

HOUSE BILL NO. 1449

Introduced by

Representatives P. Anderson, Adams, Eidson, Hanson, Schneider

Senators Dotzenrod, Hogan

1 A BILL for an Act to amend and reenact sections 57-39.2-26.1, 57-51.1-02, and 57-51.1-07 of
2 the North Dakota Century Code, relating to the state aid distribution fund and the oil extraction
3 tax rate and distributions; and to provide an effective date.

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

5 **SECTION 1. AMENDMENT.** Section 57-39.2-26.1 of the North Dakota Century Code is
6 amended and reenacted as follows:

7 **57-39.2-26.1. Allocation of revenues among political subdivisions. (Effective through**
8 **June 30, 2021)**

9 Notwithstanding any other provision of law, a portion of sales, gross receipts, use, and
10 motor vehicle excise tax collections, equal to ~~forty three and one half~~sixty-four percent of an
11 amount determined by multiplying the quotient of one percent divided by the general sales tax
12 rate, that was in effect when the taxes were collected, times the net sales, gross receipts, use,
13 and motor vehicle excise tax collections under chapters 57-39.2, 57-39.5, 57-39.6, 57-40.2, and
14 57-40.3 must be deposited by the state treasurer in the state aid distribution fund. The state tax
15 commissioner shall certify to the state treasurer the portion of sales, gross receipts, use, and
16 motor vehicle excise tax net revenues that must be deposited in the state aid distribution fund
17 as determined under this section. Revenues deposited in the state aid distribution fund are
18 provided as a standing and continuing appropriation and must be allocated as follows:

- 19 1. Fifty-three and seven-tenths percent of the revenues must be allocated to counties in
20 the first month after each quarterly period as provided in this subsection.
- 21 a. Sixty-four percent of the amount must be allocated among the seventeen
22 counties with the greatest population, in the following manner:
- 23 (1) Thirty-two percent of the amount must be allocated equally among the
24 counties; and

- 1 (2) The remaining amount must be allocated based upon the proportion each
2 such county's population bears to the total population of all such counties.
3 b. Thirty-six percent of the amount must be allocated among all counties, excluding
4 the seventeen counties with the greatest population, in the following manner:
5 (1) Forty percent of the amount must be allocated equally among the counties;
6 and
7 (2) The remaining amount must be allocated based upon the proportion each
8 such county's population bears to the total population of all such counties.

9 A county shall deposit all revenues received under this subsection in the county
10 general fund. Each county shall reserve a portion of its allocation under this
11 subsection for further distribution to, or expenditure on behalf of, townships, rural fire
12 protection districts, rural ambulance districts, soil conservation districts, county
13 recreation service districts, county hospital districts, the Garrison Diversion
14 Conservancy District, the southwest water authority, and other taxing districts within
15 the county, excluding school districts, cities, and taxing districts within cities. The share
16 of the county allocation under this subsection to be distributed to a township must be
17 equal to the percentage of the county share of state aid distribution fund allocations
18 that township received during calendar year 1996. The governing boards of the county
19 and township may agree to a different distribution.

- 20 2. Forty-six and three-tenths percent of the revenues must be allocated to cities in the
21 first month after each quarterly period based upon the proportion each city's
22 population bears to the total population of all cities.

23 A city shall deposit all revenues received under this subsection in the city general
24 fund. Each city shall reserve a portion of its allocation under this subsection for further
25 distribution to, or expenditure on behalf of, park districts and other taxing districts
26 within the city, excluding school districts. The share of the city allocation under this
27 subsection to be distributed to a park district must be equal to the percentage of the
28 city share of state aid distribution fund allocations that park district received during
29 calendar year 1996, up to a maximum of thirty percent. The governing boards of the
30 city and park district may agree to a different distribution.

1 3. The state treasurer, for the purpose of making revenue allocations to counties and
2 cities for each quarterly period of the fiscal year under this section, shall determine the
3 population of counties and cities before the first day of the fiscal year using the most
4 recent actual or estimated census data published by the United States census bureau.

5 **Allocation of revenues among political subdivisions. (Effective after June 30, 2021)**

6 Notwithstanding any other provision of law, a portion of sales, gross receipts, use, and motor
7 vehicle excise tax collections, equal to ~~forty-three and one-half~~sixty-four percent of an amount
8 determined by multiplying the quotient of one percent divided by the general sales tax rate, that
9 was in effect when the taxes were collected, times the net sales, gross receipts, use, and motor
10 vehicle excise tax collections under chapters 57-39.2, 57-39.5, 57-39.6, 57-40.2, and 57-40.3
11 must be deposited by the state treasurer in the state aid distribution fund. The state tax
12 commissioner shall certify to the state treasurer the portion of sales, gross receipts, use, and
13 motor vehicle excise tax net revenues that must be deposited in the state aid distribution fund
14 as determined under this section. Revenues deposited in the state aid distribution fund are
15 provided as a standing and continuing appropriation and must be allocated as follows:

- 16 1. Fifty-three and seven-tenths percent of the revenues must be allocated to counties in
17 the first month after each quarterly period as provided in this subsection.
- 18 a. Sixty-four percent of the amount must be allocated among the seventeen
19 counties with the greatest population, in the following manner:
- 20 (1) Thirty-two percent of the amount must be allocated equally among the
21 counties; and
- 22 (2) The remaining amount must be allocated based upon the proportion each
23 such county's population bears to the total population of all such counties.
- 24 b. Thirty-six percent of the amount must be allocated among all counties, excluding
25 the seventeen counties with the greatest population, in the following manner:
- 26 (1) Forty percent of the amount must be allocated equally among the counties;
27 and
- 28 (2) The remaining amount must be allocated based upon the proportion each
29 such county's population bears to the total population of all such counties.

30 A county shall deposit all revenues received under this subsection in the county
31 general fund. Each county shall reserve a portion of its allocation under this

1 subsection for further distribution to, or expenditure on behalf of, townships, rural fire
2 protection districts, rural ambulance districts, soil conservation districts, county
3 recreation service districts, county hospital districts, the Garrison Diversion
4 Conservancy District, the southwest water authority, and other taxing districts within
5 the county, excluding school districts, cities, and taxing districts within cities. The share
6 of the county allocation under this subsection to be distributed to a township must be
7 equal to the percentage of the county share of state aid distribution fund allocations
8 that township received during calendar year 1996. The governing boards of the county
9 and township may agree to a different distribution.

10 2. Forty-six and three-tenths percent of the revenues must be allocated to cities in the
11 first month after each quarterly period based upon the proportion each city's
12 population bears to the total population of all cities.

13 A city shall deposit all revenues received under this subsection in the city general
14 fund. Each city shall reserve a portion of its allocation under this subsection for further
15 distribution to, or expenditure on behalf of, park districts and other taxing districts
16 within the city, excluding school districts. The share of the city allocation under this
17 subsection to be distributed to a park district must be equal to the percentage of the
18 city share of state aid distribution fund allocations that park district received during
19 calendar year 1996, up to a maximum of thirty percent. The governing boards of the
20 city and park district may agree to a different distribution.

21 **SECTION 2. AMENDMENT.** Section 57-51.1-02 of the North Dakota Century Code is
22 amended and reenacted as follows:

23 **57-51.1-02. Imposition of oil extraction tax.**

24 There is hereby imposed an excise tax, to be known as the "oil extraction tax", upon the
25 activity in this state of extracting oil from the earth, and every owner, including any royalty
26 owner, of any part of the oil extracted is deemed for the purposes of this chapter to be engaged
27 in the activity of extracting that oil.

28 The rate of tax is five and one-half percent of the gross value at the well of the oil
29 extracted. ~~However, if the average price of a barrel of crude oil exceeds the trigger price of~~
30 ~~ninety dollars for each month in any consecutive three-month period, then the rate of tax on oil~~
31 ~~extracted from all taxable wells is six percent of the gross value at the well of the oil extracted~~

1 until the average price of a barrel of crude oil is less than the trigger price of ninety dollars for
2 each month in any consecutive three-month period, in which case the rate of tax reverts to five-
3 percent of the gross value at the well of the oil extracted. By December thirty-first of each year,
4 the tax commissioner shall determine an indexed trigger price under this section by applying to
5 the current trigger price an adjustment equal to the percentage rate of change of the producer-
6 price index for industrial commodities as calculated and published by the United States
7 department of labor, bureau of labor statistics, for the twelve months ending June thirtieth of that
8 year and the indexed trigger price so determined is the trigger price for the following calendar
9 year.

10 For purposes of this section, "average price" of a barrel of crude oil means the monthly
11 average of the daily closing price for a barrel of west Texas intermediate-cushing crude oil, as
12 those prices appear in the Wall Street Journal, midwest edition. When computing the monthly
13 average price, the most recent previous daily closing price must be considered the daily closing
14 price for the days on which the market is closed.

15 **SECTION 3. AMENDMENT.** Section 57-51.1-07 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-51.1-07. Allocation of moneys in oil extraction tax development fund. (Effective**
18 **through July 31, 2019)**

19 Moneys deposited in the oil extraction tax development fund must be transferred monthly by
20 the state treasurer as follows:

21 4. Twenty percent must be allocated and credited to the sinking fund established for
22 payment of the state of North Dakota water development bonds, southwest pipeline
23 series, and any moneys in excess of the sum necessary to maintain the accounts
24 within the sinking fund and for the payment of principal and interest on the bonds must
25 be credited to a special trust fund, to be known as the resources trust fund. The
26 resources trust fund must be established in the state treasury and the funds therein
27 must be deposited and invested as are other state funds to earn the maximum amount
28 permitted by law which income must be deposited in the resources trust fund. Three
29 percent of the amount credited to the resources trust fund must be transferred no less
30 than quarterly into the renewable energy development fund, not to exceed three
31 million dollars per biennium. One-half of one percent of the amount credited to the

- 1 resources trust fund must be transferred no less than quarterly into the energy-
2 conservation grant fund not to exceed two hundred thousand dollars per biennium.
3 The principal and income of the resources trust fund may be expended only pursuant
4 to legislative appropriation and are available to:
- 5 a. The state water commission for planning for and construction of water-related
6 projects, including rural water systems. These water-related projects must be
7 those which the state water commission has the authority to undertake and
8 construct pursuant to chapter 61-02.
 - 9 b. The industrial commission for the funding of programs for development of
10 renewable energy sources; for studies for development of cogeneration systems
11 that increase the capacity of a system to produce more than one kind of energy
12 from the same fuel; for studies for development of waste products utilization; and
13 for the making of grants and loans in connection therewith.
 - 14 e. The department of commerce for the funding of programs for development of
15 energy conservation and for the making of grants and loans relating to energy
16 conservation.
- 17 2. Twenty percent must be allocated to the common schools trust fund and foundation
18 aid stabilization fund as provided in section 24 of article X of the Constitution of North
19 Dakota.
- 20 3. Thirty percent must be allocated to the legacy fund as provided in section 26 of
21 article X of the Constitution of North Dakota.
- 22 4. Thirty percent must be allocated and credited to the state's general fund.

23 **Allocation of moneys in oil extraction tax development fund. (Effective after July 31,**
24 **2019) Moneys deposited in the oil extraction tax development fund must be transferred**
25 **monthly by the state treasurer as follows:**

- 26 1. Twenty percent must be allocated and credited to the sinking fund established for
27 payment of the state of North Dakota water development bonds, southwest pipeline
28 series, and any moneys in excess of the sum necessary to maintain the accounts
29 within the sinking fund and for the payment of principal and interest on the bonds must
30 be credited to a special trust fund, to be known as the resources trust fund. The
31 resources trust fund must be established in the state treasury and the funds therein

1 must be deposited and invested as are other state funds to earn the maximum amount
2 permitted by law which income must be deposited in the resources trust fund.

3 Twenty-one and three-tenths percent of the amount credited to the resources trust
4 fund must be transferred no less than quarterly into the general fund. Three percent of
5 the amount credited to the resources trust fund must be transferred no less than
6 quarterly into the renewable energy development fund, not to exceed three million
7 dollars per biennium. One-half of one percent of the amount credited to the resources
8 trust fund must be transferred no less than quarterly into the energy conservation
9 grant fund not to exceed one million two hundred thousand dollars per biennium. The
10 principal and income of the resources trust fund may be expended only pursuant to
11 legislative appropriation and are available to:

- 12 a. The state water commission for planning for and construction of water-related
13 projects, including rural water systems. These water-related projects must be
14 those which the state water commission has the authority to undertake and
15 construct pursuant to chapter 61-02; and
- 16 b. The industrial commission for the funding of programs for development of
17 renewable energy sources; for studies for development of cogeneration systems
18 that increase the capacity of a system to produce more than one kind of energy
19 from the same fuel; for studies for development of waste products utilization; and
20 for the making of grants and loans in connection therewith.
- 21 c. The department of commerce for the funding of programs for development of
22 energy conservation and for the making of grants and loans relating to energy
23 conservation.

24 2. Twenty percent must be allocated to the common schools trust fund and foundation
25 aid stabilization fund as provided in section 24 of article X of the Constitution of North
26 Dakota.

27 3. Thirty percent must be allocated to the legacy fund as provided in section 26 of
28 article X of the Constitution of North Dakota.

29 4. Thirty percent must be allocated and credited ~~to the state's general fund~~ as follows:

- 30 a. Seventy-eight and seven-tenths percent pursuant to section 57-51.1-07.5; and
- 31 b. Twenty-one and three-tenths percent to the general fund.

1 **SECTION 4. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
2 June 30, 2019.