NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

TAXATION COMMITTEE

Wednesday, September 15, 2010
Roughrider Room, State Capitol
Bismarck, North Dakota

Senator Dwight Cook, Chairman, called the meeting to order at 9:00 a.m.

Members present: Senators Dwight Cook, John M. Andrist, Bob Stenehjem, Constance Triplett; Representatives Larry Bellew, Wesley R. Belter, David Drovdal, Robert Frantsvog, Glen Froseth, Craig Headland, Jim Kasper, Scot Kelsh, Arlo Schmidt, Gary R. Sukut, Dave Weiler

Members absent: Senators Jim Dotzenrod, Joe Miller, George Nodland, Tracy Potter; Representatives Louis Pinkerton, Lonny Winrich, Dwight Wrangham

Others present: Representative Al Carlson, member of the Legislative Management, was also in attendance.

See Appendix A for additional persons present.

It was moved by Representative Drovdal, seconded by Representative Frantsvog, and carried on a voice vote that the minutes of the previous meeting be approved as distributed.

TAX INCREMENT FINANCING

Chairman Cook called on Mr. Jerry Hjelmstad, Assistant Director, North Dakota League of Cities, for information (Appendix B) on tax increment financing issues raised by the Taxation Committee at the previous meeting.

Mr. Hjelmstad said 6.6 percent of the Bismarck tax increment financing district collection comes from the Radisson Hotel property. He said 9.17 percent of Bismarck city property taxes end up in the tax increment financing district fund.

Mr. Hjelmstad said the committee questioned how the Radisson Hotel property obtained a tax increment financing valuation that is virtually the entire value of the property. He said at the time the property was sold it consisted of land only and was owned by the city. He said the current true and full value of the Radisson Hotel property is slightly more than $6.5 million. He said Bismarck had received federal urban renewal program funds to acquire the property, demolish buildings, clear the site, and resell the property. He said after the land was sold by the city, the hotel was constructed.

Chairman Cook called on committee counsel to review a bill draft [10192.0100] prepared for committee consideration relating to limitations on tax increment financing. Committee counsel said the bill draft would exclude raw agricultural land from being incorporated in a tax increment financing district. He said the bill draft would limit the duration of a tax increment financing district to not more than 20 taxable years. He said the bill draft would require approval from a joint review board to establish or extend a tax increment financing district. He said the joint review board would consist of one representative from the governing body of each city, county, school district, and other political subdivision having taxing authority over the property plus one member chosen to represent the public. He said this would place the city in a minority position in establishing a tax increment financing district which was intended to require the city to convince other taxing districts that the tax increment financing district is necessary and beneficial to all concerned.

Senator Andrist said he would support the restrictions and also suggests that it should be required that a district showing a positive net balance should be closed out so it cannot hold funds indefinitely because those funds should be distributed to the taxing districts entitled to the funds.

Representative Sukut distributed copies of a letter (Appendix C) to committee members from Mr. John Kautzman, Williston City Auditor. Representative Sukut said that Williston has used tax increment financing in a responsible and productive manner as intended by statutory provisions in place. He said Mr. Kautzman's letter describes the benefits to the City of Williston and other taxing districts in developing property. Representative Sukut said he does not see any need for the statutory changes in the bill draft.

Senator Cook said the bill draft is not intended to end responsible use of tax increment financing by cities. He said there are several cities that have used tax increment financing responsibly, but there have been some tax increment financing issues that have raised concerns of legislators. He said he sees three issues that the Legislative Assembly should consider. He said the issues are the perpetual nature of tax increment financing districts, the fact that one parcel of valuable commercial property pays virtually 100 percent of its property taxes into the tax increment financing district fund, and the fact that agricultural land might be considered a "blighted area" for inclusion in a tax increment financing district.

Chairman Cook invited comments from interested persons in attendance relating to the bill draft on restriction of tax increment financing. Mr. Hjelmstad said with regard to exclusion of agricultural land from the definition of blighted property, cities should be allowed to make the decision on what kind of property is included in a tax increment financing district based on their circumstances. He said imposing a 20-year limit on the duration of a tax increment financing district may cause problems because financing is often established for 25 years to 30 years, and cities require flexibility in negotiating financing for a project. He said it is necessary for cities to negotiate with developers prior to seeking approval of a tax increment financing plan, and it would be difficult for cities to negotiate with developers if the bill draft is enacted. He said a joint review board could consist of representatives of many taxing districts, and the board could kill a project simply by not taking action.

Senator Cook asked whether the formation of a tax increment financing district is typically initiated by the city or by a developer. Mr. Hjelmstad said establishing a district could occur either way depending on the circumstances.

Representative Kasper asked what would be the problem with excluding agricultural land from tax increment financing districts. Mr. Hjelmstad said development of certain areas within cities may require inclusion of agricultural land to make the district feasible.

Senator Andrist said he believes tax increment financing skims revenues from school districts. He said this concerns him, especially with regard to the school funding formula for state aid. Mr. Hjelmstad said tax increment financing eventually increases property value substantially which benefits all taxing districts. Senator Andrist asked if Mr. Hjelmstad has a suggestion as an alternative to limiting the duration of a tax increment financing district. Mr. Hjelmstad said an option might be to require valuation of property to be reset after a certain period of time rather than terminating the district.

In response to a question from Senator Cook, Mr. Hjelmstad said he has other concerns about establishing a joint review board for approval of tax increment financing. He said it is not clear how the joint review board would be established and how often it would be necessary to establish a board. He said it might be better to have a permanent review board. Senator Cook said these appear to be issues that should be reviewed by the Legislative Assembly.

It was moved by Representative Weiler and seconded by Representative Bellew that the bill draft restricting use of tax increment financing be approved and recommended to the Legislative Management.

In discussion of the motion, Representative Weiler said the Legislative Assembly needs a starting point for consideration of tax increment financing during the legislative session. He said the bill draft would initiate consideration and allow a full discussion of the issue.

Representative Sukut said tax increment financing has been a good tool for cities, and he would not support the bill draft in its current form.

Senator Triplett said she would support the motion because the issues should be considered, but there are problems with the bill draft.

Representative Headland said he believes property should come out of the tax increment financing district when the debt for improvements benefiting the property has been paid. He said he is not sure the bill draft does this, but it would initiate discussion of the topic.

The question was called and **the motion carried on a roll call vote**. Voting in favor of the motion were Senators Andrist, Stenehjem, and Triplett and Representatives Bellew, Belter, Drovdal, Frantsvog, Headland, Kasper, and Weiler. Voting in opposition to the motion were Senator Cook and Representatives Froseth, Kelsh, Schmidt, and Sukut.

FEDERAL MINERAL LEASING REVENUE

Chairman Cook called on committee counsel to present a memorandum entitled *Federal Flood Control Mineral Lease Revenue Allocation*. Committee counsel said the federal flood control project that established a series of dams on the Missouri River resulted in federal acquisition of rights to thousands of acres of land along and under Lake Sakakawea. He said oil exploration, drilling, and production activity and feasibility of horizontal drilling under the lake has made the mineral rights of the federal government extremely valuable. He said the federal government has leased mineral rights on those lands and collected substantial lease and bonus revenues.

Under federal law, 75 percent of revenue from leasing of lands acquired by the United States for flood control is to be paid out at the end of the year to the state in which the property is located. The amount received is required to be expended as the state legislature prescribes for the benefit of public schools and public roads of the county or counties in which the property is located or for any expenses of county government of those counties.

North Dakota has provided for allocation of flood control revenues in North Dakota Century Code Section 21-06-10, which provides that one-half of allocations to a county go to school districts in the county, one-quarter goes to the county for road purposes, and one-quarter is to be allocated among organized townships that lost land because of the federal land acquisition.

Beginning in calendar year 2009, counties began to receive very substantial payments from the federal leasing revenue. Payments to counties are detailed in a table attached to the memorandum. Committee counsel said Appendix D of the memorandum is a spreadsheet for Mountrail County showing allocation within the county of funds received. He said the New Town School District received more than $22 million from February 2009 to July 2010. He said Liberty Township received more than $4 million from February 2009 to July 2010. He said two other Mountrail County townships received more than $1 million during the same time period. He said all of these payments to counties and political subdivisions are from federal mineral leasing and bonus fees. He said when oil production begins, it is likely that the payments will be larger.

Representative Kasper said a request should be forwarded to the Department of Mineral Resources to see if it is possible to project the royalty revenue that might be received by these counties and political subdivisions in the future. He said that information might be useful for legislative session consideration of possible statutory changes.

Representative Carlson said trying to track all of the money going to the oil impact area is a very difficult job. He said despite the difficulty, it is important to determine revenue sources for oil-impacted political subdivisions to enable the Legislative Assembly to properly evaluate the level of assistance needed.

Senator Cook said he agrees with Representative Carlson. He said it is also important that timely information be available for legislative deliberations.

Senator Andrist said the inquiry needs to go beyond dollar allocations and also consider the dollars received by school districts and whether that revenue is imputed under the state aid formula. Senator Cook said the school funding formula allowed the schools receiving these revenues two years to expend the money without imputing the funds against state aid.

Representative Carlson said some people think the state wants to obtain this information to cut funding to political subdivisions. He said that is not the issue. He said the Legislative Assembly needs the information to gain an appreciation of the big picture of costs to political subdivisions and available revenue sources.

Senator Cook said he has been waiting for county commissioners from oil-producing counties to express appreciation for extra funds directed to counties from oil and gas taxes by 2009 legislation. He said oil-producing counties should have provided information on how the extra funds were used, where those counties stand relative to current oil impact costs, and their needs and current revenues from all sources.

Senator Andrist said he has the same concern expressed by Representative Carlson and Senator Cook. He said the oil-producing counties have had the opportunity to provide information to this committee but have not taken the opportunity.

Representative Headland said another possible concern is with the federal mineral leasing revenue allocations. He said many of the townships affected are receiving far more money than they will be able to use. He said this could create an enticement for inappropriate use of funds.

Representative Froseth said in time these issues will be sorted out. He said rapid changes in costs and revenues cause confusion for local government.

Chairman Cook called on committee counsel to review a bill draft [10196.0100] relating to allocation of revenue from leasing federal flood control lands. Committee counsel said the bill draft does not make any changes to existing law and was prepared only for the purpose of placing under committee consideration the provisions of Section 21-06-10. He said this statutory provision relates to allocation by the state of money received under federal flood control land leasing. He said federal law allocates to the state 75 percent of revenue collection from leasing of lands acquired by the United States for flood control. He said federal law allows the state to determine how those revenues are to be allocated but restricts the state to allocating the funds for the benefit of public schools and public roads of the county in which the property is located or for any expenses of county government.

Committee counsel said the statutory formula in Section 21-06-10 provides for payment of one-half of the money received to school districts in the county which have lost land subject to taxation because of the federal land acquisition, one-fourth to the county for road purposes, and one-fourth must be allocated among organized townships which have lost land subject to taxation because of the federal land acquisition and the county for road purposes, and the county must also be allocated a share based on lands in the county, not within an organized township, which were acquired by the federal government.

Senator Stenehjem said the allocation formula set up by the Legislative Assembly was established many years ago. He said it appears that the Legislative Assembly needs to get a handle on this allocation because the allocations appear to be excessive for some political subdivisions.

Senator Cook said he believes the allocation formula needs attention. He said examining the revenue allocations makes it clear the formula is no longer appropriate for the amounts of money being distributed.

In discussion between Senator Triplett and Senator Cook, it was suggested that only the first sentence of Section 21-06-10 is required and the remainder of the section could be overstruck.

Senator Cook said it might be useful to include a provision in the bill draft to require notice from the State Treasurer to the Legislative Management chairman within five days after the end of each month, providing information on federal flood control land mineral revenue allocations and other oil and gas-related allocations of revenue through the State Treasurer's office.

Ms. Carlee McLeod, Deputy State Treasurer, State Treasurer's office, said the State Treasurer's office could report on this information.

Senator Andrist said he thinks it would be useful to obtain information on revenue flowing through the State Treasurer's office to political subdivisions for oil-producing counties.

Chairman Cook directed committee counsel to overstrike everything in Section 1 of the bill draft following the period on page 1, line 12. He asked Ms. McLeod to provide suggested language to include in the bill draft requiring reporting of oil and gas revenue allocation information to the chairman of the Legislative Management.

Chairman Cook called on Mr. Ken Yantes, Executive Secretary, North Dakota Township Officers Association, Brocket, who said he has not discussed the federal mineral lease revenue allocation with the affected township officers. He said he will visit with officers of those townships and find information on how they intend to use the funds that have been received.

Senator Triplett said Grand Forks County provides road services to townships in the county at less than market costs. She said she is sure the county commissioners in counties receiving federal mineral leasing revenues will be able to find ways to assist townships appropriately with the revenues received.

Chairman Cook called on committee counsel for presentation of a memorandum *2009-11 Oil Tax Revenue Allocations*. Committee counsel said the tables in the memorandum were compiled by the Legislative Council staff and provide the most recent information available on allocation of oil and gas tax revenues to the state general fund, permanent oil tax trust fund, counties, and cities.

Committee counsel said at the previous committee meeting a motion was approved that the committee should seek approval from the chairman of the Legislative Management and forward a letter of support to the Federal Energy Regulatory Commission for the pending application of Enbridge for transportation of blended sweet and sour crude oil. He said in following up on this motion, it was determined by the North Dakota Pipeline Authority that Enbridge has not filed with the Federal Energy Regulatory Commission regarding segregated sour crude oil service.

Chairman Cook called on Ms. McLeod for presentation of information (Appendix D) requested on behalf of the committee.

Ms. McLeod said city allocations of oil and gas gross production tax revenues are capped at $750 per resident. She said the attachment to her testimony identifies each city that reached its cap and the population and total allocation for each city. She said the information also identifies cities that have not reached the cap and the amount, population, and amount per resident received by those cities.

Senator Cook asked if information could be provided on the amount each capped city would have received without the caps.

In response to a question from Representative Drovdal, Ms. McLeod said the population used for cities is from the 2000 census. She said that data will be updated when the 2010 census is complete. Representative Drovdal said many residents of the oil impact area are not residents who are counted by the census. Ms. McLeod said the statute requires use of census population numbers.

Senator Andrist said many of the people residing in the oil development area are not residents for census purposes, but the city must still provide services for those individuals.

STATE TAX ISSUES THAT MAY BE CONSIDERED BY CONGRESS

Chairman Cook said the next segment of the meeting focuses on state tax issues that may be subject to congressional action. He said this is intended to serve as background for legislation that may need to be considered in North Dakota as a response to congressional legislation.

Chairman Cook called on Ms. Mary Loftsgard, Associate Director, Tax Administration, Tax Department, for presentation of information (Appendix E) relating to the Uniform Division of Income for Tax Purposes Act.

Chairman Cook called on Mr. Myles Vosberg, Director, Tax Administration, Tax Department, for an update (Appendix F) on streamlined sales tax issues.

Mr. Vosberg said it appears there will be streamlined sales tax legislation in 2011 relating to sourcing for direct mail, uniform tax returns and payments, and retailer compensation. He said current compensation for retailers under North Dakota law applies for retailers that report $333,000 taxable sales and purchases in the previous calendar year, and the compensation rate is 1.5 percent of tax reported with a maximum of $85 per month. He said under the streamlined sales tax agreement, proposed compensation would be three-fourths of 1 percent of total collections for both state and local taxes. He said the proposal would establish three tiers of compensation. He said in North Dakota the fiscal impact of the change would be an additional cost for increased compensation of $1.4 million for fiscal year 2012.

Mr. Vosberg said the Main Street Fairness Act--H.R.5660--was introduced in Congress July 1, 2010. He said the federal legislation would provide collection authority for streamlined sales tax member states and require all sellers to collect sales and use taxes on sales delivered into member states. He said no action has been taken at this time on H.R.5660.

OIL AND GAS DEVELOPMENT IMPACT ASSESSMENT

Chairman Cook called on Mr. Shane C. Goettle, Commissioner, Department of Commerce, for testimony (Appendix G) relating to efforts to assess impacts of oil and gas development.

Mr. Goettle said state agencies have combined efforts to assess the impacts of oil and gas development. He said the objective is to obtain quantifiable data on impact in the areas of transportation, housing, workforce, and technical assistance.

Mr. Goettle said during July and August representatives of the Office of Management and Budget, Department of Transportation, Housing Finance Agency, Department of Commerce, and Bank of North Dakota held 12 meetings with county commissioners and city council members from 14 oil and gas-producing counties.

Mr. Goettle said the Upper Great Plains Transportation Institute is compiling an assessment of current traffic counts on key county and township arteries. He said the data will be used to project at least three different drilling and oil production scenarios to project traffic patterns from oil drilling and production over the next 10 years to 20 years.

Mr. Goettle said the Housing Finance Agency, Department of Commerce, and Bank of North Dakota are providing funding for a comprehensive housing assessment. He said the objective is to identify opportunities and barriers to housing development. He said the report that will be developed will examine housing issues from perspectives of employers, communities, and developers.

Mr. Goettle said the North Dakota Petroleum Council and the Department of Commerce are conducting a workforce needs assessment, including questions to employers designed to determine short-term and long-term housing demand for use in the housing development study.

Mr. Goettle said a $300,000 technical assistance matching grant program through the Department of Commerce will assist cities and counties in oil development areas to develop plans for water, sewer, zoning, and other infrastructure needs.

Senator Cook asked if it would be possible to reduce truck traffic on roads by strategic location of water depots. Mr. Goettle said that would reduce road miles for hauling water but probably cannot reduce loads with fracturing sand.

Representative Carlson asked what legislative action Mr. Goettle foresees from this study effort. Mr. Goettle said the assessment is intended to help the state develop more effective policies on training, demand for skills, impact funding, and transportation spending.

Representative Drovdal said he hopes the assessment is intended to include legislators in discussions before the legislative session. Mr. Goettle said it is intended that findings will be provided to all legislators before the legislative session.

Senator Cook said a meeting with legislators invited would be very useful when the information is provided to legislators.

Senator Cook said base rents used to establish low-income housing voucher policies indicate that rents in oil development counties are too high. Mr. Goettle said that is an issue being examined by the Housing Finance Agency. He said rents on existing rental property have increased so substantially that residents who have lived in cities in the oil development area for several years have had to give up their rental property occupancy and move to Berthold, Minot, or other locations.

MULTISTATE TAX COMMISSION

Chairman Cook called on Ms. Donnita Wald, legal counsel, Tax Department, for information (Appendix H) on Multistate Tax Commission activities and recommendations.

Ms. Wald said the Multistate Tax Commission has been considering several issues to forestall federal legislation seeking to preempt state authority on certain tax topics. She said the Multistate Tax Commission model mobile workforce withholding and individual income tax statutes were recommended by the Multistate Tax Commission Uniformity Committee. She said the provisions relate to nonresident compensation and withholding under the individual income tax. She said the proposal identifies situations in which withholding would not be required for nonresidents.

Ms. Wald said other areas are being monitored by the Multistate Tax Commission which may be subject to efforts in Congress to preempt state authority. She said these issues include taxation of Voice over Internet Protocols and online travel companies plus preemption of cellular phone taxes determined to be new discriminatory taxes. She said reducing nexus requirements for individuals or corporations for income tax purposes is another issue being monitored.

HOMESTEAD CREDIT AND 911 FUNDING STUDIES

Chairman Cook said the homestead credit study assigned to the committee concluded without recommendation. He said it was the objective of the property tax relief effort to reduce the effective tax rate to 1.5 percent for residential property. He said the 2009 property tax relief reduced the effective tax rate for residential property to 1.47 percent. He said the homestead credit was viewed as a possible vehicle to reduce residential property taxes, but that option proved to be unnecessary because the property tax relief reduction was sufficient to accomplish the objective.

Chairman Cook said with regard to the 911 funding study, no consensus to move forward developed. He said consideration was given to state funding for the 911 system in place of 911 fees, but any method of replacement of current funding has inequitable aspects.

POTASH TAXATION

Chairman Cook called on committee counsel for a presentation of a memorandum entitled *Property Tax Application to Potash and Other Subsurface Minerals*. Committee counsel said the committee is considering a bill draft to provide for taxation of potash produced in North Dakota and providing that the tax would be in lieu of property taxes. He said the question was raised whether failure to enact the bill would make potash subject to property taxes. He said constitutional and statutory provisions would seem to indicate that minerals are real property and should be subject to assessment and property taxes. He said in practice, subsurface minerals in general have not been, and are not being, subjected to assessment and property taxes in North Dakota.

Chairman Cook called on committee counsel for presentation of a bill draft [10174.0100] to provide for taxation of potash and byproducts. Committee counsel said the bill draft is based on the draft prepared by the Tax Department and considered at the previous committee meeting which provided for taxation of minerals other than potash. He said the revised draft provides for taxation only of potash and byproducts produced during processing of potash. He said in other respects the bill draft is essentially the same as the draft considered at the previous meeting. He said the bill draft provides for a tax of 5 percent on potash, based on the annual average price of potash, and a subsurface mineral tax of 4 percent on the gross value of all subsurface mineral byproducts produced during processing of potash in this state.

Representative Kasper said the bill draft should include a provision to prohibit home rule counties from imposing a higher or different tax on potash production. Committee counsel said he believes the county home rule statutory provisions were amended several years ago to foreclose county home rule imposition of severance or extraction taxes.

Representative Froseth said the bill draft provides that 80 percent of the revenue from the potash tax would go to the state general fund and 20 percent to producing counties. He said this provision gives the state too much of the revenue and will need to be worked on.

Chairman Cook called on Mr. J. T. Starzecki, Dakota Salts, LLC, for testimony (Appendix I) on the taxation of potash.

Mr. Starzecki said New Mexico is the leading potash-producing state, and New Mexico imposes a net proceeds severance tax of 2.5 percent and a 2 percent royalty rate for lower-grade potash on state lands. He said this results in a combined royalty and severance tax of between 4 percent and 5 percent for producers. He said Utah imposed no severance tax but has established a 5 percent royalty rate on state lands for a total state severance tax and royalty rate of 5 percent for producers. He said Michigan imposed no severance tax and has established a 4 percent royalty rate for potash development on state lands for a total state severance and royalty rate of 4 percent for producers.

Mr. Starzecki said the bill draft being considered by the committee would impose a 5 percent extraction tax for potash and a 4 percent tax for potash byproducts. He said the state of North Dakota has established a 2.5 percent royalty rate for potash development on state lands, and the royalty rate for private landowners would be 3.5 percent. He said the result is that in North Dakota the combined royalty rate and potash extraction tax would be a cost of 7.5 percent to producers, which would be 8.5 percent for development on private land.

Mr. Starzecki said the recommendation of Dakota Salts, LLC, is that North Dakota establish an overall extraction tax that encourages potash exploration and development. He said the suggested extraction tax rate would be 1 percent, increasing to 2.5 percent, and that the tax would be based on net actual sales proceeds. He said when combined with the 2.5 percent royalty rate, this tax approach would result in a 3.5 percent cost to producers, which would increase to a combined cost of 5 percent.

Representative Carlson said North Dakota likes finished products and asked what is Dakota Salts, LLC's, view of doing final processing of potash in North Dakota. Mr. Starzecki said at this time, final processing of potash in North Dakota is not planned, but Dakota Salts, LLC, hopes potash processing in North Dakota will become feasible.

In response to a question from Representative Frantsvog, Mr. Starzecki said the current timetable of Dakota Salts, LLC, is three years to five years for North Dakota potash production.

Senator Stenehjem said the 80 percent allocation of revenue to the state general fund in the bill draft is excessive. He said this is not a revenue bill. He said the state share of revenue should be required to be used to provide an income tax credit to taxpayers or an income tax rate reduction.

Representative Froseth said he thinks the entire amount allocated to the state from potash taxes should go to a trust fund because it is a nonrenewable resource.

It was moved by Representative Weiler and seconded by Representative Bellew that the potash tax bill draft be amended by replacing the 5 percent tax rate for potash with a tax rate of 4 percent.

Representative Weiler said the rate reduction is appropriate because we should encourage companies to come into the state to develop the resource and let it be known that North Dakota is business-friendly.

Senator Andrist said he believes counties where production occurs should get at least an amount equal to the state's share of the tax revenue.

The question was called and **the motion carried on a voice vote**.

It was moved by Senator Stenehjem and seconded by Representative Weiler that the bill draft be amended on page 4, line 18, by replacing the percentage credited to the state general fund with an equal percentage devoted to reducing individual income tax rates.

Senator Stenehjem said he is not in favor of a tax increase for new revenue and wants to make it clear that this potash tax is not intended to generate new revenue for the state.

The question was called and **the motion carried on a voice vote**.

It was moved by Senator Stenehjem, seconded by Representative Headland, and carried on a roll

call vote that the bill draft, as amended, relating to taxation of potash and potash byproducts, be approved and recommended to the Legislative Management. Voting in favor of the motion were Senators Cook, Andrist, Stenehjem, and Triplett and Representatives Bellew, Belter, Drovdal, Frantsvog, Froseth, Headland, Kasper, Sukut, and Weiler. No negative votes were cast.

Chairman Cook asked committee counsel if Ms. McLeod had provided suggested language on reporting of information by the State Treasurer for the bill draft for revenue allocation from federal flood control lands. Committee counsel said suggested language was provided, but it only covers the federal flood control allocations and he understands the committee wants the reports to cover oil and gas gross production taxes, federal flood control land revenues, and other oil and gas-related allocations. He said he would suggest that a section should be added to the bill draft to provide that "the state treasurer shall report to the chairman of the legislative management by the tenth working day of each month the amount distributed during the immediately preceding month to each political subdivision for oil and gas gross production tax allocations, allocations under 33 U.S.C. 701(c)(3), or any other oil and gas-related allocations made by the state treasurer to political subdivisions."

It was moved by Senator Triplett, seconded by Representative Drovdal, and carried on a voice vote that the bill draft be amended with the language suggested by committee counsel.

It was moved by Senator Andrist and seconded by Representative Froseth that the bill draft, as amended, relating to allocation of federal flood control land revenues and reporting of oil and gas allocations, be approved and be recommended to the Legislative Management.

Mr. Larry Syverson, President, North Dakota Township Officers Association, Mayville, said he believes removing all of the earmarking in the bill draft is not a good approach. He said it would be more useful to dedicate the funds to road purposes. Senator Cook said he believes the federal law requires the money to be used for road purposes and schools.

The question was called and **the motion carried on a roll call vote**. Voting in favor of the motion were Senators Cook, Andrist, and Triplett and Representatives Belter, Drovdal, Frantsvog, Froseth, Headland, Kasper, Sukut, and Weiler. Voting in opposition to the motion was Representative Bellew.

It was moved by Representative Headland, seconded by Representative Weiler, and carried on a roll call vote that the chairman and the staff of the Legislative Council be requested to prepare a report and the bill drafts recommended by the committee and to present the report and recommended bill drafts to the Legislative Management and that the committee be adjourned sine die. Voting in favor of the motion were Senators Cook, Andrist, and Triplett and Representatives Bellew, Belter, Drovdal, Frantsvog, Froseth, Headland, Kasper, Sukut, and Weiler. No negative votes were cast.

No further business appearing, Chairman Cook adjourned the meeting sine die at 3:00 p.m.

John Walstad
Code Revisor

ATTACH:9