

SENATE BILL NO. 2042

Introduced by

Legislative Management

(Taxation Committee)

1 A BILL for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code,
2 relating to reporting requirements for schools and counties receiving oil and gas gross
3 production tax allocations.

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

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

7 **57-51-15. Gross production tax allocation.**

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

9 1. The tax revenue collected under this chapter equal to one percent of the gross value
10 at the well of the oil and one-fifth of the tax on gas must be deposited with the state
11 treasurer. The state treasurer shall allocate the funding in the following order:

12 a. To each hub city, which is located in a county that received an allocation under
13 subsection 2 in the most recently completed even-numbered fiscal year, the state
14 treasurer shall allocate a monthly amount that will provide a total allocation of
15 three hundred seventy-five thousand dollars per fiscal year for each full or partial
16 percentage point, excluding the first two percentage points, of its private covered
17 employment engaged in the mining industry, according to annual data compiled
18 by job service North Dakota. For purposes of the allocations under this
19 subdivision during the period beginning September 1, 2017, and ending
20 August 31, 2018, the state treasurer shall use the following employment
21 percentages:

- 22 (1) Thirty-three percent for the city of Williston;
23 (2) Seventeen percent for the city of Dickinson; and
24 (3) Four percent for the city of Minot.

- 1 b. To each hub city, which is located in a county that did not receive an allocation
2 under subsection 2 in the most recently completed even-numbered fiscal year,
3 the state treasurer shall allocate a monthly amount that will provide a total
4 allocation of two hundred fifty thousand dollars per fiscal year for each full or
5 partial percentage point, excluding the first two percentage points, of its private
6 covered employment engaged in the mining industry, according to annual data
7 compiled by job service North Dakota.
- 8 c. To each hub city school district, which is located in a county that received an
9 allocation under subsection 2 in the most recently completed even-numbered
10 fiscal year, the state treasurer shall allocate a monthly amount that will provide a
11 total allocation of one hundred twenty-five thousand dollars per fiscal year for
12 each full or partial percentage point, excluding the first two percentage points, of
13 the hub city's private covered employment engaged in the mining industry,
14 according to annual data compiled by job service North Dakota. Hub city school
15 districts, which are located in a county that did not receive an allocation under
16 subsection 2 in the most recently completed even-numbered fiscal year, must be
17 excluded from the allocations under this subdivision. For purposes of the
18 allocations under this subdivision during the period beginning September 1,
19 2017, and ending August 31, 2018, the state treasurer shall use the following
20 employment percentages:
- 21 (1) Thirty-three percent for the city of Williston;
22 (2) Seventeen percent for the city of Dickinson; and
23 (3) Four percent for the city of Minot.
- 24 d. To each county that received more than five million dollars but less than thirty
25 million dollars of total allocations under subsection 2 in the most recently
26 completed even-numbered fiscal year, the state treasurer shall allocate a monthly
27 amount that will be added to the allocations to school districts under subdivision b
28 of subsection 5, as follows:
- 29 (1) To each county that received more than five million dollars but not
30 exceeding ten million dollars of total allocations under subsection 2 in the
31 most recently completed even-numbered fiscal year, the state treasurer

- 1 shall allocate a monthly amount that will provide a total allocation of one
2 million five hundred thousand dollars per fiscal year. The allocation must be
3 distributed to school districts within the county pursuant to subdivision b of
4 subsection 5.
- 5 (2) To each county that received more than ten million dollars but not exceeding
6 fifteen million dollars of total allocations under subsection 2 in the most
7 recently completed even-numbered fiscal year, the state treasurer shall
8 allocate a monthly amount that will provide a total allocation of one million
9 two hundred fifty thousand dollars per fiscal year. The allocation must be
10 distributed to school districts within the county pursuant to subdivision b of
11 subsection 5.
- 12 (3) To each county that received more than fifteen million dollars but not
13 exceeding twenty million dollars of total allocations under subsection 2 in
14 the most recently completed even-numbered fiscal year, the state treasurer
15 shall allocate a monthly amount that will provide a total allocation of one
16 million dollars per fiscal year. The allocation must be distributed to school
17 districts within the county pursuant to subdivision b of subsection 5.
- 18 (4) To each county that received more than twenty million dollars but not
19 exceeding twenty-five million dollars of total allocations under subsection 2
20 in the most recently completed even-numbered fiscal year, the state
21 treasurer shall allocate a monthly amount that will provide a total allocation
22 of seven hundred fifty thousand dollars per fiscal year. The allocation must
23 be distributed to school districts within the county pursuant to subdivision b
24 of subsection 5.
- 25 (5) To each county that received more than twenty-five million dollars but not
26 exceeding thirty million dollars of total allocations under subsection 2 in the
27 most recently completed even-numbered fiscal year, the state treasurer
28 shall allocate a monthly amount that will provide a total allocation of five
29 hundred thousand dollars per fiscal year. The allocation must be distributed
30 to school districts within the county pursuant to subdivision b of
31 subsection 5.

- 1 e. (1) For the period beginning September 1, 2017, and ending August 31, 2019,
2 the state treasurer shall allocate eight percent of the amount available under
3 this subsection to the North Dakota outdoor heritage fund, but not in an
4 amount exceeding ten million dollars per biennium. For purposes of this
5 paragraph, "biennium" means the period beginning September first of each
6 odd-numbered calendar year and ending August thirty-first of the following
7 odd-numbered calendar year.
- 8 (2) After August 31, 2019, the state treasurer shall allocate eight percent of the
9 amount available under this subsection to the North Dakota outdoor
10 heritage fund, but not in an amount exceeding twenty million dollars per
11 fiscal year.
- 12 f. (1) For the period beginning September 1, 2017, and ending August 31, 2019,
13 the state treasurer shall allocate four percent of the amount available under
14 this subsection to the abandoned oil and gas well plugging and site
15 reclamation fund, but not in an amount exceeding four million dollars per
16 fiscal year and not in an amount that would bring the balance in the fund to
17 more than one hundred million dollars.
- 18 (2) After August 31, 2019, the state treasurer shall allocate four percent of the
19 amount available under this subsection to the abandoned oil and gas well
20 plugging and site reclamation fund, but not in an amount exceeding seven
21 million five hundred thousand dollars per fiscal year and not in an amount
22 that would bring the balance in the fund to more than one hundred million
23 dollars.
- 24 g. For the period beginning September 1, 2017, and ending August 31, 2019, the
25 state treasurer shall allocate the remaining revenues in the following order:
26 (1) Up to twenty-five million dollars to the oil and gas impact grant fund.
27 (2) Any remaining revenues under subsection 3.
- 28 h. After August 31, 2019, the state treasurer shall allocate the remaining revenues
29 in the following order:
30 (1) Up to five million dollars per biennium to the oil and gas impact grant fund.
31 For purposes of this paragraph, "biennium" means the period beginning

1 September first of each odd-numbered calendar year and ending
2 August thirty-first of the following odd-numbered calendar year.

3 (2) Any remaining revenues under subsection 3.

4 i. For purposes of this subsection, "fiscal year" means the period beginning
5 September first and ending August thirty-first of the following calendar year.

6 2. a. During the period beginning September 1, 2017, and ending August 31, 2019, for
7 counties that received less than five million dollars of total allocations under this
8 subsection in the most recently completed even-numbered fiscal year, then after
9 deduction of the amount provided in subsection 1, the state treasurer shall
10 allocate revenue collected under this chapter from oil and gas produced in each
11 county as follows:

12 (1) The first five million dollars of collections received each fiscal year is
13 allocated to the county.

14 (2) The remaining revenue collections received each fiscal year are allocated
15 thirty percent to the county and seventy percent to the state for allocations
16 under subsection 3.

17 b. During the period beginning September 1, 2017, and ending August 31, 2019, for
18 counties that received five million dollars or more of total allocations under this
19 subsection in the most recently completed even-numbered fiscal year, then after
20 deduction of the amount provided in subsection 1, the state treasurer shall
21 allocate revenue collected under this chapter from oil and gas produced in each
22 county as follows:

23 (1) The first five million dollars of collections received each fiscal year is
24 allocated to the county. From the first five million dollars allocated to the
25 county, the state treasurer shall allocate an amount from each county to the
26 energy impact fund to provide a total allocation of two million per fiscal year
27 to the fund. The amount allocated from each county to the energy impact
28 fund under this paragraph must be proportional to the county's monthly oil
29 and gas gross production tax revenue collected relative to the total monthly
30 oil and gas gross production tax revenue collected from all the counties
31 under this subdivision. The state treasurer shall allocate the amount

1 remaining from this paragraph to the county under subsection 5. For the
2 purposes of determining the counties that received five million dollars or
3 more of total allocations under this subsection in the most recently
4 completed even-numbered fiscal year under this section, any amounts
5 withheld from the county for allocations to the energy impact fund are
6 considered allocations to the county.

7 (2) The remaining revenue collections received each fiscal year are allocated
8 thirty percent to the county and seventy percent to the state for allocations
9 under subsection 3.

10 c. After deduction of the amount provided in subsection 1, annual revenue collected
11 under this chapter from oil and gas produced in each county must be allocated
12 after August 31, 2019, as follows:

13 (1) The first five million dollars is allocated to the county.

14 (2) Of all annual revenue exceeding five million dollars, thirty percent is
15 allocated to the county.

16 d. For purposes of this subsection, "fiscal year" means the period beginning
17 September first and ending August thirty-first of the following calendar year.

18 3. After the allocations under subsections 1 and 2, the amount remaining is allocated first
19 to provide for deposit of thirty percent of all revenue collected under this chapter in the
20 legacy fund as provided in section 26 of article X of the Constitution of North Dakota
21 and the remainder must be allocated to the state general fund. If the amount available
22 for a monthly allocation under this subsection is insufficient to deposit thirty percent of
23 all revenue collected under this chapter in the legacy fund, the state treasurer shall
24 transfer the amount of the shortfall from the state general fund share of oil extraction
25 tax collections and deposit that amount in the legacy fund.

26 4. For a county that received less than five million dollars of allocations under
27 subsection 2 in the most recently completed even-numbered fiscal year, revenues
28 allocated to that county must be distributed at least quarterly by the state treasurer as
29 follows:

30 a. Forty-five percent must be distributed to the county treasurer and credited to the
31 county general fund. However, the distribution to a county under this subdivision

- 1 must be credited to the state general fund if in a taxable year after 2012 the
2 county is not levying a total of at least ten mills for combined levies for county
3 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 4 b. Thirty-five percent must be distributed to school districts within the county on the
5 average daily attendance distribution basis for kindergarten through grade twelve
6 students residing within the county, as certified to the state treasurer by the
7 county superintendent of schools. However, a hub city school district must be
8 omitted from distributions under this subdivision.
- 9 c. Twenty percent must be distributed to the incorporated cities of the county. A hub
10 city must be omitted from distributions under this subdivision. Distributions
11 among cities under this subsection must be based upon the population of each
12 incorporated city according to the last official decennial federal census. In
13 determining the population of any city in which total employment increases by
14 more than two hundred percent seasonally due to tourism, the population of that
15 city for purposes of this subdivision must be increased by eight hundred percent.
- 16 d. For purposes of this subsection, "fiscal year" means the period beginning
17 September first and ending August thirty-first of the following calendar year.
- 18 5. For a county that received five million dollars or more of allocations under subsection 2
19 in the most recently completed even-numbered fiscal year, revenues allocated to that
20 county must be distributed at least quarterly by the state treasurer as follows:
- 21 a. Sixty percent must be distributed to the county treasurer and credited to the
22 county general fund. However, the distribution to a county under this subdivision
23 must be credited to the state general fund if in a taxable year after 2012 the
24 county is not levying a total of at least ten mills for combined levies for county
25 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 26 b. Five percent must be distributed to school districts within the county on the
27 average daily attendance distribution basis for kindergarten through grade twelve
28 students residing within the county, as certified to the state treasurer by the
29 county superintendent of schools. However, a hub city school district must be
30 omitted from distributions under this subdivision.

- 1 c. Twenty percent must be distributed to the incorporated cities of the county. A hub
2 city must be omitted from distributions under this subdivision. Distributions
3 among cities under this subsection must be based upon the population of each
4 incorporated city according to the last official decennial federal census. In
5 determining the population of any city in which total employment increases by
6 more than two hundred percent seasonally due to tourism, the population of that
7 city for purposes of this subdivision must be increased by eight hundred percent.
- 8 d. Three percent must be allocated among the organized and unorganized
9 townships of the county. The state treasurer shall allocate the funds available
10 under this subdivision among townships in proportion to each township's road
11 miles relative to the total township road miles in the county. The amount allocated
12 to unorganized townships under this subdivision must be distributed to the county
13 treasurer and credited to a special fund for unorganized township roads, which
14 the board of county commissioners shall use for the maintenance and
15 improvement of roads in unorganized townships.
- 16 e. Three percent must be allocated among the organized and unorganized
17 townships in all the counties that received five million dollars or more of
18 allocations under subsection 2 in the most recently completed even-numbered
19 fiscal year. The amount available under this subdivision must be allocated by the
20 state treasurer in an equal amount to each eligible organized and unorganized
21 township. The amount allocated to unorganized townships under this subdivision
22 must be distributed to the county treasurer and credited to a special fund for
23 unorganized township roads, which the board of county commissioners shall use
24 for the maintenance and improvement of roads in unorganized townships.
- 25 f. Nine percent must be distributed among hub cities. Sixty percent of funds
26 available under this subdivision must be distributed to the hub city receiving the
27 highest percentage of allocations to hub cities under subdivision a of
28 subsection 1 for the quarterly period, thirty percent of funds available under this
29 subdivision must be distributed to the hub city receiving the second highest
30 percentage of such allocations, and ten percent of funds available under this
31 subdivision must be distributed to the hub city receiving the third highest

1 percentage of such allocations. Hub cities, which are located in a county that did
2 not receive an allocation under subsection 2 in the most recently completed
3 even-numbered fiscal year, must be excluded from the allocations under this
4 subsection. If fewer than three hub cities are eligible for the allocations under this
5 subdivision, the state treasurer shall allocate the available funds in proportion to
6 the amounts the eligible hub cities received under subdivision a of subsection 1.

7 g. For purposes of this subsection, "fiscal year" means the period beginning
8 September first and ending August thirty-first of the following calendar year.

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

- 13 a. ~~The county's statement of revenues and expenditures;~~
14 b. ~~The county's ending fund balances;~~
15 c. ~~The amounts allocated under this section to the county's general fund, the~~
16 ~~amounts expended from these allocations, and the purposes of the expenditures;~~
17 ~~and~~
18 d. ~~The amounts allocated under this section to or for the benefit of townships within~~
19 ~~the county, the amounts expended from these allocations, and the purposes of~~
20 ~~the expenditures.~~

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

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

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

Sixty-sixth
Legislative Assembly

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.~~