Sixty-fourth Legislative Assembly of North Dakota
In Regular Session Commencing Tuesday, January 6, 2015

HOUSE BILL NO. 1176
(Representatives Kempenich, Brandenburg, Dockter, Hatlestad, Owens, Streyle, Toman, Trottier)
(Senators Bowman, O'Connell, Oehlke, Unruh)

AN ACT to amend and reenact sections 15-08.1-08, 57-51-01, and 57-51-15 of the North Dakota Century Code, relating to the unobligated balance of the strategic investment and improvements fund and oil and gas gross production tax definitions and allocations; to provide appropriations; to provide exemptions; to provide for reports to the budget section; to provide for a legislative management study; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

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

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~

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

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

As used in this chapter:

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

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

6. "Hub city school district" means the school district with the highest student enrollment within the city limits of a hub city.

7. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.

8. "Person" includes partnership, corporation, limited liability company, association, fiduciary, trustee, and any combination of individuals.

9. "Posted price" means the price specified in publicly available posted price bulletins or other public notices, net of any adjustments for quality and location.

10. "Shallow gas" means gas produced from a gas well completed in or producing from a shallow gas zone, as certified to the tax commissioner by the industrial commission.

11. "Shallow gas zone" means a strata or formation, including lignite or coal strata or seam, located above the depth of five thousand feet [1524 meters] below the surface, or located more than five thousand feet [1524 meters] below the surface but above the top of the Rierdon formation, from which gas is or may be produced.

12. "Transportation costs" means the costs incurred for transporting oil established in accordance with the first applicable of the following methods:

    a. Actual costs incurred under the arm's-length contract between the producer and the transporter of oil.

    b. An applicable common carrier rate established and filed with the North Dakota public service commission, or the appropriate federal jurisdictional agency.

    c. When no common carrier rate would be applicable, the transportation costs are those reasonable costs associated with the actual operating and maintenance expenses, overhead costs directly attributable and allocable to the operation and maintenance, and either depreciation and a return on undepreciated capital investment, or a cost equal to a return on the investment in the transportation system, as determined by the commissioner.

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

~~1. "Barrel of oil" means forty-two United States gallons of two hundred thirty-one cubic inches per gallon computed at a temperature of sixty degrees Fahrenheit [158.99 liters computed at a temperature of 15.56 degrees Celsius].~~

~~2. "Commissioner" means the state tax commissioner.~~

~~3. "Field" means the geographic area underlaid by one or more pools, as defined by the industrial commission.~~

~~4. "Gas" means natural gas and casinghead gas.~~

~~5. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.~~

~~6. "Person" includes partnership, corporation, limited liability company, association, fiduciary, trustee, and any combination of individuals.~~

~~7. "Posted price" means the price specified in publicly available posted price bulletins or other public notices, net of any adjustments for quality and location.~~

~~8. "Shallow gas" means gas produced from a gas well completed in or producing from a shallow gas zone, as certified to the tax commissioner by the industrial commission.~~

~~9. "Shallow gas zone" means a strata or formation, including lignite or coal strata or seam, located above the depth of five thousand feet [1524 meters] below the surface, or located more than five thousand feet [1524 meters] below the surface but above the top of the Rierdon formation, from which gas is or may be produced.~~

~~10. "Transportation costs" means the costs incurred for transporting oil established in accordance with the first applicable of the following methods:~~

~~a. Actual costs incurred under the arm's-length contract between the producer and the transporter of oil.~~

~~b. An applicable common carrier rate established and filed with the North Dakota public service commission, or the appropriate federal jurisdictional agency.~~

~~c. When no common carrier rate would be applicable, the transportation costs are those reasonable costs associated with the actual operating and maintenance expenses, overhead costs directly attributable and allocable to the operation and maintenance, and either depreciation and a return on undepreciated capital investment, or a cost equal to a return on the investment in the transportation system, as determined by the commissioner.~~

SECTION 3. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

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

The gross production tax must be allocated monthly as follows:

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

   a. Allocate<u>, for the period beginning September 1, 2015, and ending August 31, 2017,</u> to each hub city<u>, which is located in a county that received an allocation under subsection 2,</u> a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in ~~the mining industry~~<u>oil and gas-related employment</u>, according to <u>annual</u> data compiled by job service North Dakota <u>and after August 31, 2017, allocate to each hub city, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota</u>;

   b. <u>Allocate, for the period beginning September 1, 2015, and ending August 31, 2017, to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private</u>

covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and after August 31, 2017, allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota;

c. Allocate, for the period beginning September 1, 2015, and ending August 31, 2017, to each hub city school district, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in ~~the mining industry~~oil and gas-related employment, according to annual data compiled by job service North Dakota and after August 31, 2017, allocate to each hub city school district, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota, provided that hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision;

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

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

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

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

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

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

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

   b. Of all annual revenue exceeding five million dollars, ~~twenty-five~~thirty percent is allocated to the county.

3. After the allocations under subsections 1 and 2, the amount remaining is allocated first to provide for deposit of thirty percent of all revenue collected under this chapter in the legacy fund as provided in section 26 of article X of the Constitution of North Dakota and the remainder must be allocated to the state general fund. If the amount available for a monthly allocation under this subsection is insufficient to deposit thirty percent of all revenue collected

under this chapter in the legacy fund, the state treasurer shall transfer the amount of the shortfall from the state general fund share of oil extraction tax collections and deposit that amount in the legacy fund.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

b. The school district's ending fund balances; and

c. The amounts allocated under this section to the school district, the amounts expended from these allocations, and the purposes of the expenditures.

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

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

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

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

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

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

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

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

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

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

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

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

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

~~e. Of all annual revenue exceeding eighteen million dollars, ten percent is allocated to the county.~~

~~3. After the allocations under subsections 1 and 2, the amount remaining is allocated first to provide for deposit of thirty percent of all revenue collected under this chapter in the legacy fund as provided in section 26 of article X of the Constitution of North Dakota and the remainder must be allocated to the state general fund. If the amount available for a monthly allocation under this subsection is insufficient to deposit thirty percent of all revenue collected~~

~~under this chapter in the legacy fund, the state treasurer shall transfer the amount of the shortfall from the state general fund share of oil extraction tax collections and deposit that amount in the legacy fund.~~

~~4.~~ ~~The amount to which each county is entitled under subsection 2 must be allocated within the county so the first five million three hundred fifty thousand dollars is allocated under subsection 5 for each fiscal year and any amount received by a county exceeding five million three hundred fifty thousand dollars is credited by the county treasurer to the county infrastructure fund and allocated under subsection 6.~~

~~5.~~ ~~a.~~ ~~Forty-five percent of all revenues allocated to any county for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b.~~ ~~Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.~~

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

~~(1)~~ ~~The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.~~

~~(2)~~ ~~The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.~~

~~(3)~~ ~~The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.~~

~~(4)~~ ~~The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.~~

~~(5) Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:~~

~~(a) Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.~~

~~(b) Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.~~

~~(c) Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.~~

~~c. Twenty percent of all revenues allocated to any county for allocation under this subsection must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

~~6. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 4 and 5 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

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

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

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

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

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

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

SECTION 4. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $112,000,000, or so much of the sum as may be necessary, to the department of transportation for the purpose of distributions to non-oil-producing counties, for the biennium beginning July 1, 2015, and ending June 30, 2017. One-half of the distributions must be based on county major collector roadway miles as defined by the department of transportation. The distribution to each non-oil-producing county based on county major collector roadway miles must be proportional to each non-oil-producing county's total county major collector roadway miles relative to the combined total of county major collector roadway miles of all the eligible non-oil-producing counties under this section. One-half of the distributions must be based on the most recent data compiled by the upper great plains transportation institute regarding North Dakota's county, township, and tribal road and bridge infrastructure needs. The distribution to each non-oil-producing county based on total estimated road and bridge investment needs must be proportional to each non-oil-producing county's total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute relative to the combined total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute of all the eligible non-oil-producing counties under this subsection. For purposes of this section, "non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than $5,000,000 for the period beginning September 1, 2013, and ending August 31, 2014. The amounts available under this section must be distributed on or after February 1, 2016.

1. a. Each county requesting funding under this section for county road and bridge projects shall submit the request in accordance with criteria developed by the department of transportation. The request must include a proposed plan for funding projects that rehabilitate or reconstruct paved and unpaved roads and bridges within the county which are needed to support economic activity in the state or which improve traffic safety. The plan must meet the following criteria:

(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety.

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

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

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

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

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

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

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

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

SECTION 5. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND - GRANT RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION. There is appropriated out of any moneys in the oil and gas impact grant fund in the state treasury, not otherwise appropriated, the sum of $139,300,000, or so much of the sum as may be necessary, to the board of university and school lands for the purpose of oil and gas impact grants, for the biennium beginning July 1, 2015, and ending June 30, 2017. Grants awarded under this section are not subject to section 54-44.1-11. The commissioner of the board of university and school lands shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided in this section, including the amounts awarded, the amounts spent to date, and the amounts anticipated to be continued into the 2017-2019 biennium. During the biennium beginning July 1, 2015, and ending June 30, 2017, the energy infrastructure and impact office director shall include in recommendations to the board of university and school lands on grants to eligible entities in oil and gas development impact areas:

1. $48,000,000, or so much of the sum as may be necessary, for grants to airports impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the aeronautics commission, shall adopt grant procedures and requirements

necessary for the distribution of grants under this subsection, which must include cost-share requirements. Cost-share requirements must consider the availability of local funds to support the project. Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding.

2. $30,000,000, or so much of the sum as may be necessary, for grants to school districts impacted by oil and gas development. Grant funds may be used only for purposes relating to renovation and improvement projects and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision c of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision c of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

3. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increased or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

4. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

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

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

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

8. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers of home health services and hospice programs in oil-producing counties to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with key stakeholders, shall adopt grant procedures and requirements necessary

for the distribution of grants under this subsection. Of the $4,000,000, up to $500,000 must be distributed to home health services and hospice programs in the two hub cities as defined under section 57-51-01 that received the two highest total allocations under subsection 1 of section 57-51-15 for the period beginning September 1, 2013, and ending August 31, 2014. The remaining amount must be distributed to nursing homes and basic care facilities.

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

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

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

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

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

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

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

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

SECTION 6. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS TAX REVENUE ALLOCATION FORMULAS. During the 2015-16 interim, the legislative management shall consider studying the oil and gas tax revenue allocation formulas. The study must include consideration of current and historical allocations to political subdivisions and the appropriate level of oil and gas tax revenue allocations to political subdivisions based on infrastructure and other needs. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

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

____________________________ Speaker of the House

____________________________ President of the Senate

____________________________ Chief Clerk of the House

____________________________ Secretary of the Senate

This certifies that the within bill originated in the House of Representatives of the Sixty-fourth Legislative Assembly of North Dakota and is known on the records of that body as House Bill No. 1176.

House Vote:	Yeas 91	Nays 1	Absent 2
Senate Vote:	Yeas 46	Nays 1	Absent 0

____________________________ Chief Clerk of the House

Received by the Governor at ________M. on _____________________________________, 2015.

Approved at ________M. on ____, 2015.

____________________________ Governor

Filed in this office this ___________day of _______________________________________, 2015,

at ________ o'clock ________M.

____________________________ Secretary of State