

**SECOND ENGROSSMENT  
with Conference Committee Amendments**

Sixty-first  
Legislative Assembly  
of North Dakota

**REENGROSSED HOUSE BILL NO. 1304**

Introduced by

Representatives Skarphol, Hatlestad, Wald

Senators Lyson, Wardner

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

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

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

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

8 1. First the tax revenue collected under this chapter equal to one percent of the gross  
9 value at the well of the oil and one-fifth of the tax on gas must be deposited with  
10 the state treasurer who shall ~~credit~~:

11 a. Credit thirty-three and one-third percent of the revenues to the oil and gas  
12 impact grant fund, but not in an amount exceeding ~~six~~ eight million dollars per  
13 biennium, ~~including any amounts otherwise appropriated for oil and gas~~  
14 ~~impact grants for the biennium by the legislative assembly, and who shall~~  
15 credit;

16 b. Allocate five hundred thousand dollars per fiscal year to each city in an  
17 oil-producing county which has a population of seven thousand five hundred  
18 or more and more than two percent of its private covered employment  
19 engaged in the mining industry, according to data compiled by job service  
20 North Dakota. The allocation under this subdivision must be doubled if the  
21 city has more than seven and one-half percent of its private covered  
22 employment engaged in the mining industry, according to data compiled by  
23 job service North Dakota; and

24 c. Credit the remaining revenues to the state general fund.

- 1           2. After deduction of the amount provided in subsection 1, annual revenue collected  
2           under this chapter from oil and gas produced in each county must be allocated as  
3           follows:
- 4           a. ~~The first one two million dollars of annual revenue after the deduction of the~~  
5           ~~amount provided for in subsection 1 from oil or gas produced in any county~~  
6           ~~must be allocated to that the county.~~
- 7           b. ~~The second next one million dollars of annual revenue after the deduction for~~  
8           ~~the amount provided for in subsection 1 from oil and gas produced in any~~  
9           ~~county must be allocated seventy-five percent to that the county and~~  
10           ~~twenty-five percent to the state general fund.~~
- 11           c. ~~The third next one million dollars of annual revenue after the deduction of the~~  
12           ~~amount provided for in subsection 1 from oil or gas produced in any county~~  
13           ~~must be allocated fifty percent to that the county and fifty percent to the state~~  
14           ~~general fund. All annual revenue after the deduction of the amount provided~~  
15           ~~for in subsection 1 above three million dollars from oil or gas produced in any~~  
16           ~~county~~
- 17           d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~  
18           the county and seventy-five percent to the state general fund. ~~However, the~~
- 19           e. All annual revenue remaining after the allocation in subdivision d must be  
20           allocated ten percent to the county and ninety percent to the state general  
21           fund.
- 22           3. The amount to which each county is entitled pursuant to this under subsection 2  
23           ~~must be limited based upon the population of~~ allocated within the county ~~according~~  
24           ~~to the last official decennial federal census as follows:~~
- 25           a. ~~Counties having a population of three thousand or less shall receive no more~~  
26           ~~than three million nine hundred thousand dollars for each fiscal year;~~  
27           ~~however, a county may receive up to four million nine hundred thousand~~  
28           ~~dollars under this subdivision for each fiscal year if during that fiscal year the~~  
29           ~~county levies a total of at least ten mills for combined levies for county road~~  
30           ~~and bridge, farm to market and federal aid road, and county road purposes.~~  
31           ~~Any amount received by a county exceeding three million nine hundred~~

1                   ~~thousand dollars under this subdivision is not subject to allocation under~~  
2                   ~~subsection 3 but must be credited by the county treasurer to the county~~  
3                   ~~general fund.~~

4                   b. ~~Counties having a population of over three thousand but less than six~~  
5                   ~~thousand shall receive no more than four million one hundred thousand~~  
6                   ~~dollars for each fiscal year; however, a county may receive up to five million~~  
7                   ~~one hundred thousand dollars under this subdivision for each fiscal year if~~  
8                   ~~during that fiscal year the county levies a total of at least ten mills for~~  
9                   ~~combined levies for county road and bridge, farm to market and federal aid~~  
10                  ~~road, and county road purposes. Any amount received by a county~~  
11                  ~~exceeding four million one hundred thousand dollars under this subdivision is~~  
12                  ~~not subject to allocation under subsection 3 but must be credited by the~~  
13                  ~~county treasurer to the county general fund.~~

14                  e. ~~Counties having a population of six thousand or more shall receive no more~~  
15                  ~~than so the first four million six hundred thousand dollars is allocated under~~  
16                  ~~subsection 4 for each fiscal year; however, a county may receive up to five~~  
17                  ~~million six hundred thousand dollars under this subdivision for each fiscal year~~  
18                  ~~if during that fiscal year the county levies a total of ten mills or more for~~  
19                  ~~combined levies for county road and bridge, farm to market and federal aid~~  
20                  ~~road, and county road purposes. Any and any amount received by a county~~  
21                  ~~exceeding four million six hundred thousand dollars under this subdivision is~~  
22                  ~~not subject to allocation under subsection 3 but must be credited by the~~  
23                  ~~county treasurer to the county general infrastructure fund and allocated under~~  
24                  ~~subsection 5.~~

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

28                  ~~3- 4.~~ a. ~~Forty-five percent of all revenues as may by the legislative assembly be~~  
29                  ~~allocated to any county hereunder for allocation under this subsection must~~  
30                  ~~be credited by the county treasurer to the county general fund. However, the~~  
31                  ~~allocation to a county under this subdivision must be credited to the state~~

1                   general fund if during that fiscal year the county does not levy a total of at  
2                   least ten mills for combined levies for county road and bridge, farm-to-market  
3                   and federal-aid road, and county road purposes.

4                   b. Thirty-five percent of all revenues allocated to any county for allocation under  
5                   this subsection must be apportioned by the county treasurer no less than  
6                   quarterly to school districts within the county on the average daily attendance  
7                   distribution basis, as certified to the county treasurer by the county  
8                   superintendent of schools. However, no school district may receive in any  
9                   single academic year an amount under this subsection greater than the  
10                  county average per student cost multiplied by seventy percent, then multiplied  
11                  by the number of students in average daily attendance or the number of  
12                  children of school age in the school census for the county, whichever is  
13                  greater. Provided, however, that in any county in which the average daily  
14                  attendance or the school census, whichever is greater, is fewer than four  
15                  hundred, the county is entitled to one hundred twenty percent of the county  
16                  average per student cost multiplied by the number of students in average  
17                  daily attendance or the number of children of school age in the school census  
18                  for the county, whichever is greater. Once this level has been reached  
19                  through distributions under this subsection, all excess funds to which the  
20                  school district would be entitled as part of its thirty-five percent share must be  
21                  deposited instead in the county general fund. The county superintendent of  
22                  schools of each oil-producing county shall certify to the county treasurer by  
23                  July first of each year the amount to which each school district is limited  
24                  pursuant to this subsection. As used in this subsection, "average daily  
25                  attendance" means the average daily attendance for the school year  
26                  immediately preceding the certification by the county superintendent of  
27                  schools required by this subsection.

28                               The countywide allocation to school districts under this subdivision is  
29                               subject to the following:

30                   (1) The first three hundred fifty thousand dollars is apportioned entirely  
31                   among school districts in the county.

- 1                   (2) The next three hundred fifty thousand dollars is apportioned  
2                   seventy-five percent among school districts in the county and  
3                   twenty-five percent to the county infrastructure fund.
- 4                   (3) The next two hundred sixty-two thousand five hundred dollars is  
5                   apportioned two-thirds among school districts in the county and  
6                   one-third to the county infrastructure fund.
- 7                   (4) The next one hundred seventy-five thousand dollars is apportioned fifty  
8                   percent among school districts in the county and fifty percent to the  
9                   county infrastructure fund.
- 10                  (5) Any remaining amount is apportioned to the county infrastructure fund  
11                  except from that remaining amount the following amounts are  
12                  apportioned among school districts in the county:
- 13                   (a) Four hundred ninety thousand dollars, for counties having a  
14                   population of three thousand or fewer.
- 15                   (b) Five hundred sixty thousand dollars, for counties having a  
16                   population of more than three thousand and fewer than six  
17                   thousand.
- 18                   (c) Seven hundred thirty-five thousand dollars, for counties having a  
19                   population of six thousand or more.
- 20                  c. Twenty percent of all revenues allocated to any county hereunder for  
21                  allocation under this subsection must be paid apportioned no less than  
22                  quarterly by the state treasurer to the incorporated cities of the county.  
23                  Apportionment among cities under this subsection must be based upon the  
24                  population of each incorporated city according to the last official decennial  
25                  federal census. A city may not receive an allocation for a fiscal year under  
26                  this subsection and subsection 5 which totals more than seven hundred fifty  
27                  dollars per capita. Once this level has been reached through distributions  
28                  under this subsection, all excess funds to which any city would be entitled  
29                  except for this limitation must be deposited instead in that county's general  
30                  fund. ~~Provided, however, that in~~ In determining the population of any city in  
31                  which total employment increases by more than two hundred percent

- 1 seasonally due to tourism, the population of that city for purposes of  
2 ~~determining the per capita limitation in this section~~ subdivision must be  
3 increased by ~~adding to the population of the city as determined by the last~~  
4 ~~official decennial federal census a number to be determined as follows:~~
- 5 a. ~~Seasonal employees of state and federal tourist facilities within five miles~~  
6 ~~[8.05 kilometers] of the city must be included by adding the months all such~~  
7 ~~employees were employed during the prior year and dividing by twelve.~~
- 8 b. ~~Seasonal employees of all private tourist facilities within the city and seasonal~~  
9 ~~employees employed by the city must be included by adding the months all~~  
10 ~~such employees were employed during the prior year and dividing by twelve.~~
- 11 e. ~~The number of visitors to the tourist attraction within the city or within five~~  
12 ~~miles [8.05 kilometers] of the city which draws the largest number of visitors~~  
13 ~~annually must be included by taking the smaller of either of the following:~~
- 14 (1) ~~The total number of visitors to that tourist attraction the prior year~~  
15 ~~divided by three hundred sixty five; or~~
- 16 (2) ~~Four hundred twenty eight hundred percent. If a city receives a direct~~  
17 ~~allocation under subsection 1, the allocation to that city under this~~  
18 ~~subsection is limited to sixty percent of the amount otherwise~~  
19 ~~determined for that city under this subsection and the amount~~  
20 ~~exceeding this limitation must be reallocated among the other cities in~~  
21 ~~the county.~~
- 22 5. a. Forty-five percent of all revenues allocated to a county infrastructure fund  
23 under subsections 3 and 4 must be credited by the county treasurer to the  
24 county general fund. However, the allocation to a county under this  
25 subdivision must be credited to the state general fund if during that fiscal year  
26 the county does not levy a total of at least ten mills for combined levies for  
27 county road and bridge, farm-to-market and federal aid road, and county road  
28 purposes.
- 29 b. Thirty-five percent of all revenues allocated to the county infrastructure fund  
30 under subsections 3 and 4 must be allocated by the board of county  
31 commissioners to or for the benefit of townships in the county on the basis of

1           applications by townships for funding to offset oil and gas development  
2           impact to township roads or other infrastructure needs or applications by  
3           school districts for repair or replacement of school district vehicles  
4           necessitated by damage or deterioration attributable to travel on oil and gas  
5           development-impacted roads. An organized township is not eligible for an  
6           allocation of funds under this subdivision unless during that fiscal year that  
7           township levies at least ten mills for township purposes. For unorganized  
8           townships within the county, the board of county commissioners may expend  
9           an appropriate portion of revenues under this subdivision to offset oil and gas  
10           development impact to township roads or other infrastructure needs in those  
11           townships. The amount deposited during each calendar year in the county  
12           infrastructure fund which is designated for allocation under this subdivision  
13           and which is unexpended and unobligated at the end of the calendar year  
14           must be transferred by the county treasurer to the county road and bridge  
15           fund for use on county road and bridge projects.

16           c. Twenty percent of all revenues allocated to any county infrastructure fund  
17           under subsections 3 and 4 must be allocated by the county treasurer no less  
18           than quarterly to the incorporated cities of the county. Apportionment among  
19           cities under this subsection must be based upon the population of each  
20           incorporated city according to the last official decennial federal census. A city  
21           may not receive an allocation for a fiscal year under this subsection and  
22           subsection 4 which totals more than seven hundred fifty dollars per capita.  
23           Once this per capita limitation has been reached, all excess funds to which a  
24           city would otherwise be entitled must be deposited instead in that county's  
25           general fund. If a city receives a direct allocation under subsection 1, the  
26           allocation to that city under this subsection is limited to sixty percent of the  
27           amount otherwise determined for that city under this subsection and the  
28           amount exceeding this limitation must be reallocated among the other cities in  
29           the county.

30           6. Within sixty days after the end of each fiscal year, the board of county  
31           commissioners of each county that has received an allocation under this section

- 1           shall file a report for the fiscal year with the tax commissioner, in a format  
2           prescribed by the tax commissioner, showing:
- 3           a.   The amount received by the county in its own behalf, the amount of those  
4               funds expended for each purpose to which funds were devoted, and the  
5               share of county property tax revenue expended for each of those purposes,  
6               and the amount of those funds unexpended at the end of the fiscal year; and
- 7           b.   The amount available in the county infrastructure fund for allocation to or for  
8               the benefit of townships or school districts, the amount allocated to each  
9               organized township or school district and the amount expended from each  
10              such allocation by that township or school district, the amount expended by  
11              the board of county commissioners on behalf of each unorganized township  
12              for which an expenditure was made, and the amount available for allocation  
13              to or for the benefit of townships or school districts which remained  
14              unexpended at the end of the fiscal year.

15               Within sixty days after the time when reports under this subsection were due,  
16           the tax commissioner shall provide a report to the legislative council compiling the  
17           information from reports received under this subsection.

18               In developing the format for reports under this subsection, the tax  
19           commissioner shall consult the energy development impact office and at least two  
20           county auditors from oil-producing counties.

21           **SECTION 2. EFFECTIVE DATE.** This Act is effective for taxable events occurring after  
22   June 30, 2009.