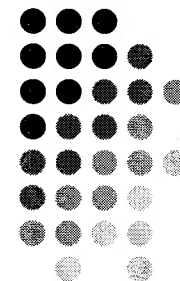


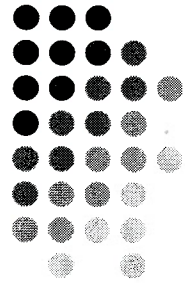
Energy Development Impact Office



Criteria for grants

1. Each eligible political subdivision must demonstrate that it is experiencing, or will experience, extraordinary expenditures caused by energy development and growth incidental thereto. "Oil and gas development" means the exploration for and production of oil and gas and industries directly relating to the refining or processing of the oil and gas.
2. Each potential grantee must demonstrate the degree to which the project or program for which the application is being submitted will alleviate negative impact caused by either oil and gas development in their area.
3. Each potential grantee must demonstrate that its "tax effort" for the support of basic services is equivalent to that of comparable political subdivisions in North Dakota which are not impacted by energy development. Equivalency will be determined based on revenue collections, geographical size, population, and other relevant factors.
4. Basic governmental services that currently are dependent on local property taxes for their funding will receive a high priority for funding by an impact grant, although that prioritization will be reviewed on an annual basis.
5. Basic governmental services which are currently receiving funding from sources other than local tax revenues will be placed lower on a priority listing of those services eligible for full or partial funding by an energy development impact grant. The director will establish the priorities.

Energy Development Impact Office



Criteria of Grants (continued)

6. Grant applications involving funding of capital improvements or capital construction will be reviewed, taking into consideration tax effort by the potential grantee, and the extent to which funding is available through the issuance of appropriate bonds. If the grantee has submitted the question of issuing appropriate bonds to the electorate in that political subdivision, the outcome of that election will be considered.
7. Revenues received by individual governmental units from the oil and gas gross production tax will be taken into consideration in determining eligibility for energy impact funds.
8. It is the intent that all grants are to be used promptly. When it becomes apparent that all or a portion of a grant, for whatever reason, is not being used within a reasonable period of time, the Energy Impact director may, at his discretion, close the grant after duly notifying the political grantee and make the remaining funds available for reallocation.