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Sixty-first
Legislative Assembly
of North Dakota

FIRST ENGROSSMENT

ENGROSSED HOUSE BILL NO. 1466

Introduced by

Representatives Skarphol, Froseth, Wald

Senators Andrist, Wardner

A BILL for an Act to create and enact chapter 17-06 of the North Dakota Century Code, relating to establishment and powers and duties of an oil and gas impact remediation commission; to amend and reenact subsection 1 of section 57-51-15 and section 57-62-03 of the North Dakota Century Code, relating to allocation of oil and gas gross production tax revenues for impact remediation and elimination of the energy development impact office; to repeal sections 57-62-03.1, 57-62-04, 57-62-05, and 57-62-06 of the North Dakota Century Code, relating to elimination of the energy development impact office; to provide a continuing appropriation; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. Chapter 17-06 of the North Dakota Century Code is created and enacted as follows:

17-06-01. Oil and gas impact remediation commission - Staff.

1. The oil and gas impact remediation commission consists of:
   a. One member of the senate and two members of the house of representatives appointed by the chairman of the legislative council. The chairman of the legislative council shall designate one of these individuals to serve as chairman of the commission. Of the members initially appointed, one shall be appointed for an initial term of three years and the others for initial terms of two years.
   b. One representative of the oil and gas industry, one representative of county governments in oil-producing counties, one representative of city governments in oil-producing counties, one representative of school districts in oil-producing counties, and one representative of townships in oil-producing counties, all appointed by the governor from a list of nominees submitted by

the North Dakota association of oil and gas producing counties. The governor shall designate three of these individuals to serve an initial term of three years and the term of the remaining members appointed by the governor is two years.

2. After the initial terms of members, the term of each member is two years. Terms begin on July first. A member may be reappointed but may not serve more than two terms. A vacancy must be filled by the appointing authority for the remainder of the term.

3. The North Dakota association of oil-producing counties shall provide staff services to the commission.

17-06-02. Powers and duties. The commission:

1. Shall adopt rules to establish up to six regions, each consisting of one or more counties with current oil or gas production or exploration activity. The rules must allow each region to establish a regional impact advisory council to serve in an advisory capacity to the commission and to allocate funds within the region which may be made available for that purpose.

2. May adopt rules to establish procedures and policies for oil and gas development impact assessment and funding priorities from the oil and gas impact remediation commission fund. Development areas must be assigned higher funding priority than production areas.

3. Shall allocate funds directly to oil or gas development or production-impacted political subdivisions.

4. Shall coordinate impact funding efforts of the commission, regional impact advisory councils, and the energy development impact office.

17-06-03. Allocations from oil and gas impact grant fund - Continuing appropriation. Revenues deposited in the oil and gas impact grant fund are appropriated to the commission as a standing and continuing appropriation for purposes of this chapter. The commission may allocate up to ten percent of revenues deposited in the fund to each regional impact advisory council for allocation within that region. The commission may allocate remaining revenues in the oil and gas impact grant fund directly to political subdivisions upon

application by political subdivisions demonstrating need for remediation of oil or gas development or production impact.

17-06-04. Assistance of oil and gas division and other state agencies. Upon request of the commission, the oil and gas division and any other state agency shall provide assistance and recommendations to identify and evaluate areas of current and anticipated oil and gas development impact.

SECTION 2. AMENDMENT. Subsection 1 of section 57-51-15 of the North Dakota Century Code is amended and reenacted 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~~ by the state treasurer who shall credit thirty-three and one-third percent of the revenues to deposit the first twenty million dollars per biennium in the oil and gas impact grant fund~~, but not in an amount exceeding six million dollars per biennium, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly,~~ and who shall credit the remaining revenues under this subsection to the state general fund.

SECTION 3. AMENDMENT. Section 57-62-03 of the North Dakota Century Code is amended and reenacted as follows:

57-62-03. Loans - Terms and conditions - Repayment. The board of university and school lands is authorized to make loans to coal development-impacted counties, cities, and school districts before or after the beginning of actual coal mining from moneys deposited in the coal development trust fund established by subsection 2 of section 57-62-02. Loans made prior to actual mining must be preceded by site permitting and by beginning actual construction of the mine or its mine mouth facility. Loans may be made for any purpose for which a grant ~~may be~~ could have been made pursuant to this chapter~~, but before making any loan the board of university and school lands shall receive the recommendation of the energy development impact office~~ before August 1, 2009. The board of university and school lands shall prescribe the terms and conditions of such loans within the provisions of this chapter and shall require a warrant executed by the governing body of the county, city, or school district as evidence of such loan. The warrants must bear interest at a rate not to exceed six percent. The warrants shall be payable only from the allocations of moneys from the coal development fund to the

borrowing county, city, or school district and shall not constitute a general obligation of the county, city, or school district nor may such loans be considered as indebtedness of the county, city, or school district. Loans made in advance of actual coal mining must provide that repayment is to begin when the borrowing county, city, or school district receives allocations from the coal development fund. The terms of the loan must provide that not less than ten percent of each allocation made to the borrowing county, city, or school district pursuant to this chapter must be withheld by the state treasurer to repay the principal of the warrants and the interest thereon. The amount withheld by the state treasurer as payment of interest must be deposited in the general fund and the amount withheld by the state treasurer as payment of principal must be remitted to the board of university and school lands and deposited by the board in the trust fund provided for in subsection 2 of section 57-62-02. The warrants executed by the county, city, or school district have all of the qualities and incidents of negotiable paper and are not subject to taxation by the state of North Dakota or by any political subdivision thereof.

The board of university and school lands is authorized to sell such warrants to other parties and the proceeds of such sale which constitute principal must be deposited in the coal development trust fund and that which constitutes interest in the general fund. If the future allocations of moneys to the borrowing county, city, or school district should, for any reason, permanently cease, the loan shall be canceled except that if the county, city, or school district is merged with another county, city, or school district which receives an allocation of moneys from the coal development fund, the surviving county, city, or school district is obligated to repay the loan from such allocation. If the loan is canceled due to the permanent cessation of allocations of moneys to the county, city, or school district pursuant to this chapter, the board of university and school lands shall cancel those warrants it holds from such county, city, or school district and shall pay from any moneys in the trust fund provided for in subsection 2 of section 57-62-02 the principal and interest, as it becomes due, on those warrants of the county, city, or school district which are held by another party.

SECTION 4. REPEAL. Sections 57-62-03.1, 57-62-04, 57-62-05, and 57-62-06 of the North Dakota Century Code are repealed.

SECTION 5. EFFECTIVE DATE. Section 2 of this Act is effective for taxable events occurring after June 30, 2009.