~~
18 ~~partial percentage point of its private covered employment engaged in oil and~~
19 ~~gas related employment, according to annual data compiled by job service North~~
20 ~~Dakota and after August 31, 2017, allocate to~~To each hub city, which is located in
21 a county that did not receive an allocation under subsection 2 in the most
22 recently completed even-numbered fiscal year, the state treasurer shall allocate a
23 monthly amount that will provide a total allocation of ~~two hundred fifty~~five hundred
24 thousand dollars per fiscal year for each full or partial percentage point of its
25 private covered employment engaged in the mining industry, according to annual
26 data compiled by job service North Dakota;.
- 27 c. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~
28 ~~2017, to each hub city school district, which is located in a county that received~~
29 ~~an allocation under subsection 2, a monthly amount that will provide a total~~
30 ~~allocation of one hundred twenty five thousand dollars per fiscal year for each full~~
31 ~~or partial percentage point of the hub city's private covered employment engaged~~

1 in oil and gas-related employment, according to annual data compiled by job
2 service North Dakota and after August 31, 2017, allocate to To each hub city
3 school district, which is located in a county that received an allocation under
4 subsection 2 in the most recently completed even-numbered fiscal year, the state
5 treasurer shall allocate a monthly amount that will provide a total allocation of ~~one~~
6 ~~hundred twenty five~~two hundred thousand dollars per fiscal year for each full or
7 partial percentage point of the hub city's private covered employment engaged in
8 the mining industry, according to annual data compiled by job service North
9 Dakota, ~~provided that hub~~. Hub city school districts, which are located in a county
10 that did not receive an allocation under subsection 2, must be excluded from the
11 allocations under this subdivision;

12 d. ~~Allocate to~~To each county that received more than five million dollars but less
13 than thirty million dollars of total allocations under subsection 2 in ~~state~~the most
14 recently completed even-numbered fiscal year 2014, the state treasurer shall
15 allocate a monthly amount that will provide a total allocation of ~~one million five~~
16 ~~hundred thousand dollars per fiscal year to be added by the state treasurer~~be
17 added to the allocations to school districts under subdivision b of subsection 5;
18 as follows:

- 19 (1) To each county that received more than five million dollars but not
20 exceeding ten million dollars of total allocations under subsection 2 in the
21 most recently completed even-numbered fiscal year, the state treasurer
22 shall allocate a monthly amount that will provide a total allocation of one
23 million five hundred thousand dollars per fiscal year. The allocation must be
24 distributed to school districts within the county pursuant to subdivision b of
25 subsection 5.
- 26 (2) To each county that received more than ten million dollars but not exceeding
27 fifteen million dollars of total allocations under subsection 2 in the most
28 recently completed even-numbered fiscal year, the state treasurer shall
29 allocate a monthly amount that will provide a total allocation of one million
30 two hundred fifty thousand dollars per fiscal year. The allocation must be

- 1 distributed to school districts within the county pursuant to subdivision b of
2 subsection 5.
- 3 (3) To each county that received more than fifteen million dollars but not
4 exceeding twenty million dollars of total allocations under subsection 2 in
5 the most recently completed even-numbered fiscal year, the state treasurer
6 shall allocate a monthly amount that will provide a total allocation of one
7 million dollars per fiscal year. The allocation must be distributed to school
8 districts within the county pursuant to subdivision b of subsection 5.
- 9 (4) To each county that received more than twenty million dollars but not
10 exceeding twenty-five million dollars of total allocations under subsection 2
11 in the most recently completed even-numbered fiscal year, the state
12 treasurer shall allocate a monthly amount that will provide a total allocation
13 of seven hundred fifty thousand dollars per fiscal year. The allocation must
14 be distributed to school districts within the county pursuant to subdivision b
15 of subsection 5.
- 16 (5) To each county that received more than twenty-five million dollars but not
17 exceeding thirty million dollars of total allocations under subsection 2 in the
18 most recently completed even-numbered fiscal year, the state treasurer
19 shall allocate a monthly amount that will provide a total allocation of five
20 hundred thousand dollars per fiscal year. The allocation must distributed to
21 school districts within the county pursuant to subdivision b of subsection 5.
- 22 e. ~~Credit revenues to the oil and gas impact grant fund, but not in an amount~~
23 ~~exceeding one hundred forty million dollars per biennium for the 2015-17-~~
24 ~~biennium, and not in an amount exceeding one hundred million dollars per~~
25 ~~biennium thereafter;~~
- 26 f. ~~Credit~~The state treasurer shall allocate eight percent of the amount available
27 under this subsection to the North Dakota outdoor heritage fund, but not in an
28 amount exceeding twenty million dollars in a state fiscal year and not in an
29 amount exceeding fortyten million dollars per biennium;. For purposes of this
30 subdivision, "biennium" means the period beginning September 1 of each

1 odd-numbered calendar year and ending August 31 of the following
2 odd-numbered calendar year.

3 g-f. ~~Credit~~The state treasurer shall allocate four percent of the amount available
4 under this subsection to the abandoned oil and gas well plugging and site
5 reclamation fund, but not in an amount exceeding ~~seven million five hundred-~~
6 ~~thousand~~five million dollars ~~in a state~~per fiscal year and not in an amount that
7 would bring the balance in the fund to more than one hundred million dollars;
8 and.

9 g. For the period beginning September 1, 2017, and ending August 31, 2019, the
10 state treasurer shall allocate the remaining revenues in the following order:

11 (1) Up to sixty million dollars to the oil and gas impact grant fund.

12 (2) Any remaining revenues under subsection 3.

13 h. ~~Allocate~~After August 31, 2019, the state treasurer shall allocate the remaining
14 revenues under subsection 3.

15 i. For purposes of this subsection, "fiscal year" means the period beginning
16 September 1 and ending August 31 of the following calendar year.

17 2. After deduction of the amount provided in subsection 1, annual revenue collected
18 under this chapter from oil and gas produced in each county must be allocated as
19 follows:

20 a. The first five million dollars is allocated to the county.

21 b. Of all annual revenue exceeding five million dollars, thirty percent is allocated to
22 the county.

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

- 1 4. For a county that received less than five million dollars of allocations under
2 subsection 2 in statethe most recently completed even-numbered fiscal year 2014,
3 revenues allocated to that county must be distributed at least quarterly by the state
4 treasurer as follows:
- 5 a. Forty-five percent must be distributed to the county treasurer and credited to the
6 county general fund. However, the distribution to a county under this subdivision
7 must be credited to the state general fund if in a taxable year after 2012 the
8 county is not levying a total of at least ten mills for combined levies for county
9 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 10 b. Thirty-five percent must be distributed to school districts within the county on the
11 average daily attendance distribution basis for kindergarten through grade twelve
12 students residing within the county, as certified to the state treasurer by the
13 county superintendent of schools. However, a hub city school district must be
14 omitted from distributions under this subdivision.
- 15 c. Twenty percent must be distributed to the incorporated cities of the county. A hub
16 city must be omitted from distributions under this subdivision. Distributions
17 among cities under this subsection must be based upon the population of each
18 incorporated city according to the last official decennial federal census. In
19 determining the population of any city in which total employment increases by
20 more than two hundred percent seasonally due to tourism, the population of that
21 city for purposes of this subdivision must be increased by eight hundred percent.
- 22 d. For purposes of this subsection, "fiscal year" means the period beginning
23 September 1 and ending August 31 of the following calendar year.
- 24 5. For a county that received five million dollars or more of allocations under subsection 2
25 in statethe most recently completed even-numbered fiscal year 2014, revenues
26 allocated to that county must be distributed at least quarterly by the state treasurer as
27 follows:
- 28 a. Sixty percent must be distributed to the county treasurer and credited to the
29 county general fund. However, the distribution to a county under this subdivision
30 must be credited to the state general fund if in a taxable year after 2012 the

- 1 county is not levying a total of at least ten mills for combined levies for county
2 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 3 b. Five percent must be distributed to school districts within the county on the
4 average daily attendance distribution basis for kindergarten through grade twelve
5 students residing within the county, as certified to the state treasurer by the
6 county superintendent of schools. However, a hub city school district must be
7 omitted from distributions under this subdivision.
- 8 c. Twenty percent must be distributed to the incorporated cities of the county. A hub
9 city must be omitted from distributions under this subdivision. Distributions
10 among cities under this subsection must be based upon the population of each
11 incorporated city according to the last official decennial federal census. In
12 determining the population of any city in which total employment increases by
13 more than two hundred percent seasonally due to tourism, the population of that
14 city for purposes of this subdivision must be increased by eight hundred percent.
- 15 d. Three percent must be allocated among the organized and unorganized
16 townships of the county. The state treasurer shall allocate the funds available
17 under this subdivision among townships in proportion to each township's road
18 miles relative to the total township road miles in the county. The amount allocated
19 to unorganized townships under this subdivision must be distributed to the county
20 treasurer and credited to a special fund for unorganized township roads, which
21 the board of county commissioners shall use for the maintenance and
22 improvement of roads in unorganized townships.
- 23 e. Three percent must be allocated among the organized and unorganized
24 townships in all the counties that received five million dollars or more of
25 allocations under subsection 2 in the most recently completed
26 state even-numbered fiscal year. The amount available under this subdivision
27 must be allocated by the state treasurer in an equal amount to each eligible
28 organized and unorganized township. The amount allocated to unorganized
29 townships under this subdivision must be distributed to the county treasurer and
30 credited to a special fund for unorganized township roads, which the board of

1 county commissioners shall use for the maintenance and improvement of roads
2 in unorganized townships.

3 f. Nine percent must be distributed among hub cities. Sixty percent of funds
4 available under this subdivision must be distributed to the hub city receiving the
5 highest percentage of allocations to hub cities under subdivision a of
6 subsection 1 for the quarterly period, thirty percent of funds available under this
7 subdivision must be distributed to the hub city receiving the second highest
8 percentage of such allocations, and ten percent of funds available under this
9 subdivision must be distributed to the hub city receiving the third highest
10 percentage of such allocations. Hub cities, which are located in a county that did
11 not receive an allocation under subsection 2 in the most recently completed
12 even-numbered fiscal year, must be excluded from the allocations under this
13 subsection. If fewer than three hub cities are eligible for the allocations under this
14 subdivision, the state treasurer shall allocate the available funds in proportion to
15 the amounts the eligible hub cities received under subdivision a of subsection 1.

16 g. For purposes of this subsection, "fiscal year" means the period beginning
17 September 1 and ending August 31 of the following calendar year.

18 6. 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;
23 b. The county's ending fund balances;
24 c. The amounts allocated under this section to the county's general fund, the
25 amounts expended from these allocations, and the purposes of the expenditures;
26 and
27 d. The amounts allocated under this section to or for the benefit of townships within
28 the county, the amounts expended from these allocations, and the purposes of
29 the expenditures.

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

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

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

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

15 **SECTION 3. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND - EXEMPTION -**
16 **REPORT TO THE APPROPRIATIONS COMMITTEES.** There is appropriated out of any

17 moneys in the oil and gas impact grant fund in the state treasury, not otherwise appropriated,
18 the sum of \$59,300,000, or so much of the sum as may be necessary, to the board of university
19 and school lands for the purpose of providing oil and gas impact grants, for the biennium
20 beginning July 1, 2017, and ending June 30, 2019. Grants awarded under this section are not
21 subject to section 54-44.1-11. The commissioner of the board of university and school lands
22 shall report to the appropriations committees of the sixty-sixth legislative assembly on the use of
23 the funding provided in this section, including the amounts awarded, the amounts spent to date,
24 and the amounts anticipated to be continued into the 2019-21 biennium.

25 **SECTION 4. LEGISLATIVE INTENT - OIL AND GAS IMPACT GRANTS.** It is the intent of
26 the sixty-fifth legislative assembly that any designations for grants from the oil and gas impact
27 grant fund as identified in section 39 of chapter 49, section 2 of chapter 375, and section 5 of
28 chapter 463 of the 2015 Session Laws, which were not met during the biennium beginning
29 July 1, 2015, and ending June 30, 2017, continue during the biennium beginning July 1, 2017,
30 and ending June 30, 2019. It is further the intent of the sixty-fifth legislative assembly that the
31 appropriation from the oil and gas impact grant fund to the board of university and school lands

1 in section 3 of this Act is available first to complete any designations for grants, which were not
2 met during the biennium beginning July 1, 2015, and ending June 30, 2017, and then, from any
3 remaining funds, to provide other grants without specific designations to political subdivisions
4 impacted by oil and gas development activity during the biennium beginning July 1, 2017, and
5 ending June 30, 2019.

6 **SECTION 5. EFFECTIVE DATE.** Sections 1 and 2 of this Act are effective for taxable
7 events occurring after June 30, 2017.