

**FIRST ENGROSSMENT
with Conference Committee Amendments
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 15-08.1-08, 57-51-01, and 57-51-15 of the
2 North Dakota Century Code, relating to the unobligated balance of the strategic investment and
3 improvements fund and oil and gas gross production tax definitions and allocations; to provide
4 appropriations; to provide exemptions; to provide for reports to the budget section; to provide for
5 a legislative management study; and to provide an effective date.

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

7 **SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is
8 amended and reenacted as follows:

9 **15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment**
10 **and improvements fund - Legislative intent –Contingent transfer to legacy fund.**

11 The income derived from the sale, lease, and management of the mineral interests acquired
12 by the board of university and school lands pursuant to this chapter and other funds as provided
13 by law must, after deducting the expenses of sale, lease, and management of the property, be
14 deposited in a fund to be known as the strategic investment and improvements fund. The
15 corpus and interest of such trust may be expended as the legislative assembly may provide for
16 one-time expenditures relating to improving state infrastructure or for initiatives to improve the
17 efficiency and effectiveness of state government. It is the intent of the legislative assembly that
18 moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and
19 may be appropriated by the legislative assembly, but only to the extent that the moneys are
20 estimated to be available at the beginning of the biennium in which the appropriations are
21 authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three-~~
22 ~~hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in-~~
23 ~~the subsequent month must be deposited instead into the legacy fund. For purposes of this-~~

1 section, "unobligated balance in the fund" means the balance in the fund reduced by
2 appropriations or transfers from the fund authorized by the legislative assembly, guarantee
3 reserve fund requirements under section 6-09.7-05, and any fund balance designated by the
4 board of university and school lands relating to potential title disputes related to certain riverbed
5 leases.

6 **SECTION 2.** 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, for the period beginning September 1, 2015, and ending August 31,
18 2017, a city with a population of twelve thousand five hundred or more, according to
19 the last official decennial federal census, which has more than one percent of its
20 private covered employment engaged in the mining industry oil and gas-related
21 employment, according to annual data compiled by job service North Dakota. "Hub
22 city" means, after August 31, 2017, a city with a population of twelve thousand five
23 hundred or more, according to the last official decennial federal census, which has
24 more than one percent of its private covered employment engaged in the mining
25 industry, according to annual data compiled by job service North Dakota.
- 26 6. "Hub city school district" means the school district with the highest student enrollment
27 within the city limits of a hub city.
- 28 7. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.
- 29 8. "Person" includes partnership, corporation, limited liability company, association,
30 fiduciary, trustee, and any combination of individuals.

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

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

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

- 1 6. ~~"Person" includes partnership, corporation, limited liability company, association,~~
2 ~~fiduciary, trustee, and any combination of individuals.~~
- 3 7. ~~"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 8. ~~"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 9. ~~"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 10. ~~"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 **SECTION 3. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is
24 amended and reenacted as follows:

25 **57-51-15. (Effective for taxable events occurring through June 30, 2015) Gross**
26 **production tax allocation.**

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

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

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

1 hub city school district, which is located in a county that received an allocation
2 under subsection 2, a monthly amount that will provide a total allocation of one
3 hundred twenty-five thousand dollars per fiscal year for each full or partial
4 percentage point of the hub city's private covered employment engaged in the
5 mining industry, according to annual data compiled by job service North Dakota,
6 provided that hub city school districts, which are located in a county that did not
7 receive an allocation under subsection 2, must be excluded from the allocations
8 under this subdivision;

9 d. Allocate to each county that received more than five million dollars but less than
10 thirty million dollars of total allocations under subsection 2 in state fiscal year
11 2014 a monthly amount that will provide a total allocation of one million five
12 hundred thousand dollars per fiscal year to be added by the state treasurer to the
13 allocations to school districts under subdivision b of subsection 5;

14 e.e. Credit revenues to the oil and gas impact grant fund, but not in an amount
15 exceeding ~~two~~one hundred forty million dollars per biennium for the 2015-17
16 biennium, and not in an amount exceeding one hundred million dollars per
17 biennium thereafter;

18 e.f. Credit ~~four~~eight percent of the amount available under this subsection to the
19 North Dakota outdoor heritage fund, but not in an amount exceeding
20 ~~fifteen~~twenty million dollars in a state fiscal year and not in an amount exceeding
21 ~~thirty~~forty million dollars per biennium;

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

27 f.h. Allocate the remaining revenues under subsection 3.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

8 appropriated out of any moneys in the general fund in the state treasury, not otherwise
9 appropriated, the sum of \$112,000,000, or so much of the sum as may be necessary, to the
10 department of transportation for the purpose of distributions to non-oil-producing counties, for
11 the biennium beginning July 1, 2015, and ending June 30, 2017. One-half of the distributions
12 must be based on county major collector roadway miles as defined by the department of
13 transportation. The distribution to each non-oil-producing county based on county major
14 collector roadway miles must be proportional to each non-oil-producing county's total county
15 major collector roadway miles relative to the combined total of county major collector roadway
16 miles of all the eligible non-oil-producing counties under this section. One-half of the
17 distributions must be based on the most recent data compiled by the upper great plains
18 transportation institute regarding North Dakota's county, township, and tribal road and bridge
19 infrastructure needs. The distribution to each non-oil-producing county based on total estimated
20 road and bridge investment needs must be proportional to each non-oil-producing county's total
21 estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper
22 great plains transportation institute relative to the combined total estimated road and bridge
23 investment needs for the years 2015 to 2034 identified by the upper great plains transportation
24 institute of all the eligible non-oil-producing counties under this subsection. For purposes of this
25 section, "non-oil-producing counties" means the forty-three counties that received no allocation
26 of funding or a total allocation under subsection 2 of section 57-51-15 of less than \$5,000,000
27 for the period beginning September 1, 2013, and ending August 31, 2014. The amounts
28 available under this section must be distributed on or after February 1, 2016.

- 29 1. a. Each county requesting funding under this section for county road and bridge
30 projects shall submit the request in accordance with criteria developed by the
31 department of transportation. The request must include a proposed plan for

- 1 funding projects that rehabilitate or reconstruct paved and unpaved roads and
2 bridges within the county which are needed to support economic activity in the
3 state or which improve traffic safety. The plan must meet the following criteria:
- 4 (1) Roadways and bridges must provide at least one of the following:
- 5 (a) Continuity and connectivity to efficiently integrate and improve major
6 paved and unpaved corridors within the county and across county
7 borders;
- 8 (b) Connectivity to significant traffic generators; or
- 9 (c) Direct improvement in traffic safety.
- 10 (2) Projects must be consistent with the upper great plains transportation
11 institute's estimated road and bridge investment needs for the years 2015 to
12 2034 and other planning studies.
- 13 (3) Upon completion of a major roadway construction or reconstruction project,
14 the roadway segment must be posted at a legal load limit of 105,500
15 pounds [47853.995 kilograms].
- 16 (4) Design speed on the roadway must be at least 55 miles per hour
17 [88.51 kilometers per hour], unless the department of transportation
18 provides an exemption.
- 19 (5) Projects must comply with the American association of state highway
20 transportation officials pavement design procedures and standards
21 developed by the department of transportation in conjunction with the local
22 jurisdiction.
- 23 (6) Bridges must be designed to meet an HL 93 loading.
- 24 b. The department of transportation, in consultation with the county, may approve
25 the plan or approve the plan with amendments. Upon approval of the plan, the
26 department of transportation shall transfer to the county the approved funding for
27 engineering and plan development costs. Upon execution of a construction
28 contract by the county, the department of transportation shall transfer to the
29 county the approved funding for county and township rehabilitation and
30 reconstruction projects. Counties shall report to the department of transportation

1 upon awarding of each contract and upon completion of each project in a manner
2 prescribed by the department.

3 c. Funding provided under this section may be used for construction, engineering,
4 and plan development costs, but may not be used for routine maintenance.

5 Funding provided under this section may be applied to engineering and design
6 costs incurred on related projects as of July 1, 2015, and may be applied to
7 construction costs incurred on related projects as of January 1, 2016. Section
8 54-44.1-11 does not apply to funding under this section. Any funds not spent by
9 June 30, 2017, must be continued into the biennium beginning July 1, 2017, and
10 ending June 30, 2019, and may be expended only for the purposes authorized by
11 this section. The funding provided in this section is considered a one-time funding
12 item.

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

17 **SECTION 5. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND - GRANT**

18 **RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION.** There is
19 appropriated out of any moneys in the oil and gas impact grant fund in the state treasury, not
20 otherwise appropriated, the sum of \$139,300,000, or so much of the sum as may be necessary,
21 to the board of university and school lands for the purpose of oil and gas impact grants, for the
22 biennium beginning July 1, 2015, and ending June 30, 2017. Grants awarded under this section
23 are not subject to section 54-44.1-11. The commissioner of the board of university and school
24 lands shall report to the budget section and to the appropriations committees of the sixty-fifth
25 legislative assembly on the use of the funding provided in this section, including the amounts
26 awarded, the amounts spent to date, and the amounts anticipated to be continued into the
27 2017-2019 biennium. During the biennium beginning July 1, 2015, and ending June 30, 2017,
28 the energy infrastructure and impact office director shall include in recommendations to the
29 board of university and school lands on grants to eligible entities in oil and gas development
30 impact areas:

- 1 1. \$48,000,000, or so much of the sum as may be necessary, for grants to airports
2 impacted by oil and gas development. The director of the energy infrastructure and
3 impact office, in consultation with the aeronautics commission, shall adopt grant
4 procedures and requirements necessary for the distribution of grants under this
5 subsection, which must include cost-share requirements. Cost-share requirements
6 must consider the availability of local funds to support the project. Grant funds must be
7 distributed giving priority to projects that have been awarded or are eligible to receive
8 federal funding.
- 9 2. \$30,000,000, or so much of the sum as may be necessary, for grants to school
10 districts impacted by oil and gas development. Grant funds may be used only for
11 purposes relating to renovation and improvement projects and must be distributed
12 based on oil and gas gross production tax distribution payments to school districts.
13 The distribution to each school district must be proportional to each school district's
14 total distribution payments under subdivision c of subsection 1, subdivision b of
15 subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period
16 beginning September 1, 2013, and ending August 31, 2014, relative to the combined
17 total of all distribution payments to school districts under subdivision c of subsection 1,
18 subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15,
19 for the period beginning September 1, 2013, and ending August 31, 2014.
- 20 3. \$10,000,000, or so much of the sum as may be necessary, for grants to law
21 enforcement agencies impacted by oil and gas development. The director of the
22 energy infrastructure and impact office, in consultation with the drug and violent crime
23 policy board of the attorney general's office, shall adopt grant procedures and
24 requirements necessary for the distribution of grants under this subsection. The grants
25 must be distributed to law enforcement agencies in oil-impacted counties where
26 crime-related activities have increased or in other counties if the crime-related
27 activities in oil-impacted counties originated in any of those counties.
- 28 4. Notwithstanding chapter 57-62, \$10,000,000, or so much of the sum as may be
29 necessary, for grants to critical access hospitals in oil-producing counties and in
30 counties contiguous to an oil-producing county to address the effects of oil and
31 gas-related economic development activities. The director of the energy infrastructure

1 and impact office, in consultation with the department of human services, shall adopt
2 grant procedures and requirements necessary for the distribution of grants under this
3 subsection. One-half of the grant funding must be distributed in January of each year
4 of the biennium.

5 5. Notwithstanding chapter 57-62, \$8,000,000, or so much of the sum as may be
6 necessary, for grants to certain eligible counties. The grants must be distributed in
7 equal amounts to each eligible county. For purposes of this subsection, "eligible
8 counties" means the two counties that received the fifth and sixth highest amount of
9 total allocations under subsection 2 of section 57-51-15, for the period beginning
10 September 1, 2013, and ending August 31, 2014.

11 6. Notwithstanding chapter 57-62, \$6,000,000, or so much of the sum as may be
12 necessary, for grants to emergency medical services providers for expenditures that
13 would mitigate negative effects of oil and gas-related development affecting
14 emergency medical services providers providing services in oil-producing counties,
15 including the need for increased emergency medical services providers services, staff,
16 equipment, coverage, and personnel training. The director of the energy infrastructure
17 and impact office may develop grant procedures and requirements necessary for the
18 distribution of grants under this subsection.

19 7. \$5,000,000, or so much of the sum as may be necessary, for grants to eligible political
20 subdivisions. For purposes of this subsection, "eligible political subdivisions" means
21 counties, cities, organized townships, or other taxing districts in the seven counties
22 that individually received total allocations of less than \$5,000,000 under subsection 2
23 of section 57-51-15, for the period beginning September 1, 2013, and ending
24 August 31, 2014.

25 8. Notwithstanding chapter 57-62, \$4,000,000, or so much of the sum as may be
26 necessary, for grants to nursing homes, basic care facilities, and providers of home
27 health services and hospice programs in oil-producing counties to address the effects
28 of oil and gas and related development activities. The director of the energy
29 infrastructure and impact office, in consultation with key stakeholders, shall adopt
30 grant procedures and requirements necessary for the distribution of grants under this
31 subsection. Of the \$4,000,000, up to \$500,000 must be distributed to home health

1 services and hospice programs in the two hub cities as defined under section
2 57-51-01 that received the two highest total allocations under subsection 1 of section
3 57-51-15 for the period beginning September 1, 2013, and ending August 31, 2014.

4 The remaining amount must be distributed to nursing homes and basic care facilities.

5 9. \$3,000,000, or so much of the sum as may be necessary, for grants to fire protection
6 districts for expenditures that would mitigate negative effects of oil and gas-related
7 development affecting fire protection districts providing services in oil-producing
8 counties, including the need for increased fire protection district services, staff,
9 equipment, coverage, and personnel training. The director of the energy infrastructure
10 and impact office may develop grant procedures and requirements necessary for the
11 distribution of grants under this subsection.

12 10. Notwithstanding chapter 57-62, \$2,000,000, or so much of the sum as may be
13 necessary, for grants to providers that serve individuals with developmental disabilities
14 located in oil-producing counties to address the effects of oil and gas-related
15 development activities. The director of the energy infrastructure and impact office, in
16 consultation with the department of human services, shall adopt grant procedures and
17 requirements necessary for the distribution of grants under this subsection. The grants
18 must be distributed in January of each year of the biennium, based on the number of
19 full-time equivalent positions of each provider as determined by the department of
20 human services. When setting rates for the entities receiving grants under this section,
21 the department of human services shall exclude grant income received under this
22 section as an offset to costs.

23 11. Notwithstanding chapter 57-62, \$2,000,000, or so much of the sum as may be
24 necessary, for grants to domestic violence sexual assault organizations as defined in
25 section 14-07.1-01 that are located in oil-producing counties to address the effects of
26 oil and gas-related development activities. The director of the energy infrastructure
27 and impact office, in consultation with the department of commerce, shall adopt grant
28 procedures and requirements necessary for the distribution of grants under this
29 subsection. The requirements must include required local matching funds of at least
30 two dollars of nonstate funds for each dollar of grant funds.

1 12. \$2,000,000, or so much of the sum as may be necessary, for grants to local district
2 health units that are located in oil-producing counties to address the effects of oil and
3 gas-related development activities. The director of the energy infrastructure and
4 impact office, in consultation with the state department of health, shall adopt grant
5 procedures and requirements necessary for the distribution of grants under this
6 subsection.

7 13. \$1,700,000, or so much of the sum as may be necessary, to each eligible city. For
8 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
9 and gas development with a population of more than 1,453, but fewer than 1,603
10 according to the last official decennial federal census.

11 14. \$500,000, or so much of the sum as may be necessary, to each eligible city. For
12 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
13 and gas development with a population of more than 1,084, but fewer than 1,097
14 according to the last official decennial federal census.

15 15. \$200,000, or so much of the sum as may be necessary, to each eligible city. For
16 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
17 and gas development with a population of more than 445, but fewer than 475
18 according to the last official decennial federal census.

19 16. \$100,000, or so much of the sum as may be necessary, to each eligible city. For
20 purposes of this subsection, an "eligible city" means a city in an area impacted by oil
21 and gas development with a population of more than 1,019, but fewer than 1,070
22 according to the last official decennial federal census.

23 **SECTION 6. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS TAX REVENUE**

24 **ALLOCATION FORMULAS.** During the 2015-16 interim, the legislative management shall
25 consider studying the oil and gas tax revenue allocation formulas. The study must include
26 consideration of current and historical allocations to political subdivisions and the appropriate
27 level of oil and gas tax revenue allocations to political subdivisions based on infrastructure and
28 other needs. The legislative management shall report its findings and recommendations,
29 together with any legislation required to implement the recommendations, to the sixty-fifth
30 legislative assembly.

1 **SECTION 7. EFFECTIVE DATE.** Section 1 of this Act is effective for tax collections received
2 by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the
3 strategic investment and improvements fund after June 30, 2015. Sections 2 and 3 of this Act
4 are effective for taxable events occurring after June 30, 2015.