

Sixty-first
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1304

Introduced by

Representatives Skarphol, Hatlestad, Wald

Senators Lyson, Wardner

1 A BILL for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code,
2 relating to allocation of oil and gas gross production taxes; and to provide an effective date.

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

4 **SECTION 1. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-51-15. Apportionment and use of proceeds of tax.** The gross production tax
7 provided for in this chapter must be apportioned as follows:

8 1. First the tax revenue collected under this chapter equal to one percent of the gross
9 value at the well of the oil and one-fifth of the tax on gas must be deposited with
10 the state treasurer who shall credit thirty-three and one-third percent of the
11 revenues to the oil and gas impact grant fund, but not in an amount exceeding six
12 million dollars per biennium, including any amounts otherwise appropriated for oil
13 and gas impact grants for the biennium by the legislative assembly, and who shall
14 credit the remaining revenues to the state general fund.

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

18 a. ~~The first one million dollars of annual revenue after the deduction of the~~
19 ~~amount provided for in subsection 1 from oil or gas produced in any county~~
20 ~~must be allocated to that the county.~~
21 b. The next two hundred eight thousand dollars must be allocated to any city in
22 the county with a population of more than seven thousand five hundred. The
23 allocation under this subdivision must be doubled if the city has more than
24 seven and one-half percent of its labor force engaged in employment directly

related to oil extraction, according to data compiled by job service North
Dakota.

c. ~~The second next one million dollars of annual revenue after the deduction for~~
~~the amount provided for in subsection 1 from oil and gas produced in any~~
~~county~~ must be allocated seventy-five percent to ~~that~~ the county and
twenty-five percent to the state general fund.

d. The next two hundred eight thousand dollars must be allocated to any city in
the county with a population of more than seven thousand five hundred. The
allocation under this subdivision must be doubled if the city has more than
seven and one-half percent of its labor force engaged in employment directly
related to oil extraction, according to data compiled by job service North
Dakota.

e. ~~The third next one million dollars of annual revenue after the deduction of the~~
~~amount provided for in subsection 1 from oil or gas produced in any county~~
must be allocated fifty percent to ~~that~~ the county and fifty percent to the state
general fund.

f. The next two hundred eight thousand dollars must be allocated to any city in
the county with a population of more than seven thousand five hundred. The
allocation under this subdivision must be doubled if the city has more than
seven and one-half percent of its labor force engaged in employment directly
related to oil extraction, according to data compiled by job service North
Dakota.

g. All annual revenue ~~after the deduction of the amount provided for in~~
~~subsection 1 above three million dollars from oil or gas produced in any~~
~~county~~ remaining after the allocation in subdivision f must be allocated
twenty-five percent to ~~that~~ the county and seventy-five percent to the state
general fund. ~~However, the~~

3. The amount to which each county is entitled pursuant to this under subsection 2
must be ~~limited based upon the population of~~ allocated within the county ~~according~~
~~to the last official decennial federal census~~ as follows:

- 1 a. Counties having a population of three thousand or less shall receive ~~no more~~
2 ~~than~~ three million nine hundred thousand dollars for allocation under
3 subsection 4 for each fiscal year; ~~however, a county may receive up to four~~
4 ~~million nine hundred thousand dollars under this subdivision for each fiscal~~
5 ~~year if during that fiscal year the county levies a total of at least ten mills for~~
6 ~~combined levies for county road and bridge, farm to market and federal aid~~
7 ~~road, and county road purposes.~~ Any amount received by a county
8 exceeding three million nine hundred thousand dollars under this subdivision
9 is not subject to allocation under subsection ~~3~~ 4 but must be credited by the
10 county treasurer to the county ~~general~~ infrastructure fund.
- 11 b. Counties having a population of over three thousand but less than six
12 thousand shall receive ~~no more than~~ four million one hundred thousand
13 dollars for allocation under subsection 4 for each fiscal year; ~~however, a~~
14 ~~county may receive up to five million one hundred thousand dollars under this~~
15 ~~subdivision for each fiscal year if during that fiscal year the county levies a~~
16 ~~total of at least ten mills for combined levies for county road and bridge,~~
17 ~~farm to market and federal aid road, and county road purposes.~~ Any amount
18 received by a county exceeding four million one hundred thousand dollars
19 under this subdivision is not subject to allocation under subsection ~~3~~ 4 but
20 must be credited by the county treasurer to the county ~~general~~ infrastructure
21 fund.
- 22 c. Counties having a population of six thousand or more shall receive ~~no more~~
23 ~~than~~ four million six hundred thousand dollars for allocation under
24 subsection 4 for each fiscal year; ~~however, a county may receive up to five~~
25 ~~million six hundred thousand dollars under this subdivision for each fiscal year~~
26 ~~if during that fiscal year the county levies a total of ten mills or more for~~
27 ~~combined levies for county road and bridge, farm to market and federal aid~~
28 ~~road, and county road purposes.~~ Any amount received by a county
29 exceeding four million six hundred thousand dollars under this subdivision is
30 not subject to allocation under subsection ~~3~~ 4 but must be credited by the
31 county treasurer to the county ~~general~~ infrastructure fund.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

- ~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county general fund.
- 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.

- 1 c. Twenty percent of all revenues allocated to any county ~~hereunder for~~
2 allocation under this subsection must be ~~paid~~ apportioned no less than
3 quarterly by the state treasurer to the incorporated cities of the county that did
4 not receive any allocation under subdivision b of subsection 2.
5 Apportionment among cities under this subsection must be based upon the
6 population of each incorporated city according to the last official decennial
7 federal census. ~~Once this level has been reached through distributions under~~
8 ~~this subsection, all excess funds to which any city would be entitled except for~~
9 ~~this limitation must be deposited instead in that county's general fund.~~
10 ~~Provided, however, that in~~ In determining the population of any city in which
11 total employment increases by more than two hundred percent seasonally
12 due to tourism, the population of that city for purposes of ~~determining the per~~
13 ~~capita limitation in~~ this section must be increased by adding to the population
14 of the city as determined by the last official decennial federal census a
15 number to be determined as follows:
- 16 a. (1) Seasonal employees of state and federal tourist facilities within five
17 miles [8.05 kilometers] of the city must be included by adding the
18 months all such employees were employed during the prior year and
19 dividing by twelve.
- 20 b. (2) Seasonal employees of all private tourist facilities within the city and
21 seasonal employees employed by the city must be included by adding
22 the months all such employees were employed during the prior year
23 and dividing by twelve.
- 24 e. (3) The number of visitors to the tourist attraction within the city or within
25 five miles [8.05 kilometers] of the city which draws the largest number
26 of visitors annually must be included by taking the smaller of either of
27 the following:
- 28 (1) (a) The total number of visitors to that tourist attraction the prior year
29 divided by three hundred sixty-five; or
30 (2) (b) Four hundred twenty.

- 1 5. a. Forty-five percent of all revenues allocated to a county infrastructure fund
2 under subsection 3 must be credited by the county treasurer to the county
3 general fund.
- 4 b. Thirty-five percent of all revenues allocated to the county infrastructure fund
5 under subsection 3 must be allocated by the board of county commissioners
6 to or for the benefit of townships in the county on the basis of applications by
7 townships for funding to offset oil and gas development impact to township
8 roads. For unorganized townships within the county, the board of county
9 commissioners may expend an appropriate portion of revenues under this
10 subdivision to offset oil and gas development impact to township roads in
11 those townships.
- 12 c. Twenty percent of all revenues allocated to any county infrastructure fund
13 under subsection 3 must be allocated by the county treasurer no less than
14 quarterly to the incorporated cities of the county that did not receive any
15 allocation under subdivision b of subsection 2. Apportionment among cities
16 under this subsection must be based upon the population of each
17 incorporated city according to the last official decennial federal census.

18 **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable events occurring after

19 June 30, 2009.