

FISCAL NOTE
Requested by Legislative Council
04/22/2015

Amendment to: HB 1377

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(42,000,000)		
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties		\$42,000,000	
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 1 of HB 1377 removes the required contingent transfer from SIIF to Legacy. Section 2 creates a political subdivision allocation fund to distribute additional O&G funds. Section 4 calls for a change in the "general fund share" buckets from O&G revenues.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of Engrossed HB 1377 removes the requirement that, when the unobligated balance of the Strategic and Investment and Improvements Fund (SIIF) is greater than \$300M, 25% of all funds directed towards SIIF be redirected and deposited in the Legacy Fund. The exact impact of this change would be based on a number of factors including how much revenue is ultimately deposited into SIIF as well as what portion of the balance is obligated to various needs. For purposes of comparison, this section of code caused an additional \$147.7M to be deposited into the Legacy Fund instead of SIIF for the '11-'13 biennium. And through March 2015 of the '13-'15 biennium, \$221M has been deposited into the Legacy Fund from money initially targeted for SIIF.

Although the exact amount of funds being affected is difficult to determine, the net state fiscal impact of this section of the bill would be zero as it would be increasing the amount that is deposited into SIIF and decreasing the amount deposited into the Legacy Fund by the same amount and both are considered "other funds".

Section 2 of this bill creates a political subdivision allocation fund that will potentially allocate additional oil and gas tax revenues to political subdivisions in oil and gas producing counties. If the balance of this fund exceeds \$10M on March 1 and/or August 1 of each odd-numbered year, the entire balance would be distributed to the political subdivisions in the same proportion that they had received oil and gas allocations over the most recently completed fiscal year.

Section 4 of Engrossed HB 1377 adjusts the "general fund share" buckets that are funded through O&G revenues. It reduces the amount that will flow into the tax relief fund from \$341.79M to \$300M. It then puts a cap on the state disaster relief fund into which no money would be deposited into it out of O&G revenues if the unobligated balance in the fund is greater than \$25M. The bill then adjusts the final bucket by allocating 30% of the funds directed to this bucket to the newly created political subdivisions allocation fund with the remaining 70% still going into SIIF.

Under the most current legislative forecast of oil and gas tax revenues, the changes in Section 2 and 4 of the bill would cause a \$42M decrease in Other Funds as this amount would be diverted from the SIIF into the political subdivisions allocation fund and distributed to the political subdivisions in oil producing counties. The \$42M in this new fund would then be allocated between the counties, cities, schools and townships in oil producing counties in the same proportion as the O&G revenue that was paid out during the previous fiscal year.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Ryan Skor

Agency: Office of State Treasurer

Telephone: 701-328-4637

Date Prepared: 04/22/2015

FISCAL NOTE
Requested by Legislative Council
04/10/2015

Amendment to: HB 1377

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(61,000,000)		
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties		\$61,000,000	
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 1 of HB 1377 removes the required contingent transfer from SIIF to Legacy. Section 2 creates a political subdivision allocation fund to distribute additional O&G funds. Section 3 calls for a change in the "general fund share" buckets from O&G revenues.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of Engrossed HB 1377 removes the requirement that, when the unobligated balance of the Strategic and Investment and Improvements Fund (SIIF) is greater than \$300M, 25% of all funds directed towards SIIF be redirected and deposited in the Legacy Fund. The exact impact of this change would be based on a number of factors including how much revenue is ultimately deposited into SIIF as well as what portion of the balance is obligated to various needs. For purposes of comparison, this section of code caused an additional \$147.7M to be deposited into the Legacy Fund instead of SIIF for the '11-'13 biennium. And through March 2015 of the '13-'15 biennium, \$221M has been deposited into the Legacy Fund from money initially targeted for SIIF.

Although the exact amount of funds being affected is difficult to determine, the net state fiscal impact of this section of the bill would be zero as it would be increasing the amount that is deposited into SIIF and decreasing the amount deposited into the Legacy Fund by the same amount and both are considered "other funds".

Section 2 of this bill creates a political subdivision allocation fund that will potentially allocate additional oil and gas tax revenues to political subdivisions in oil and gas producing counties. If the balance of this fund exceeds \$10M on March 1 and/or August 1 of each odd-numbered year, the entire balance would be distributed to the political subdivisions in the same proportion that they had received oil and gas allocations over the most recently completed fiscal year.

Section 3 of Engrossed HB 1377 adjusts the "general fund share" buckets that are funded through O&G revenues. It reduces the amount that will flow into the property tax relief sustainability fund from \$341.79M to \$250M. It then puts a cap on the state disaster relief fund into which no money would be deposited into it out of O&G revenues if the unobligated balance in the fund is greater than \$25M. The bill then adjusts the final bucket by allocating 30% of the funds directed to this bucket to the newly created political subdivisions allocation fund with the remaining 70% still going into SIIF.

Under the most current legislative forecast of oil and gas tax revenues, the changes in Section 2 and 3 of the bill would cause a \$61M decrease in Other Funds as this amount would be diverted from the SIF into the political subdivisions allocation fund and distributed to the political subdivisions in oil producing counties. The \$61M in this new fund would then be allocated between the counties, cities, schools and townships in oil producing counties in the same proportion as the O&G revenue that was paid out during the previous fiscal year.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Ryan Skor

Agency: Office of State Treasurer

Telephone: 701-328-4637

Date Prepared: 04/10/2015

FISCAL NOTE
Requested by Legislative Council
02/17/2015

Amendment to: HB 1377

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 1 of Engrossed House Bill 1377 removes the requirement that, when the unobligated balance of SIIF is greater than \$300M, 25% of all funds directed towards SIIF be redirected towards the Legacy Fund. Section 3 calls for a change in the "general fund share" buckets from O&G revenues.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of Engrossed HB 1377 removes the requirement that, when the unobligated balance of the Strategic and Investment and Improvements Fund (SIIF) is greater than \$300M, 25% of all funds directed towards SIIF be redirected and deposited in the Legacy Fund. The exact impact of this change would be based on a number of factors including how much revenue is ultimately deposited into SIIF as well as what portion of the balance is obligated to various needs. For purposes of comparison, this section of code caused an additional \$147.7M to be deposited into the Legacy Fund instead of SIIF for the '11-'13 biennium. And through January 2015 of the '13-'15 biennium, \$179M has been deposited into the Legacy Fund from money initially targeted for SIIF.

Although the exact amount of funds being affected is difficult to determine, the net state fiscal impact of this section of the bill would be zero as it would be increasing the amount that is deposited into SIIF and decreasing the amount deposited into the Legacy Fund by the same amount and both are considered "other funds".

Section 3 of Engrossed HB 1377 adjusts the "general fund share" buckets that are funded through O&G revenues. It moves the property tax relief sustainability fund from the second bucket to the forth bucket and adjusts the amount from \$341.79M to \$250M. It then replaces the second bucket with a next biennium K-12 fund and calls for \$712M to be deposited into it before continuing to the next bucket. It also puts a cap on the state disaster relief fund to which no money would be deposited into it out of O&G revenues if the unobligated balance in the fund is greater than \$25M.

Assuming that O&G revenues are great enough to fill the first three "general fund share" buckets, there would be zero net state fiscal impact of this bill as the increase in funding in the next biennium K-12 fund and the decrease in the property tax relief sustainability fund would be offset by decreases in SIIF of the same net amount. Being that all would be considered "other funds", there would be no net fiscal impact. The January 2015 revenue forecast prepared by Legislative Council indicates that this would be the case.

However, if oil prices lag significantly and the big extraction tax trigger goes into effect and stays for a lengthy period of time, there may be a fiscal impact on the state general fund. Placing the new next biennium K-12 fund ahead of the second \$100M general fund bucket means that the full \$712M would have to be filled before the second general fund bucket begins to fill. If there aren't enough revenues to fill the entire \$712M, next biennium K-12 fund, then there could potentially be a negative fiscal impact to the state general fund of up to \$100M.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

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- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Ryan Skor

Agency: Office of State Treasurer

Telephone: 701-328-4637

Date Prepared: 02/17/2015

FISCAL NOTE
Requested by Legislative Council
01/19/2015

Bill/Resolution No.: HB 1377

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Section 1 of HB 1377 removes the requirement that, when the unobligated balance of SIIF is greater than \$300M, 25% of all funds directed towards SIIF be redirected towards the Legacy Fund. Section 2 adds an additional \$515M to the property tax relief sustainability fund from O&G revenues.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1377 removes the requirement that, when the unobligated balance of the Strategic Investment and Improvements Fund (SIIF) is greater than \$300M, 25% of all funds directed towards SIIF be redirected and deposited in the Legacy Fund. The exact impact of this change would be based on a number of factors including how much revenue is ultimately deposited into SIIF as well as what portion of the balance is obligated to various needs. For purposes of comparison, this section of code caused an additional \$147.7M to be deposited into the Legacy Fund instead of SIIF for the '11-'13 biennium. And through January 2015 of the '13-'15 biennium, \$179M has been deposited into the Legacy Fund from money initially targeted for SIIF.

Although the exact amount of funds being effected is difficult to determine, the net state fiscal impact of this section of the bill would be zero as it would be increasing the amount that is deposited into SIIF and decreasing the amount deposited into the Legacy Fund by the same amount and both are considered "other funds".

Section 2 of HB 1377 adjusts the amount of money to be deposited into the property tax relief sustainability fund from the state general fund share of oil and gas revenues. It increases the funding by \$515M. It also puts a cap on the amount of money that can be deposited into the disaster relief fund.

The net state fiscal impact of this portion of the bill would be zero as the increase in funding for the property tax relief sustainability fund would be offset by a decrease in the SIIF of the same amount. Being that both are considered "other funds", there would be no net fiscal impact.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

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- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Ryan Skor

Agency: Office of State Treasurer

Telephone: 701-328-4637

Date Prepared: 01/23/2015

2015 HOUSE APPROPRIATIONS

HB 1377

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1377
1/29/2015
22817

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the unobligated balance of the strategic investment and improvements fund and the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency.

Minutes:



Vice Chairman Keith Kempenich

Called the hearing to order on HB1377

Chairman Jeff Delzer, State Representative, District 8 spoke as a primary sponsor of the bill and offered amendment language.

Representative Glassheim

We already put 341M in property tax relief; and we're adding additional; so are you preparing for two sessions in advance? I understand why you have to get to the 515; but why do you need both appropriations?

Chairman Jeff Delzer

We spend \$867M on property tax relief. What we did at end of last session with the OMB bill, we set aside but we did not cover, the \$200M which ended up being the 10%.

Representative Glassheim

I don't see the extra money in the list of that we got this morning, is that in there?

Chairman Jeff Delzer

No that list this morning is based on current law; its not with this change. That would change those numbers.

The SIF says 421 there? All of that 421 would go to property tax relief fund

And the money that goes to disaster relief fund also. The way this silo would be set up would go to property tax relief.

Representative Glassheim

We are down \$1.5B in SIF and you're going to add an extra .5B to that, how does that work?

Chairman Jeff Delzer

If we don't do this, in two years we are facing one big hole and if things don't turn around or if we don't adjust our spending enough in this biennium. The big hole is in the biennium after.

Vice Chairman Keith Kempenich

We should be using property tax/k-12 funding for a moniker?

Chairman Jeff Delzer

That's certainly true, and K-12 funding we can't take it away. The K-12 funding went up another 80-90M this time already, because of valuation increases.

Representative Dosch

I agree with what you're trying to do; the trigger is going on. How long will it stay on; in what we saw this morning; we anticipate it off by Nov. this year. If that trigger stays off, there will be no money in this oil extraction tax in the SIFF fund. So is there a Plan B on where this money would be to fund our property tax/relief K-12 funding?

Chairman Jeff Delzer

Not in this bill. We as a committee have to deal with and be cognizant of it. The big trigger may go on in June. It would be 5 months and another 5 months before it would come off. That is a guess. We won't have any idea when it will go off. This bill recognizes what we have if the money would be there.

Vice Chairman Keith Kempenich

Disaster relief, \$70M in that fund now; what happens to that?

Chairman Jeff Delzer

If this passed, the unobligated, the last thing we had at the Emergency Commission was \$55M is in our unobligated. Certainly if this passed, that would free up \$30M to roll into this?

Adam or Allen, would that have to be appropriated?

Allen Knudson, Legislative Council: the way the bill is written, if it's above the cap no more new money goes in, but we don't pull money out of the fund, if it's over the cap. The bill does not take money out of the disaster relief fund if it's over the cap.

Chairman Jeff Delzer

The Legislature, the next biennium to what they wanted with the overage of the cap.

Knudson: that's correct.

Vice Chairman Keith Kempenich

Closed the hearing on HB1377

Chairman Jeff Delzer

Amendment changes the 40 in the bill with the 25 which sets the cap for the Disaster Relief Fund at \$25M unobligated. And then it adds the language that Legislative Council said we needed to add for the Lands and Minerals Trust Fund.

Knudson: a typo on page 2 line 25 it should say \$210,000; that should also be in there

Chairman Jeff Delzer

That's a number that's very specific. We could have it said like 500M there, a round number. Cause it's not going to match what we end up with anyway. It doesn't make a lot of difference to me.

Representative Streyle

Made a motion to adopt the amendment .04001 also with the page 2, line 25 correction that Legislative Council provided.04002.

Representative Thoreson

Seconded the motion

Motion approved by voice vote.

Representative Glassheim

Motioned for a Do Pass as Amended

Asked Legislative Council if there's not enough money in the system, what happens?

Chairman Jeff Delzer

Explained how the funds would be accessed.

18:03

Representative Glassheim

The treasurer shall deposit, but can't deposit if there's no money. Do we need to take that into account?

Knudson: That's just automatic that the extent that the funds are available.

Representative Skarphol

I would prefer we not take action on this bill today. Is the moniker we are using appropriate? To continuing refer to that as property tax relief; it's K-12 funding; lets be upfront about it.

Chairman Jeff Delzer

Change the moniker, but not set it aside?

Representative Skarphol

I'm not sure this is the mechanism we should use. Wants to think about it.

Chairman Jeff Delzer

Give until next week or early the week after.

Motion to approve HB 1377 as a Do Pass as Amended was taken back.

Meeting on HB 1377 was closed.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee Roughrider Room, State Capitol

HB 1377
2/11/2015
Job # 23697

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the unobligated balance of the strategic investment and improvements fund and the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency.

Minutes:



Chairman Jeff Delzer called the meeting to order and explained that the committee should talk about this and look at a possible amendment, if in 2 years from now, our general fund does not go up, that we started this with oil fund money and this would set aside enough money if it filled the silos to set aside \$712M for next biennium k-12 fund.

Chairman Jeff Delzer: referred to an amendment to bill and explained how it would affect the silos.

Representative Skarphol

I can support this, but at what time is that \$712M going to stop? Because every biennium we have to increase it; and at some point in time it will stop. And we will have to face the facts. It will likely result in very little money in the SIFF next time.

Chairman Jeff Delzer

With our current revenue forecast, it will significantly the SIFF fund.

Representative Skarphol

Get estimate from Legislative Council on what the price of oil would be in order for money to flow.

Chairman Jeff Delzer

The number was 214 out of the 250 at the current formula at the projected revenue forecast we have in front of us. We would be short \$36M from filling the property tax relief fund. Then after that it would flow into the SIFF fund.

Representative Streyle

Why don't we look at getting rid of line 1 there the \$200M in the general fund, then if these are truly one-time harvest of revenue?

Chairman Jeff Delzer

You can make the statement that you don't want anything to go to the general fund, but that's pretty tough to do. Our general fund will probably not increase the way it has the last two biennium's.

Representative Streyle

A ton of sales tax revenue related to oil and even more related to income taxes paid so to me, there's a lot going in there already.

Representative Glassheim

962M in the property tax fund?

Chairman Jeff Delzer

No these are 2 separate funds; this amendment creates a new fund. The 250 is in property tax relief fund, the next is in next biennium k-12 fund. It's a name change but it's also recognizing what we are using out of there for property tax relief for K-12.

Representative Glassheim: By cutting out the legacy fund bucket, how much?

Chairman Jeff Delzer: \$119M more available for these buckets.

Representative Bellew: That first bucket, general fund needs, but I think property tax and K-12 are more important than that and those two funds should move ahead of that. And the 3rd silo should be general fund.

Chairman Jeff Delzer: I do have an email from the council with the amendment and I thought I had it in this list. We will get that printed and bring it forward.

Hearing closed.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1377
2/12/2015
Job # 23801

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the unobligated balance of the strategic investment and improvements fund and the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency.

Minutes:

Attachment: #1 Amendment 15.0400.04003

Chairman Jeff Delzer

Called the meeting to order.

Vice Chairman Keith Kempenich: Did we adopt the 4003 amendment?

Chairman Jeff Delzer: No we haven't yet adopted it.

Vice Chairman Keith Kempenich

We had a little discussion this morning

Chairman Jeff Delzer

1409 and we have been trying to talk about the new uses for the heritage fund ...
Striking out the... for ...what they are looking at is the percents at 8% with a max of 20 and our current revenue forecast.

Representative Vigesaa

They did amend 1409 this morning

Chairman Jeff Delzer

Did they take the money out?

Representative Thoreson: We had a discussion after our meeting this morning and Carleen Fine (State Industrial Commission) would have an answer.

Carleen Fine: They left the money in 1409

Chairman Jeff Delzer

They are not sending it down. I don't like going up, but its part of the governor's proposal.

Vice Chairman Keith Kempenich

We might as well leave it in full committee.

Representative Skarphol

One thing that comes today that \$5M went to state agencies. That is wrong.

Vice Chairman Keith Kempenich

Motioned the 4003 amendment be approved.

Representative Brandenburg seconded.

Discussion...

Approved by a voice vote.

Chairman Jeff Delzer

Representative Glassheim made a motion by for a do pass as amended.

Seconded by **Representative Skarphol**

Discussion...

Votes: 21 yes, 0 no, 2 absent

Hearing closed.

15.0400.04001
Title.

Prepared by the Legislative Council staff for
Representative Delzer
January 21, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1377

Page 2, line 30, replace "forty" with "twenty-five"

Page 3, line 3, after "commissioner" insert "and for royalty, bonus, and other revenues received
for deposit into the strategic investment and improvements fund"

Re-number accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1377

Page 2, line 25, after "ten" insert "thousand"

Page 2, line 30, replace "forty" with "twenty-five"

Page 3, line 3, after "commissioner" insert "and for royalty, bonus, and other revenues received
for deposit into the strategic investment and improvements fund"

Renumber accordingly

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1377

Page 1, line 1, after "to" insert "create the next biennium K-12 fund; to"

Page 2, after line 3, insert:

"SECTION 2.

Next biennium K-12 fund.

There is created in the state treasury the next biennium K-12 fund. The fund consists of oil and gas tax revenues deposited pursuant to chapter 57-51.1. Moneys in the fund may be spent, pursuant to legislative appropriations, for elementary and secondary education purposes."

Page 2, line 6, overstrike "**(Effective through June 30, 2015) State share of oil and gas taxes -**"

Page 2, overstrike lines 7 through 17

Page 2, line 18, overstrike "**(Effective after June 30, 2015)**"

Page 2, line 22, overstrike "The next three hundred forty-one million seven hundred ninety thousand dollars into"

Page 2, line 23, overstrike "the property tax relief sustainability fund" and insert immediately thereafter "The next seven hundred twelve million dollars into the next biennium K-12 fund"

Page 2, line 25, replace "five hundred fifteen million two hundred ten" with "two hundred fifty million"

Page 2, line 30, replace "forty" with "twenty-five"

Page 3, line 3, after "commissioner" insert "and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund"

Renumber accordingly

Date: 2/12/15

Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1377

House Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By: Glassheim Seconded By: Skarphol

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson			—	Representative Boe			—
ice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim	✓		
Representative Bellew	✓			Representative Sanford	✓			Representative Guggisberg	✓		
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan	✓		
Representative Boehning	✓			Representative Silbernagel	✓			Representative Holman	✓		
Representative Dosch	✓			Representative Skarphol	✓						
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson	✓			Representative Thoreson	✓						
Representative Monson	✓			Representative Vigesaa	✓						
	<u>9</u>	<u>0</u>	<u>0</u>		<u>8</u>	<u>0</u>	<u>1</u>		<u>4</u>	<u>0</u>	<u>1</u>

Totals

Yes	<u>21</u>
No	<u>0</u>
Absent	<u>2</u>
Grand Total	<u>23</u>

Door Assignment: Delzer

If the vote is on an amendment, briefly indicate intent: _____

REPORT OF STANDING COMMITTEE

HB 1377: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1377 was placed on the Sixth order on the calendar.

Page 1, line 1, after "to" insert "create the next biennium K-12 fund; to"

Page 2, after line 3, insert:

"SECTION 2.

Next biennium K-12 fund.

There is created in the state treasury the next biennium K-12 fund. The fund consists of oil and gas tax revenues deposited pursuant to chapter 57-51.1. Moneys in the fund may be spent, pursuant to legislative appropriations, for elementary and secondary education purposes."

Page 2, line 6, overstrike "**(Effective through June 30, 2015) State share of oil and gas taxes -**"

Page 2, overstrike lines 7 through 17

Page 2, line 18, overstrike "**(Effective after June 30, 2015)**"

Page 2, line 22, overstrike "The next three hundred forty-one million seven hundred ninety thousand dollars into"

Page 2, line 23, overstrike "the property tax relief sustainability fund" and insert immediately thereafter "The next seven hundred twelve million dollars into the next biennium K-12 fund"

Page 2, line 25, replace "five hundred fifteen million two hundred ten" with "two hundred fifty million"

Page 2, line 30, replace "forty" with "twenty-five"

Page 3, line 3, after "commissioner" insert "and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund"

Re-number accordingly

2015 SENATE APPROPRIATIONS

HB 1377

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1377
3/9/2015
Job # 24510

- Subcommittee
 Conference Committee

Committee Clerk Signature

Doris E. Perry for Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to create the next biennium K-12 fund; to amend and reenact sections of NDCC; relating to the unobligated balance of the strategic investment and improvements fund and the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency.

Minutes:

Attachment # 1 - 2

Chairman Holmberg called the committee to order on Monday, March 09, 2015, at 2:00 pm in regards to HB 1377. All committee members were present. Nick Creamer, OMB and Brady Larson, Legislative Council, were also present.

Representative Jeff Delzer, District 8, introduced the bill and provided written Testimony Attached # 1 - Proposed changes to HB 1377- Allocations of State Share of Oil and Gas Tax Collections and asked for favorable consideration.

This bill recognizes what we are doing for the property tax relief in the K-12 funding, especially after last year when we changed the formula, and how much the formula changes this year. When we introduced the bill we put it at \$512M, approximately, which was the property tax relief plus what we added. We did not have the \$56M, we did not have the matching number, the 712 matches what the governor has in the buy down in the foundation aid formula. This bill caps the disaster relief fund at \$25M of unobligated funds, if there is more, it would not add any money to the disaster relief fund. It also removes a section we set up saying that if the Siif fund ended up with \$300M unobligated money, there would be 25% of every month's income would automatically go to the legacy fund. This bill takes that away, so the money will stay in the Siif fund. He then explained the handout (2:40 -5:26)

Chairman Holmberg: you haven't had a hearing yet on 2031.

Rep. Delzer: the bill is in education, appropriations committee has not dealt with it yet.

Chairman Holmberg: there was additional property tax relief given in this bill

Senator Wanzek: Why create another fund for K -12, why not all in the property tax relief fund.

Rep. Delzer: if the property tax relief has to go away at some point in time when the state has no money, we can talk about that. The K-12 funding is always going to be a priority it is hard to consider it is a onetime funding so we set it up in a separate silo because we don't think it should be considered one time funding. If you look through the chart it takes about a \$119M that would go to the legacy fund if we get that money. We are waiting on the forecast.

Chairman Holmberg: recall last session that was kind of an add-on in the legacy fund.

V.Chairman Bowman: how much do we take out of the oil producing counties to fund education, the legacy fund, and all the other funds that were not used to help us catch up? I did research, the grants going back amount to approximately \$500M, the requests were over \$2.some billion. That tells me there is a substantial need that is not being met while at the same time we find money for everything else. The last bill we passed, went to highways and roads in eastern ND, about half of it went back to western ND. With the drop of oil, we are going to have major debt, where will we get the funding from, if we keep using it for everything else.

Rep. Delzer: the \$500M, the impact dollars, that is entirely different. This is not the counties money, it is state money. The legacy fund, those counties are held harmless. \$450M all goes to the West. I would argue with you on some of that, how many of those requests were totally justified. I understand you have challenges in the west, and I think the state is doing a pretty good job of distributing the money. We have to take care of the whole state.

Rep. Delzer presented Testimony Attached #2 - 2015-17 Biennium Allocations of Oil and Gas Tax Collections - House Versions of Engrossed House Bill No. 1176 and 1377, the 30-70 match.

Scott Rising, Soybean Growers Association: testified in opposition to HB 1377. This bill puts the property tax relief in front of any other strategic need in the state. We have an objection to that. We have primary needs, roads and bridges. We don't believe the property tax relief flows the same in urban and rural areas for obvious reasons.

Chairman Holmberg: you are right, money is distributed as it flows in, first 200 for general fund, then this fund, general fund, property tax relief, then the Siif fund. By next Wednesday we might find that the strategic investment fund might have even less than 0. There being no other testimony, he closed the hearing on HB 1377.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1377
4/9/2015
Job # 25997

- Subcommittee
 Conference Committee

Committee Clerk Signature

Emmery Brothberg for Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL for an Act regarding the strategic investment and improvements fund (SIIF) (Do Pass as Amended)

Minutes:

#1 - Colored Diagram Forecast to the Buckets
#2 - Amendment # 15.0400.05001

Chairman Holmberg called the committee back to order on Thursday, April 09, 2015 at 4:00 pm in regards to HB 1004. All committee members were present. Nick Creamer and Lori Laschkewitsch, OMB were present as was Sheila M. Sandness, Legislative Council .

Senator Wardner, District 37: presented Attachment # 1 - entitled \$852M 2015-17- Forecast to the Buckets and Attachment # 2 - Proposed Amendments # 15.0400.05001.

I bring amendments before you on the bucket bill, HB 1377. When it came over here, it was in a different form. When it came over here, there was a bucket for \$712M; that's gone.

There was a bucket that was taken out for the legacy fund; that is still out of there. But this is the way we would move forward: assume there was \$852M and this is from the official forecast, this is after we get done with the extraction tax and it's after we get done with the gross production tax, this is what drips into the budgets. The general fund gets the first \$200M under the forecast, it will fill.

The next one is the property tax relief Bucket. Under the current legislation, that is there and it is at \$342M. It was replaced with \$712M, this is the one that we put in its place. That \$250M is for property tax relief across the state and we've been doing it at 12%. It is a little bit richer than we probably need. If evaluations go down, we won't need this much so there will be a little extra in it for something else. The next \$100M like it does now, goes to the general fund.

Next we have the first installment of SIFF and \$100M goes in there. After that, we go to the disaster relief fund, we will put up to \$22M except right now it is sitting at \$73M; keep in mind that the emergency managers and the National Guard already have dubs on about \$35M - \$40M because of past disasters if they are going to get reimbursed for it so there won't be that much left when they get done so as a result, it will be down but it will still be over \$25M and we are capping it and that's the way the bill came over. I don't think we need any more than that in there. After that, the gross production tax and the extraction tax that drips into these buckets will be split. 70% will go to the state SIIF fund, 30% to political

subdivision. I am going to talk about that in a second, but I also want you to see the big picture; there is the state lands and minerals income that comes down and goes into the state SIFF fund. When you are looking at the numbers that come from legislative council, that is not put in until the end and you will not see it. It's because they don't put that transfer in, as a result it is not shown. When you want to take a look at the big picture here, if we are on forecast that would mean we take the \$100M above and add it to the \$320M, that is \$450.5M would go to the state SIFF; the county or political subdivision SIFF would have \$61M in it and it would be taken and put in and apportioned out to the oil counties as to their percent of production. So you understand the rationales behind it, the legislators from the western part of the state are looking at 60% of the formula part of the gross production tax. With the decrease in revenue, we all knew that wasn't a possibility so when the House sent it over here at 30%, we looked at all the numbers and accepted that. However, we said if things get better then we should share in it. If things get worse, we share in it too. As a result, we think this is a fair compromise to what we were looking at the beginning. If we happen to have more revenue than we planned on, that will help the counties out west catch up. The needs are still there even though there's been a down turn in the activity out there.

I got a lot of feed-back and they are very thankful for the surge money that went out, it's almost perfect timing because we've had a lull in the action, as a result we are getting more for the dollar, because the contractors ready to bid. So it is a good thing. At least for another 3 or 4 biennium, depending on the revenue, this will help. Eventually it is something we could be gotten rid of.

The amendment # 15.0400.05001 # 2. Basically what it says is if you have \$10M on March 1st, of the odd numbered year, you have to have enough money to distribute. # 2, it talks about August 1st of odd number year. I would like Adam to make a comment about that. It is basically so we don't have a little amount going out at a time; is that correct?

Adam Mathiak, Legislative Council: That is correct.

Senator Wardner: On the back side, it talks about overstrikes. On page 2, line 28, it was removed. Those are the amendments to the bill that is what it does.

Chairman Holmberg: Was there any discussion at the level of the authors of this to make this a temporary statute for 2, 3, or 4 years and then force the legislature to look at it or did you prefer to leave it so that the legislature would look at it if they wanted to?

Senator Wardner: I would like leave for the legislature to look at it if they want too. We'll always be looking for money. We don't want the word sunset on it. When the time comes it will be taken away, don't worry.

Senator Mathern: We passed a revolving loan fund bill out of this committee; how do you see working with this in the future? What your thoughts are on this?

Senator Wardner: I think that is for the whole state, it's a good thing. When it comes to the oil counties, they might say we can borrow money at a low interest and they know the money is coming in to pay it off and I think they work together. The revolving loan fund is

not just for the oil counties, it's for the whole state. Everybody has infrastructure work that needs that need to be taken care of.

Senator Wanzek: (13.10) I am trying to do the math, the \$61M how did we arrive at that? Then this example in your chart, that's 30% of what?

Senator Wardner: I didn't keep a running balance.
He went over the formula.
Whatever is left, 70% goes to state and 30% go to political subdivisions.

Senator Wanzek: So I understand what production tax is with the 70% - 30% formula, is it everything over \$5M? The subdivisions get 30% of that production tax, correct?

Senator Wardner: The way it works in the gross production tax. In each county, the political subdivisions get the first \$5M. If you don't get the \$5M you get it all of that 4% or it's 80% of the 4%. If you go over \$5M, you get the \$5M and then from thereon you get 30%.

Senator Carlisle: You have the word continued appropriation in there and no sunset. Continual appropriation means to me that it goes off budget so this won't even get looked at two years from now. To me that's how I look at something without a sunset. So why is there not a sunset?

Senator Wardner: One of the things about a sunset is that it makes it tough for people to borrow money when comes time to do bonds. Even though I'm telling you it is not going to be a permanent thing, if you put the word sunset in there that stops them in their tracks and we went through that last biennium that we had sunset on the other formula and it stops them in their tracks and they couldn't borrow any money.

Adam Mathiak: Basically what this is is just a holding fund. Because we don't know how much will come into the SIIF, we wouldn't want a situation where there is an allocation of \$500 because of the way buckets fill and then the treasurer has to distribute that right away. There would be continues that would have fractions of a penny that you would try to allocate and it just wouldn't work very well. So it kind of aligns with that \$10M threshold; you want the funds to accumulate in this holding fund and then it's being allocated. It is off budget but it is just distributing the allocations. It's basically the same as allocating the funds to the political subdivisions or the legacy fund; it's just holding them in there for a few extra months and then distributing them. So we had to provide a continuing appropriation because it's coming out of this fund. So it really is just part of the allocation process but it's kind of a minor technicality in addressing the issues that might arise when there's small dollar amounts going into the fund.

Chairman Holmberg: Can I have a motion on the amendment?

Vice Chairman Bowman moved the amendment # 15.0400.05001.

Senator O'Connell seconded the motion.

Voice vote was taken.

Amendment was adopted.

Senator Sorvaag moved Do Pass as Amended on HB 1377.

Senator Erbele seconded the motion.

A Roll Call vote was taken. Yea: 13; Nay: 0; Absent: 0.

Senator Sorvaag will carry the bill.

Chairman Holmberg closed the hearing on HB 1377.

April 8, 2015

4/9/15
one
10/2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1377

Page 1, line 1, replace "next biennium K-12 fund" with "political subdivision allocation fund"

Page 1, line 4, after the first semicolon insert "to provide a continuing appropriation;"

Page 2, line 5, replace "**Next biennium K-12 fund**" with "**Political subdivision allocation fund - Oil and gas tax revenue allocations to political subdivisions - State treasurer - Continuing appropriation**"

Page 2, replace lines 6 through 8 with:

"There is created in the state treasury the political subdivision allocation fund. The fund consists of oil and gas tax revenue deposited in the fund pursuant to chapter 57-51.1. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of allocations to political subdivisions in oil-producing counties.

1. If the balance of the fund exceeds ten million dollars on March first of each odd numbered year, within thirty-one days, the state treasurer shall allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd-numbered year and ending August thirty-first of the following even-numbered year.
2. If the balance of the fund exceeds ten million dollars on August first of each odd numbered year, within thirty-one days, the state treasurer shall allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd-numbered year and ending August thirty-first of the following even-numbered year."

Page 2, line 27, remove the overstrike over "The-next"

2/12

Page 2, line 27, after "~~thousand~~" insert "two hundred fifty million"

Page 2, line 27, remove the overstrike over "~~dollars into~~"

Page 2, line 28, remove the overstrike over "~~the property tax relief sustainability fund~~"

Page 2, line 28, remove "The next seven hundred twelve million dollars"

Page 2, line 29, remove "into the next biennium K-12 fund"

Page 2, remove line 31

Page 3, line 1, remove the overstrike over "~~4.~~"

Page 3, line 1, remove "5."

Page 3, line 3, remove the overstrike over "~~5.~~"

Page 3, line 3, remove "6."

Page 3, line 6, remove the overstrike over "~~6.~~"

Page 3, line 6, remove "7."

Page 3, line 6, overstrike "into the strategic investment and improvements fund" and insert immediately thereafter ":

a. Seventy percent into the strategic investment and improvements fund;
and

b. Thirty percent into the political subdivision allocation fund"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Changes the state share of oil and gas tax allocations to reduce the allocation to the property tax relief sustainability fund from \$341.79 million to \$250 million. The House version added an allocation of \$712 million to a next biennium K-12 fund and moved the allocation to property tax relief sustainability fund after the second general fund allocation.
- Changes the state share of oil and gas tax allocations to reduce the allocation of remaining revenue to the strategic investment and improvements fund from 100 percent to 70 percent and to provide an allocation of 30 percent to a newly created political subdivision allocation fund.
- Creates a political subdivision allocation fund and provides a continuing appropriation to the State Treasurer to allocate funding to political subdivisions. The allocations from the fund to the political subdivisions are based on oil and gas tax allocations to political subdivisions in the first year of the biennium.

Date: 4-9-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1377

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: 15.0400.05001

- Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Bowman Seconded By O'Connell

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

*voice vote
Carried*

Date: 4-9-15
 Roll Call Vote #: 2

**2015 SENATE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1377**

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Sorvaag Seconded By Erbele

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Sorvaag

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1377, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1377 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "next biennium K-12 fund" with "political subdivision allocation fund"

Page 1, line 4, after the first semicolon insert "to provide a continuing appropriation;"

Page 2, line 5, replace "**Next biennium K-12 fund**" with "**Political subdivision allocation fund - Oil and gas tax revenue allocations to political subdivisions - State treasurer - Continuing appropriation**"

Page 2, replace lines 6 through 8 with:

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Page 2, line 27, remove the overstrike over "The next"

Page 2, line 27, after "~~thousand~~" insert "two hundred fifty million"

Page 2, line 27, remove the overstrike over "dollars-into"

Page 2, line 28, remove the overstrike over "~~the property tax relief sustainability fund~~"

Page 2, line 28, remove "The next seven hundred twelve million dollars"

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Page 2, remove line 31

Page 3, line 1, remove the overstrike over "4."

Page 3, line 1, remove "5."

Page 3, line 3, remove the overstrike over "5."

Page 3, line 3, remove "6."

Page 3, line 6, remove the overstrike over "6."

Page 3, line 6, remove "7."

Page 3, line 6, overstrike "into the strategic investment and improvements fund" and insert immediately thereafter ":

a. Seventy percent into the strategic investment and improvements fund; and

b. Thirty percent into the political subdivision allocation fund"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Changes the state share of oil and gas tax allocations to reduce the allocation to the property tax relief sustainability fund from \$341.79 million to \$250 million. The House version added an allocation of \$712 million to a next biennium K-12 fund and moved the allocation to property tax relief sustainability fund after the second general fund allocation.
- Changes the state share of oil and gas tax allocations to reduce the allocation of remaining revenue to the strategic investment and improvements fund from 100 percent to 70 percent and to provide an allocation of 30 percent to a newly created political subdivision allocation fund.
- Creates a political subdivision allocation fund and provides a continuing appropriation to the State Treasurer to allocate funding to political subdivisions. The allocations from the fund to the political subdivisions are based on oil and gas tax allocations to political subdivisions in the first year of the biennium.

2015 CONFERENCE COMMITTEE

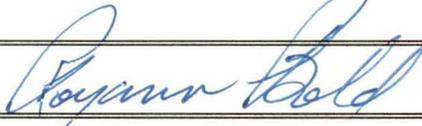
HB 1377

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1377
4/21/2015
26330

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the unobligated balance of the strategic investment and improvements fund and the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency.

Minutes:

1 attachment

Chairman Jeff Delzer

Opened the meeting and recognized all members of the conference committee being present. Asked Legislative Council if the disaster relief fund would be used down to \$10M there would be \$15M go into it, if the bucket so filled and then it would stop and move onto the next bucket?

Adam; Legislative Council; yes that is correct

Chairman Jeff Delzer

Explained how the Senate had changed this bill and explained by section the amendment 05009 that was handed out to the committee members.

Senator Bowman: if that's a company that decides to move a rig; and it's going to cause damage to a road and they know that before they move; that is when that fee would apply. From my experience; dealing with this issue that's what that will be.

Chairman Jeff Delzer

The way it's worded; the company needs to request it to start with; some individuals wanted pressure put on so they would agree to do it.

Vice Chairman Keith Kempenich

Winter time is when they were getting charged and that's where this came about.

Senator Sorvaag; just a clarification; the only part we are sun-setting is the 30% to the counties; we are not going back to that extra legacy

Chairman Jeff Delzer:

No, and my understanding on that, I asked about sections 1 and 2; if the fund exceeds \$10M March 1st each odd numbered year and then it's also \$10M in August 1 of each numbered year. I discussed it with Council; and they said we are sun-setting the money going in there; but not necessarily sun-setting the fund. If there was money that built up from March to August, that could go out in August of that year.

Senator O'Connell; all would still go out to the counties, then.

Chairman Jeff Delzer

Still go out to the counties the way it's listed. All of the 17 oil producing counties pro-rated on basically what they've produced?

Adam: Legislative Council; that is correct; related to their allocations; proportional to allocations on the first year on the 4/5 side of the formula; so the allocations on the 1% side were not included.

Chairman Jeff Delzer

We are getting into the extraction tax side going out to the producing counties; it's not limited to the 4/5's anymore when you do this 30% on the backside. As long as its sunset; and this is looked at in 2 years; then the House is agreeable with going forward with this.

Senator Sorvaag: we didn't put the sunset on; but we are willing to concur. We wanted a couple more years to help them get whole.

Motion to Senate recede from Senate amendment and amend as follows; with amendment 15.0400.05009 made by **Senator O'Connell**

Seconded by **Senator Bowman**

Motion carries; 6-0-0

Chairman Jeff Delzer

Thanked the committee members for their work.

Representative Keith Kempenich

Thanked all involved for patience.

Senator Bowman: I've been involved in this since Baaken started; what happened; when you pass a bill like this; it will address this for 2 years. Thanked all involved

Hearing closed.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1377

That the Senate recede from its amendments as printed on pages 1807 and 1808 of the House Journal and pages 1345-1347 of the Senate Journal and that Engrossed House Bill No. 1377 be amended as follows:

Page 1, line 1, replace "next biennium K-12 fund" with "political subdivision allocation fund"

Page 1, line 2, after "15-08.1-08" insert ", 57-51.1-07.3,"

Page 1, line 4, after the first semicolon insert "to repeal sections 15.1-27-45 and 57-64-05 of the North Dakota Century Code, relating to the property tax relief sustainability fund; to provide a continuing appropriation; to provide for a legislative management study; to provide a moratorium on county road fees;"

Page 2, line 5, replace "**Next biennium K-12 fund**" with "**Political subdivision allocation fund - Oil and gas tax revenue allocations to political subdivisions - State treasurer - Continuing appropriation**"

Page 2, replace lines 6 through 8 with:

"There is created in the state treasury the political subdivision allocation fund. The fund consists of oil and gas tax revenue deposited in the fund pursuant to chapter 57-51.1. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of allocations to political subdivisions in oil-producing counties.

1. If the balance of the fund exceeds ten million dollars on March first of each odd-numbered year, within thirty-one days, the state treasurer shall allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd-numbered year and ending August thirty-first of the following even-numbered year.
2. If the balance of the fund exceeds ten million dollars on August first of each odd-numbered year, within thirty-one days, the state treasurer shall allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of

all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd-numbered year and ending August thirty-first of the following even-numbered year.

SECTION 3. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, ~~property tax relief sustainability fund,~~ strategic investment and improvements fund, or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to ten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6."

Page 2, line 23, after the overstruck ending parenthesis insert "**(Effective through June 30, 2017)**"

Page 2, line 27, remove the overstrike over "~~The next~~"

Page 2, line 27, after "~~thousand~~" insert "three hundred million"

Page 2, line 27, remove the overstrike over "~~dollars into~~"

Page 2, line 28, remove the overstrike over "~~the~~"

Page 2, line 28, remove the overstrike over "~~tax relief~~"

Page 2, line 28, remove the overstrike over "~~fund~~"

Page 2, line 28, remove "The next seven hundred twelve million dollars"

Page 2, line 29, remove "into the next biennium K-12 fund"

Page 2, remove line 31

Page 3, line 1, remove the overstrike over "~~4.~~"

Page 3, line 1, remove "5."

Page 3, line 3, remove the overstrike over "~~5.~~"

Page 3, line 3, remove "6."

Page 3, line 6, remove the overstrike over "~~6.~~"

Page 3, line 6, remove "7."

Page 3, line 6, overstrike "into the strategic investment and improvements fund" and insert immediately thereafter ":

- a. Seventy percent into the strategic investment and improvements fund;
and

b. Thirty percent into the political subdivision allocation fund

(Effective after June 30, 2017) State share of oil and gas taxes - Deposits.

From the revenues designated for deposit in the state general fund under chapters 57-51 and 57-51.1, the state treasurer shall deposit the revenues received each biennium as follows:

1. The first two hundred million dollars into the state general fund;
2. The next three hundred million dollars into the tax relief fund;
3. The next one hundred million dollars into the state general fund;
4. The next one hundred million dollars into the strategic investment and improvements fund;
5. The next twenty-two million dollars into the state disaster relief fund, but not in an amount that would bring the unobligated balance in the fund to more than twenty-five million dollars; and
6. Any additional revenues into the strategic investment and improvements fund.

SECTION 5. LEGISLATIVE MANAGEMENT STUDY - UNIFORM TRUCK

PERMITTING. During the 2015-16 interim, the legislative management shall study truck permitting systems in oil and gas producing counties. The study must review the North Dakota association of oil and gas producing counties' uniform county truck permit program, including the system's integration with the highway patrol's online electronic truck permitting and routing system and the communications between county representatives and industry representatives regarding road conditions. The study must evaluate the appropriateness of additional fees assessed by the board of county commissioners and other local authorities to the oil and gas industry related to additional road permitting fees and analyze other relevant data regarding uniform truck permitting fees and procedures. The study must include input from representatives of the North Dakota petroleum council, representatives of the North Dakota association of oil and gas producing counties, and other interested persons. The legislative management shall report its findings and recommendations, if any, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 6. MORATORIUM ON ADDITIONAL FEES FOR USE OF COUNTY

ROADS. For the period beginning June 1, 2015, through June 30, 2017, notwithstanding the provisions of chapter 39-12, the board of county commissioners and other local authorities having control of roads may not impose any additional fees for the use of county roads, except the fees established in the North Dakota association of oil and gas producing counties' uniform county truck permit program, unless an operator, company, or individual requests and agrees to pay the additional fees. However, the board of county commissioners and other local authorities may issue penalties to operators, companies, or individuals who violate posted road restrictions.

SECTION 7. REPEAL. Sections 15.1-27-45 and 57-64-05 of the North Dakota Century Code are repealed."

Page 3, line 7, replace "This" with "Sections 1, 2, 3, and 4 of this"

Page 3, line 7, replace "is" with "are"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Changes the state share of oil and gas tax allocations to reduce the allocation to the property tax relief sustainability fund from \$341.79 million to \$300 million. The Senate version reduced the allocation from \$341.79 million to \$250 million. The House version added an allocation of \$712 million to a next biennium K-12 fund and moved the allocation to property tax relief sustainability fund after the second general fund allocation.
- Changes the state share of oil and gas tax allocations to reduce the allocation of remaining revenue to the strategic investment and improvements fund from 100 percent to 70 percent and to provide an allocation of 30 percent to a newly created political subdivision allocation fund, which is the same as the Senate version. The House version did not change current law, which allocates 100 percent of the remaining revenue to the strategic investment and improvements fund.
- Creates a political subdivision allocation fund and provides a continuing appropriation to the State Treasurer to allocate funding to political subdivisions. The allocations from the fund to the political subdivisions are based on oil and gas tax allocations to political subdivisions in the first year of the biennium. The Senate version also created the political subdivision allocation fund, but the House version did not include this new fund.
- Renames the property tax relief sustainability fund the tax relief fund and repeals two sections of North Dakota Century Code related to the property tax relief sustainability fund, since those sections are no longer needed. Neither the House nor the Senate versions included these changes.
- Provides an expiration date for the changes to the allocations of the state's share of oil and gas tax revenue. This change was not made by either the House or the Senate.
- Provides for a legislative management study of uniform truck permitting. This study was not included in the House or the Senate versions.
- Provides for a moratorium on additional fees for use of county roads assessed by counties and other local authorities. This change was not made by either the House or the Senate.

Date: 4/21/15
 Roll Call Vote #: 1

**2015 HOUSE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO. 1377 as (re) engrossed

House Full Appropriations Committee

- Action Taken
- HOUSE accede to Senate Amendments
 - HOUSE accede to Senate Amendments and further amend
 - SENATE recede from Senate amendments
 - SENATE recede from Senate amendments and amend as follows
 - Unable to agree, recommends that the committee be discharged and a new committee be appointed

Motion Made by: O'Connell Seconded by: Bowman

Representatives	<u>4/21</u>			Yes	No	Senators	<u>4/21</u>			Yes	No
	AH1	AH2	AH3				AH1	AH2	AH3		
Delzer	✓			✓		Sorraag	✓			✓	
Kemperich	✓			✓		Bowman	✓			✓	
Boe	✓			✓		O'Connell	✓			✓	
Total Rep. Vote						Total Senate Vote					

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier _____ Senate Carrier _____

LC Number 15,0400 . 05009 of amendment

LC Number .07000 of engrossment

Emergency clause added or deleted

Statement of purpose of amendment
Amend .05009 sunsets after 2 years
250 to 300M Renamed tax relief fund

REPORT OF CONFERENCE COMMITTEE

HB 1377, as engrossed: Your conference committee (Sens. Sorvaag, Bowman, O'Connell and Reps. Delzer, Kempenich, Boe) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1807-1808, adopt amendments as follows, and place HB 1377 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1807 and 1808 of the House Journal and pages 1345-1347 of the Senate Journal and that Engrossed House Bill No. 1377 be amended as follows:

Page 1, line 1, replace "next biennium K-12 fund" with "political subdivision allocation fund"

Page 1, line 2, after "15-08.1-08" insert ", 57-51.1-07.3,"

Page 1, line 4, after the first semicolon insert "to repeal sections 15.1-27-45 and 57-64-05 of the North Dakota Century Code, relating to the property tax relief sustainability fund; to provide a continuing appropriation; to provide for a legislative management study; to provide a moratorium on county road fees;"

Page 2, line 5, replace "**Next biennium K-12 fund**" with "**Political subdivision allocation fund - Oil and gas tax revenue allocations to political subdivisions - State treasurer - Continuing appropriation**"

Page 2, replace lines 6 through 8 with:

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1. If the balance of the fund exceeds ten million dollars on March first of each odd-numbered year, within thirty-one days, the state treasurer shall allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd-numbered year and ending August thirty-first of the following even-numbered year.
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- Provides an expiration date for the changes to the allocations of the state's share of oil and gas tax revenue. This change was not made by either the House or the Senate.
- Provides for a legislative management study of uniform truck permitting. This study was not included in the House or the Senate versions.
- Provides for a moratorium on additional fees for use of county roads assessed by counties and other local authorities. This change was not made by either the House or the Senate.

Engrossed HB 1377 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

HB 1377

February 9, 2015

AMENDMENT #1
2/12/15
HB 1377
JAD

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1377

Page 1, line 1, after "to" insert "create the next biennium K-12 fund; to"

Page 2, after line 3, insert:

"SECTION 2.

Next biennium K-12 fund.

There is created in the state treasury the next biennium K-12 fund. The fund consists of oil and gas tax revenues deposited pursuant to chapter 57-51.1. Moneys in the fund may be spent, pursuant to legislative appropriations, for elementary and secondary education purposes."

Page 2, line 6, overstrike "**(Effective through June 30, 2015) State share of oil and gas taxes -"**

Page 2, overstrike lines 7 through 17

Page 2, line 18, overstrike "**(Effective after June 30, 2015)"**

Page 2, line 22, overstrike "The next three hundred forty-one million seven hundred ninety thousand dollars into"

Page 2, line 23, overstrike "the property tax relief sustainability fund" and insert immediately thereafter "The next seven hundred twelve million dollars into the next biennium K-12 fund"

Page 2, line 25, replace "five hundred fifteen million two hundred ten" with "two hundred fifty million"

Page 2, line 30, replace "forty" with "twenty-five"

Page 3, line 3, after "commissioner" insert "and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund"

Renumber accordingly

PROPOSED CHANGES TO HOUSE BILL NO. 1377 - ALLOCATIONS OF STATE SHARE OF OIL AND GAS TAX COLLECTIONS

#1

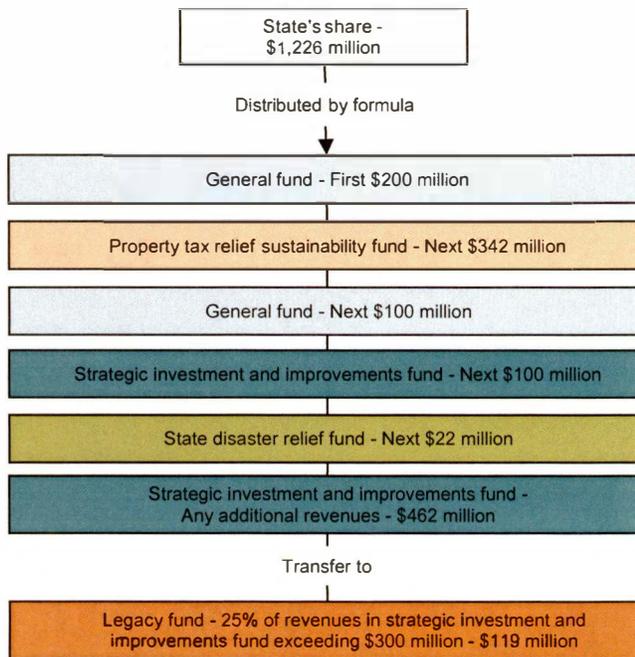
This memorandum provides information on 2015 House Bill No. 1377 with proposed changes related to 2015-17 biennium estimated oil and gas tax allocations based on the January 2015 revised revenue forecast. House Bill No. 1377 with proposed changes includes adding a \$712 million allocation to a next biennium K-12 fund, decreasing the allocation to the property tax relief sustainability fund from \$341.79 million to \$250 million, removing the transfer of 25 percent of the revenue from the strategic investment and improvements fund to the legacy fund, and providing that the state disaster relief fund does not receive oil and gas tax allocations if the unobligated balance in the fund exceeds a certain amount. *3-9-15*

MAJOR CHANGES TO OIL AND GAS TAX ALLOCATIONS

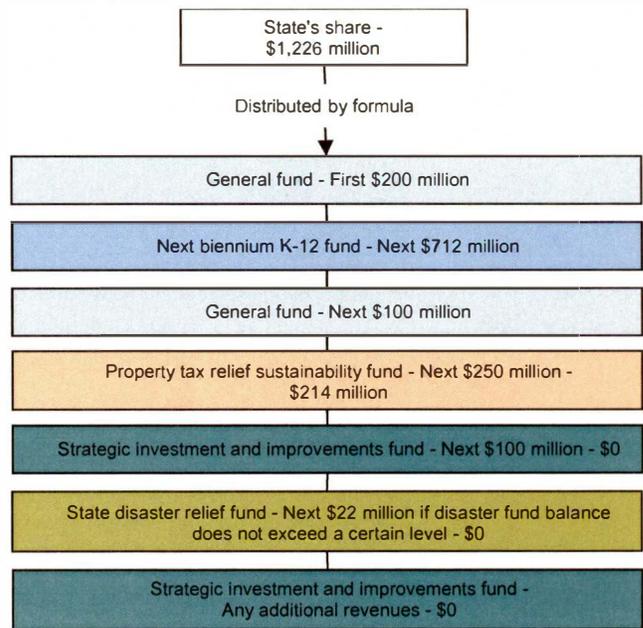
The schedules below compare the 2015-17 biennium estimated oil and gas tax allocations based on current law to the estimated allocations based on House Bill No. 1377 with proposed changes. The estimates reflect the current law allocation of oil and gas tax collections to political subdivisions.

2015-17 Biennium January 2015 Revised Revenue Forecast Estimates			
	Current Law	Proposed Changes - HB 1377	Increase (Decrease)
Legacy fund	\$1,305,400,000	\$1,186,250,000	(\$119,150,000)
Three Affiliated Tribes	314,050,000	314,050,000	0
Oil and gas research fund	10,000,000	10,000,000	0
Oil and gas impact grant fund	240,000,000	240,000,000	0
Political subdivisions	574,530,000	574,530,000	0
Abandoned well reclamation fund	10,000,000	10,000,000	0
North Dakota outdoor heritage fund	16,720,000	16,720,000	0
Foundation aid stabilization fund	172,760,000	172,760,000	0
Common schools trust fund	172,760,000	172,760,000	0
Resources trust fund	345,520,000	345,520,000	0
General fund	300,000,000	300,000,000	0
Next biennium K-12 fund	0	712,000,000	712,000,000
Property tax relief sustainability fund	341,790,000	213,550,000	(128,240,000)
Strategic investment and improvements fund	442,610,000	0	(442,610,000)
State disaster fund	22,000,000	0	(22,000,000)
Total oil and gas tax revenue allocations	\$4,268,140,000	\$4,268,140,000	\$0

Current Law Allocations



Proposed Changes to House Bill No. 1377



NOTE: The amounts reflected in these schedules are preliminary estimates. The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts based on actual oil price and oil production.

30/70

HB 1377
#2
3-9-15

2015-17 BIENNIUM ALLOCATIONS OF OIL AND GAS TAX COLLECTIONS - HOUSE VERSIONS OF ENGROSSED HOUSE BILL NOS. 1176 AND 1377

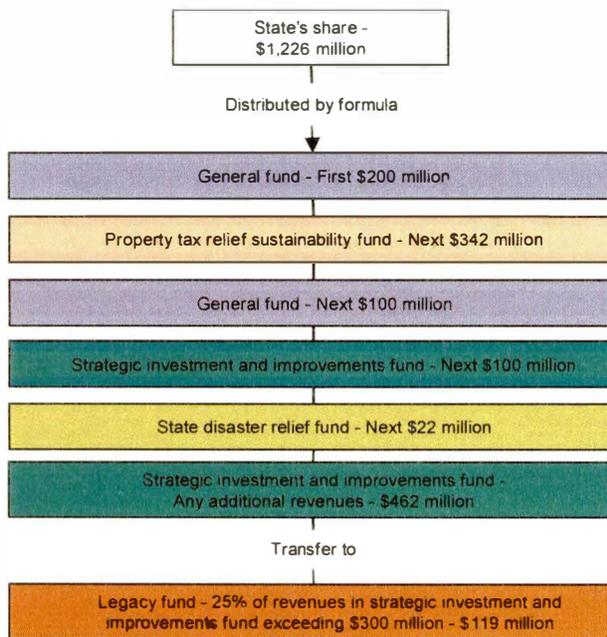
This memorandum provides information on Engrossed House Bill Nos. 1176 and 1377 (House versions) related to 2015-17 biennium estimated oil and gas tax allocations based on the January 2015 revised revenue forecast. Engrossed House Bill No. 1176 increases the allocation of oil and gas gross production tax revenue to counties from 25 to 30 percent of all revenue over \$5 million. Engrossed House Bill No. 1377 includes adding a \$712 million allocation to a next biennium K-12 fund, decreasing the allocation to the property tax relief sustainability fund from \$341.79 million to \$250 million, removing the transfer of 25 percent of the revenue from the strategic investment and improvements fund to the legacy fund, and providing that the state disaster relief fund does not receive oil and gas tax allocations if the unobligated balance in the fund exceeds a certain amount.

MAJOR CHANGES TO OIL AND GAS TAX ALLOCATIONS

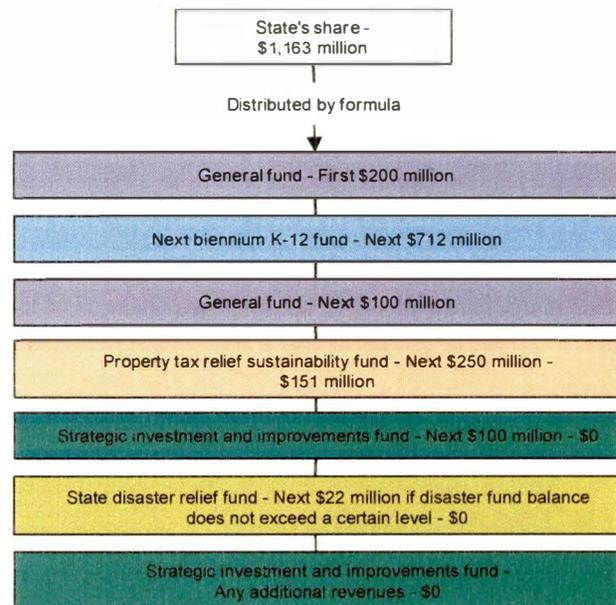
The schedules below compare the 2015-17 biennium estimated oil and gas tax allocations based on current law to the estimated allocations based on Engrossed House Bill Nos. 1176 and 1377 (House versions).

2015-17 Biennium January 2015 Revised Revenue Forecast Estimates			
	Current Law	Engrossed House Bill Nos. 1176 and 1377	Increase (Decrease)
Legacy fund	\$1,305,400,000	\$1,186,250,000	(\$119,150,000)
Three Affiliated Tribes	314,050,000	314,050,000	0
Oil and gas research fund	10,000,000	10,000,000	0
Oil and gas impact grant fund	240,000,000	140,000,000	(100,000,000)
Political subdivisions	574,530,000	720,340,000	145,810,000
Abandoned well reclamation fund	10,000,000	10,000,000	0
North Dakota outdoor heritage fund	16,720,000	33,450,000	16,730,000
Foundation aid stabilization fund	172,760,000	172,760,000	0
Common schools trust fund	172,760,000	172,760,000	0
Resources trust fund	345,520,000	345,520,000	0
General fund	300,000,000	300,000,000	0
Next biennium K-12 fund	0	712,000,000	712,000,000
Property tax relief sustainability fund	341,790,000	151,010,000	(190,780,000)
Strategic investment and improvements fund	442,610,000	0	(442,610,000)
State disaster relief fund	22,000,000	0	(22,000,000)
Total oil and gas tax revenue allocations	\$4,268,140,000	\$4,268,140,000	\$0

Current Law Allocations



Engrossed House Bill Nos. 1176 and 1377



NOTE: The amounts reflected in these schedules are preliminary estimates. The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts based on actual oil price and oil production.

2-1

**BUCKET BILL
HB 1377**

\$852 Million 2015-17 Forecast to the Buckets

#1

HB 1377

4-9-13

4:PM

GENERAL FUND
\$200 Million

PROPERTY TAX RELIEF
\$250 Million

GENERAL FUND
\$100 MILLION

STRATEGIC INVESTMENT &
IMPROVEMENT FUND
\$100 Million

DISASTER RELIEF FUND
\$22 Million
\$25 Million Cap

STATE LANDS AND MINERALS
INCOME
\$180 Million

STRATEGIC INVESTMENT &
INVESTMENT FUND STATE 70%
\$141.5 Million
\$180.0 Million
\$320.5 Million

STRATEGIC INVESTMENT &
INVESTMENT FUND COUNTY 30%
\$61.0 Million

April 8, 2015

#2
HB 1377
4-9-15
H P M

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1377

Page 1, line 1, replace "next biennium K-12 fund" with "political subdivision allocation fund"

Page 1, line 4, after the first semicolon insert "to provide a continuing appropriation;"

Page 2, line 5, replace "**Next biennium K-12 fund**" with "**Political subdivision allocation fund - Oil and gas tax revenue allocations to political subdivisions - State treasurer - Continuing appropriation**"

Page 2, replace lines 6 through 8 with:

"There is created in the state treasury the political subdivision allocation fund. The fund consists of oil and gas tax revenue deposited in the fund pursuant to chapter 57-51.1. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of allocations to political subdivisions in oil-producing counties.

1. If the balance of the fund exceeds ten million dollars on March first of each odd numbered year, the state treasurer shall, within thirty-one days, allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd numbered year and ending August thirty-first of the following even numbered year.
2. If the balance of the fund exceeds ten million dollars on August first of each odd numbered year, the state treasurer shall, within thirty-one days, allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd numbered year and ending August thirty-first of the following even numbered year."

Page 2, line 27, remove the overstrike over "The next"

Page 2, line 27, overstrike "three hundred forty-one million seven hundred ninety thousand" and insert immediately thereafter "two hundred fifty million"

Page 2, line 27, remove the overstrike over "dollars into"

Page 2, line 28, remove the overstrike over "the property tax relief sustainability fund"

Page 2, line 28, remove "The next seven hundred twelve million dollars"

Page 2, line 29, remove "into the next biennium K-12 fund"

Page 2, remove line 31

Page 3, line 1, remove the overstrike over "4."

Page 3, line 1, remove "5."

Page 3, line 3, remove the overstrike over "5."

Page 3, line 3, remove "6."

Page 3, line 6, remove the overstrike over "6."

Page 3, line 6, remove "7."

Page 3, line 6, overstrike "Any additional revenues into the strategic investment and improvements fund." and insert immediately thereafter "Any additional revenues:

a. Seventy percent into the strategic investment and improvements fund;
and

b. Thirty percent into the political subdivision allocation fund."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Changes the state share of oil and gas tax allocations to reduce the allocation to the property tax relief fund from \$341.79 million to \$250 million. The House version added an allocation of \$712 million to a next biennium K-12 fund and moved the allocation to property tax relief fund after the second general fund allocation.
- Changes the state share of oil and gas tax allocations to reduce the allocation of remaining revenue to the strategic investment and improvements fund from 100 percent to 70 percent and to provide an allocation of 30 percent to a newly created political subdivision allocation fund.
- Creates a political subdivision allocation fund and provides a continuing appropriation to the State Treasurer to allocate funding to political subdivisions. The allocations from the fund to the political subdivisions are based on oil and gas tax allocations to political subdivisions in the first year of the biennium.

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1377

That the Senate recede from its amendments as printed on pages 1345-1347 of the Senate Journal and pages 1807 and 1808 of the House Journal and that Engrossed House Bill No. 1377 be amended as follows:

Page 1, line 1, replace "next biennium K-12 fund" with "political subdivision allocation fund"

Page 1, line 2, after "15-08.1-08" insert ", 57-51.1-07.3"

Page 1, line 4, after the first semicolon insert "to repeal sections 15.1-27-45 and 57-64-05 of the North Dakota Century Code, relating to the property tax relief sustainability fund; to provide a continuing appropriation; to provide for a legislative management study;"

Page 1, line 4, after the second semicolon insert "to provide an expiration date;"

Page 2, line 5, replace "**Next biennium K-12 fund**" with "**Political subdivision allocation fund - Oil and gas tax revenue allocations to political subdivisions - State treasurer - Continuing appropriation**"

Page 2, replace lines 6 through 8 with:

"There is created in the state treasury the political subdivision allocation fund. The fund consists of oil and gas tax revenue deposited in the fund pursuant to chapter 57-51.1. All moneys in the fund are appropriated to the state treasurer on a continuing basis for the purpose of allocations to political subdivisions in oil-producing counties.

1. If the balance of the fund exceeds ten million dollars on March first of each odd numbered year, within thirty-one days, the state treasurer shall allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd-numbered year and ending August thirty-first of the following even-numbered year.
2. If the balance of the fund exceeds ten million dollars on August first of each odd numbered year, within thirty-one days, the state treasurer shall allocate all moneys in the fund to eligible political subdivisions in oil-producing counties based on each political subdivision's oil and gas gross production tax allocations under subsection 4 or subsection 5 of section 57-51-15 in the most recently completed formula allocation year. The allocation to each eligible political subdivision must be proportional to each political subdivision's total oil and gas gross production tax allocation under subsection 4 or subsection 5 of section 57-51-15 in the most

recently completed formula allocation year relative to the combined total of all oil and gas gross production tax allocations under subsection 4 and subsection 5 of section 57-51-15 in the most recently completed formula allocation year. For purposes of this subsection, "formula allocation year" means the period beginning September first of an odd-numbered year and ending August thirty-first of the following even-numbered year.

SECTION 3. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.

There is established a special fund in the state treasury to be known as the oil and gas research fund. Before depositing oil and gas gross production tax and oil extraction tax revenues in the general fund, ~~property tax relief sustainability fund,~~ strategic investment and improvements fund, or the state disaster relief fund, two percent of the revenues must be deposited monthly into the oil and gas research fund, up to ten million dollars per biennium. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6."

Page 2, line 23, after the overstruck ending parenthesis insert "**(Effective through June 30, 2017)**"

Page 2, line 27, remove the overstrike over "~~The next~~"

Page 2, line 27, after "~~thousand~~" insert "three hundred million"

Page 2, line 27, remove the overstrike over "~~dollars into~~"

Page 2, line 28, remove the overstrike over "~~the~~"

Page 2, line 28, remove the overstrike over "~~tax relief~~"

Page 2, line 28, remove the overstrike over "~~fund~~"

Page 2, line 28, remove "The next seven hundred twelve million dollars"

Page 2, line 29, remove "into the next biennium K-12 fund"

Page 2, remove line 31

Page 3, line 1, remove the overstrike over "4."

Page 3, line 1, remove "5."

Page 3, line 3, remove the overstrike over "5."

Page 3, line 3, remove "6."

Page 3, line 6, remove the overstrike over "6."

Page 3, line 6, remove "7."

Page 3, line 6, overstrike "into the strategic investment and improvements fund" and insert immediately thereafter ";

HB 1377
4/21/15
Attach 1

- a. Seventy percent into the strategic investment and improvements fund;
and
- b. Thirty percent into the political subdivision allocation fund

(Effective after June 30, 2017) State share of oil and gas taxes - Deposits.
From the revenues designated for deposit in the state general fund under chapters 57-51 and 57-51.1, the state treasurer shall deposit the revenues received each biennium as follows:

- 1. The first two hundred million dollars into the state general fund;
- 2. The next three hundred million dollars into the tax relief fund;
- 3. The next one hundred million dollars into the state general fund;
- 4. The next one hundred million dollars into the strategic investment and improvements fund;
- 5. The next twenty-two million dollars into the state disaster relief fund, but not in an amount that would bring the unobligated balance in the fund to more than twenty-five million dollars; and
- 6. Any additional revenues into the strategic investment and improvements fund.

SECTION 5. LEGISLATIVE MANAGEMENT STUDY - UNIFORM TRUCK PERMITTING. During the 2015-16 interim, the legislative management shall study truck permitting systems in oil and gas producing counties. The study must review the North Dakota association of oil and gas producing counties' uniform county truck permit program, including the system's integration with the highway patrol's online electronic truck permitting and routing system, and the communications between county representatives and industry representatives regarding road conditions. The study must evaluate the appropriateness of additional fees assessed by the board of county commissioners and other local authorities to the oil and gas industry related to additional road permitting fees and analyze other relevant data regarding uniform truck permitting fees and procedures. The study must include input from representatives of the North Dakota petroleum council, representatives of the North Dakota association of oil and gas producing counties, and other interested persons. The legislative management shall report its findings and recommendations, if any, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly.

SECTION 6. MORATORIUM ON ADDITIONAL FEES FOR USE OF COUNTY ROADS. Notwithstanding the provisions of chapter 39-12, the board of county commissioners and other local authorities having control of roads may not impose any additional fees for the use of county roads, except the fees established in the North Dakota association of oil and gas producing counties' uniform county truck permit program, unless an operator, company, or individual requests and agrees to pay the additional fees. However, the board of county commissioners and other local authorities may issue penalties to operators, companies, or individuals who violate posted road restrictions.

SECTION 7. REPEAL. Sections 15.1-27-45 and 57-64-05 of the North Dakota Century Code are repealed."

Page 3, line 7, replace "This" with "Sections 1, 2, 3, and 4 of this"

Page 3, line 9, after the period insert "Section 6 of this Act is effective after May 31, 2015.

SECTION 9. EXPIRATION DATE. Section 6 of this Act is effective through June 30, 2017, and after that date is ineffective."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment:

- Changes the state share of oil and gas tax allocations to reduce the allocation to the property tax relief sustainability fund from \$341.79 million to \$300 million. The Senate version reduced the allocation from \$341.79 million to \$250 million. The House version added an allocation of \$712 million to a next biennium K-12 fund and moved the allocation to property tax relief sustainability fund after the second general fund allocation.
- Changes the state share of oil and gas tax allocations to reduce the allocation of remaining revenue to the strategic investment and improvements fund from 100 percent to 70 percent and to provide an allocation of 30 percent to a newly created political subdivision allocation fund, which is the same as the Senate version. The House version did not change current law, which allocates 100 percent of the remaining revenue to the strategic investment and improvements fund.
- Creates a political subdivision allocation fund and provides a continuing appropriation to the State Treasurer to allocate funding to political subdivisions. The allocations from the fund to the political subdivisions are based on oil and gas tax allocations to political subdivisions in the first year of the biennium. The Senate version also created the political subdivision allocation fund, but the House version did not include this new fund.
- Renames the property tax relief sustainability fund the tax relief fund and repeals two sections of North Dakota Century Code related to the property tax relief sustainability fund, since those sections are no longer needed. Neither the House nor the Senate versions included these changes.
- Provides an expiration date for the changes to the allocations of the state's share of oil and gas tax revenue. This change was not made by either the House or the Senate.
- Provides for a legislative management study of uniform truck permitting. This study was not included in the House or the Senate versions.
- Provides for a moratorium on additional fees for use of county roads assessed by counties and other local authorities. This change was not made by either the House or the Senate.