

Sixty-fifth  
Legislative Assembly  
of North Dakota

## ENGROSSED SENATE BILL NO. 2013

Introduced by

Appropriations Committee

1 A BILL for an Act to provide an appropriation for defraying the expenses of the commissioner of  
2 university and school lands; to provide for transfers; to provide for distributions from permanent  
3 funds; ~~and to provide an exemption~~ to amend and reenact section 15-01-01, subsection 5 of  
4 section 57-51-01, and section 57-51-15 of the North Dakota Century Code, relating to oil and  
5 gas gross production tax definitions and allocations; to provide for funding repayments; to  
6 provide exemptions; to provide for reports; to provide statements of legislative intent; to provide  
7 for a legislative management study; and to provide an effective date.

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

9 **SECTION 1. APPROPRIATION.** The funds provided in this section, or so much of the funds  
10 as may be necessary, are appropriated from special funds derived from the state lands  
11 maintenance fund, the strategic investment and improvements fund, and the oil and gas impact  
12 grant fund in the state treasury, to the commissioner of university and school lands for the  
13 purpose of defraying the expenses of the commissioner of university and school lands, for the  
14 biennium beginning July 1, 2017, and ending June 30, 2019, as follows:

	<u>Base Level</u>	<u>Adjustments or Enhancements</u>	<u>Appropriation</u>
17 <del>Salaries and wages</del>	<del>\$6,123,516</del>	<del>\$95,220</del>	<del>\$6,218,736</del>
18 <del>Operating expenses</del>	<del>2,019,637</del>	<del>(243,914)</del>	<del>1,775,723</del>
19 <del>Capital assets</del>	<del>0</del>	<del>5,250,000</del>	<del>5,250,000</del>
20 <del>Grants</del>	<del>99,300,000</del>	<del>(99,300,000)</del>	<del>0</del>
21 <del>Contingencies</del>	<del>100,000</del>	<del>0</del>	<del>100,000</del>
22 <del>Energy infrastructure and impact office</del>	<del>700,000</del>	<del>(479,283)</del>	<del>220,717</del>
23 <del>Total special funds</del>	<del>\$108,243,153</del>	<del>(\$94,677,977)</del>	<del>\$13,565,176</del>
24 <del>Full-time equivalent positions</del>	<del>33.00</del>	<del>(1.00)</del>	<del>32.00</del>

1	Salaries and wages	\$6,123,516	(\$295,046)	\$5,828,470
2	Operating expenses	2,019,637	(266,939)	1,752,698
3	Grants	99,300,000	(59,300,000)	40,000,000
4	Contingencies	100,000	0	100,000
5	Energy infrastructure and impact office	700,000	(479,283)	220,717
6	Total special funds	\$108,243,153	(\$60,341,268)	\$47,901,885
7	Full-time equivalent positions	33.00	(3.00)	30.00

8       **SECTION 2. HEALTH INSURANCE INCREASE.** The appropriation in section 1 of this Act  
9 includes \$89,948 from special funds for increases in employee health insurance premiums from  
10 \$1,130 to \$1,241 per month.

11       **SECTION 3. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE**  
12 **SIXTY-SIXTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding  
13 items approved by the sixty-fourth legislative assembly for the 2015-17 biennium and the  
14 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act:

15	One-Time Funding Description	2015-17	2017-19
16	<del>Information technology project</del>	<del>\$0</del>	<del>\$5,250,000</del>
17	<del>Total other funds</del>	<del>\$0</del>	<del>\$5,250,000</del>
18	Oil and gas impact grants - airports	\$0	\$25,000,000
19	Other grants - airports	0	15,000,000
20	Total special funds	\$0	\$40,000,000

21 The 2017-19 biennium one-time funding amounts are not a part of the entity's base budget for  
22 the 2019-21 biennium. The commissioner of university and school lands shall report to the  
23 appropriations committees of the sixty-sixth legislative assembly on the use of this one-time  
24 funding for the biennium beginning July 1, 2017, and ending June 30, 2019.

25       **SECTION 4. APPROPRIATION LINE ITEM TRANSFERS.** Upon approval of the board of  
26 university and school lands, the commissioner of university and school lands may transfer  
27 between the various line items in section 1 of this Act, including transfers from the contingencies  
28 line item to all other line items. The commissioner shall notify the office of management and  
29 budget and the legislative council of each transfer made pursuant to this section.

30       **SECTION 5. DISTRIBUTIONS TO STATE INSTITUTIONS.** Pursuant to article IX of the  
31 Constitution of North Dakota, the board of university and school lands shall distribute during the

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1 biennium beginning July 1, 2017, and ending June 30, 2019, the following amounts, from the  
2 permanent funds managed for the benefit of the following entities:

3	Commons schools	\$288,264,000
4	North Dakota state university	4,738,000
5	University of North Dakota	3,662,000
6	Youth correctional center	1,422,000
7	School for the deaf	1,598,000
8	North Dakota state college of science	1,446,286
9	State hospital	1,370,286
10	Veterans' home	622,286
11	Valley City state university	808,000
12	North Dakota vision services - school for the blind	840,286
13	Mayville state university	542,000
14	Dakota college at Bottineau	186,286
15	Dickinson state university	186,286
16	Minot state university	<u>186,286</u>
17	Total	\$305,872,002

18 **SECTION 6. ONE-TIME ADJUSTMENT TO DISTRIBUTIONS TO STATE INSTITUTIONS.**

19 Pursuant to article IX of the Constitution of North Dakota and in addition to the distributions in  
20 section 4 of this Act, the board of university and school lands shall distribute during the  
21 biennium beginning July 1, 2017, and ending June 30, 2019, the following one-time corrections  
22 resulting from the misallocation of prior mineral revenues, from the permanent funds managed  
23 for the benefit of the following entities:

24	North Dakota state college of science	\$89,698
25	State hospital	89,698
26	Veterans' home	89,698
27	North Dakota vision services - school for the blind	89,698
28	Dakota college at Bottineau	89,698
29	Dickinson state university	89,698
30	Minot state university	89,698

1	Youth correctional center	(621,186)
2	Total	\$6,700

3       **SECTION 7. EXEMPTION - OIL AND GAS IMPACT GRANT FUND.** The amount  
4 appropriated from the oil and gas impact grant fund for the energy infrastructure and impact  
5 office line item in section 1 of chapter 13 of the 2015 Session Laws and for oil and gas impact  
6 grants in section 5 of chapter 463 of the 2015 Session Laws is not subject to section  
7 54-44.1-11. Any money deposited in the fund for taxable events occurring through June 30,  
8 2017, and any unexpended funds from the appropriation are available for grants and  
9 administrative costs associated with the fund during the biennium beginning July 1, 2017, and  
10 ending June 30, 2019.

11       **SECTION 8. EXEMPTION - FLOOD-IMPACTED POLITICAL SUBDIVISION**  
12 **INFRASTRUCTURE DEVELOPMENT GRANTS.** Up to \$1,325,500 appropriated from the  
13 general fund in section 10 of chapter 579 of the 2011 Session Laws for flood-impacted political  
14 subdivision infrastructure development grants, which was awarded but not yet reimbursed to the  
15 city of Minot for a landfill expansion project, is not subject to section 54-44.1-11, and any  
16 unexpended funds are available to reimburse the city of Minot during the biennium beginning  
17 July 1, 2017, and ending June 30, 2019.

18       **SECTION 9. OIL AND GAS IMPACT GRANT FUND - AIRPORT GRANTS.** The grants line  
19 item and the total special funds line item in section 1 of this Act include the sum of \$25,000,000  
20 from the oil and gas impact grant fund for grants to airports, for the biennium beginning July 1,  
21 2017, and ending June 30, 2019. Of the \$25,000,000, the board of university and school lands  
22 shall award a grant of \$20,000,000 to the Williston airport and a grant of \$5,000,000 to the  
23 Dickinson airport. A grant may be awarded to the Williston airport only when any related federal  
24 funding is committed and available to be spent on the new airport construction project. Grants  
25 awarded but not yet paid under this section are not subject to section 54-44.1-11.

26       **SECTION 10. STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - WILLISTON**  
27 **AIRPORT GRANT.** The grants line item and the total special funds line item in section 1 of this  
28 Act include the sum of \$15,000,000 from the strategic investment and improvements fund for a  
29 grant to the Williston airport, for the biennium beginning July 1, 2017, and ending June 30,  
30 2019. A grant may be awarded to the Williston airport only when any related federal funding is

1 committed and available to be spent on the new airport construction project. Grants awarded  
2 but not yet paid under this section are not subject to section 54-44.1-11.

3 **SECTION 11. AMENDMENT.** Section 15-01-01 of the North Dakota Century Code is  
4 amended and reenacted as follows:

5 **15-01-01. Board - Membership - Officers.**

6 The governor, secretary of state, state treasurer, attorney general, and superintendent of  
7 public instruction shall constitute the "board of university and school lands". The governor must  
8 be the chairman, the secretary of state must be the vice chairman, and the commissioner of  
9 university and school lands must be the secretary of the board. In the absence of the  
10 commissioner at any meeting of the board, the deputy commissioner of university and school  
11 lands shall act as secretary. When acting as the board of university and school lands, the  
12 members of the board shall act in person and may not be represented by any assistant, clerk,  
13 or deputy. The speaker of the house and the president pro tempore of the senate each shall  
14 appoint one individual to advise the board. The individual appointed to advise the board may  
15 attend and participate in all meetings of the board, but may not vote.

16 **SECTION 12. AMENDMENT.** Subsection 5 of section 57-51-01 of the North Dakota  
17 Century Code is amended and reenacted as follows:

- 18 5. "Hub city" means, ~~for the period beginning September 1, 2015, and ending August 31,~~  
19 ~~2017, a city with a population of twelve thousand five hundred or more, according to~~  
20 ~~the last official decennial federal census, which has more than one percent of its~~  
21 ~~private covered employment engaged in oil and gas related employment, according to~~  
22 ~~annual data compiled by job service North Dakota.~~ "Hub city" means, after August 31,  
23 2017, a city with a population of twelve thousand five hundred or more, according to  
24 the last official decennial federal census, which has more than one percent of its  
25 private covered employment engaged in the mining industry, according to annual data  
26 compiled by job service North Dakota.

27 **SECTION 13. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is  
28 amended and reenacted as follows:

29 **57-51-15. Gross production tax allocation.**

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

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

5        a. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~  
6        ~~2017, to each hub city, which is located in a county that received an allocation~~  
7        ~~under subsection 2, a monthly amount that will provide a total allocation of three~~  
8        ~~hundred seventy five thousand dollars per fiscal year for each full or partial~~  
9        ~~percentage point of its private covered employment engaged in oil and~~  
10       ~~gas-related employment, according to annual data compiled by job service North~~  
11       ~~Dakota and after August 31, 2017, allocate to~~To each hub city, which is located in  
12       a county that received an allocation under subsection 2 in the most recently  
13       completed even-numbered fiscal year, the state treasurer shall allocate a monthly  
14       amount that will provide a total allocation of three hundred seventy-five thousand  
15       dollars per fiscal year for each full or partial percentage point, excluding the first  
16       two percentage points, of its private covered employment engaged in the mining  
17       industry, according to annual data compiled by job service North Dakota;.

18       b. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~  
19       ~~2017, to each hub city, which is located in a county that did not receive an~~  
20       ~~allocation under subsection 2, a monthly amount that will provide a total~~  
21       ~~allocation of two hundred fifty thousand dollars per fiscal year for each full or~~  
22       ~~partial percentage point of its private covered employment engaged in oil and~~  
23       ~~gas-related employment, according to annual data compiled by job service North~~  
24       ~~Dakota and after August 31, 2017, allocate to~~To each hub city, which is located in  
25       a county that did not receive an allocation under subsection 2 in the most  
26       recently completed even-numbered fiscal year, the state treasurer shall allocate a  
27       monthly amount that will provide a total allocation of two hundred fifty thousand  
28       dollars per fiscal year for each full or partial percentage point, excluding the first  
29       two percentage points, of its private covered employment engaged in the mining  
30       industry, according to annual data compiled by job service North Dakota;.

- 1           c. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~  
2           ~~2017, to each hub city school district, which is located in a county that received~~  
3           ~~an allocation under subsection 2, a monthly amount that will provide a total~~  
4           ~~allocation of one hundred twenty five thousand dollars per fiscal year for each full~~  
5           ~~or partial percentage point of the hub city's private covered employment engaged~~  
6           ~~in oil and gas related employment, according to annual data compiled by job~~  
7           ~~service North Dakota and after August 31, 2017, allocate to~~To each hub city  
8           school district, which is located in a county that received an allocation under  
9           subsection 2 in the most recently completed even-numbered fiscal year, the state  
10           treasurer shall allocate a monthly amount that will provide a total allocation of one  
11           hundred twenty-five thousand dollars per fiscal year for each full or partial  
12           percentage point, excluding the first two percentage points, of the hub city's  
13           private covered employment engaged in the mining industry, according to annual  
14           data compiled by job service North Dakota, ~~provided that hub~~ Hub city school  
15           districts, which are located in a county that did not receive an allocation under  
16           subsection 2 in the most recently completed even-numbered fiscal year, must be  
17           excluded from the allocations under this subdivision;
- 18           d. ~~Allocate to~~To each county that received more than five million dollars but less  
19           than thirty million dollars of total allocations under subsection 2 in ~~state~~the most  
20           recently completed even-numbered fiscal year ~~2014, the state treasurer shall~~  
21           allocate a monthly amount that will ~~provide a total allocation of one million five~~  
22           ~~hundred thousand dollars per fiscal year to be added by the state treasurer~~be  
23           added to the allocations to school districts under subdivision b of subsection 5;
- 24           ~~e. Credit revenues to the oil and gas impact grant fund, but not in an amount~~  
25           ~~exceeding one hundred forty million dollars per biennium for the 2015-17~~  
26           ~~biennium, and not in an amount exceeding one hundred million dollars per~~  
27           ~~biennium thereafter;~~
- 28           ~~f. Credit eight percent of the amount available under this subsection to the North~~  
29           ~~Dakota outdoor heritage fund, but not in an amount exceeding twenty million~~  
30           ~~dollars in a state fiscal year and not in an amount exceeding forty million dollars~~  
31           ~~per biennium;~~

~~g. Credit four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding seven million five hundred thousand dollars in a state fiscal year and not in an amount that would bring the balance in the fund to more than one hundred million dollars; and~~

~~h. Allocate the remaining revenues under subsection 3, as follows:~~

(1) To each county that received more than five million dollars but not exceeding ten million dollars of total allocations under subsection 2 in the most recently completed even-numbered fiscal year, the state treasurer shall allocate a monthly amount that will provide a total allocation of one million five hundred thousand dollars per fiscal year. The allocation must be distributed to school districts within the county pursuant to subdivision b of subsection 5.

(2) To each county that received more than ten million dollars but not exceeding fifteen million dollars of total allocations under subsection 2 in the most recently completed even-numbered fiscal year, the state treasurer shall allocate a monthly amount that will provide a total allocation of one million two hundred fifty thousand dollars per fiscal year. The allocation must be distributed to school districts within the county pursuant to subdivision b of subsection 5.

(3) To each county that received more than fifteen million dollars but not exceeding twenty million dollars of total allocations under subsection 2 in the most recently completed even-numbered fiscal year, the state treasurer shall allocate a monthly amount that will provide a total allocation of one million dollars per fiscal year. The allocation must be distributed to school districts within the county pursuant to subdivision b of subsection 5.

(4) To each county that received more than twenty million dollars but not exceeding twenty-five million dollars of total allocations under subsection 2 in the most recently completed even-numbered fiscal year, the state treasurer shall allocate a monthly amount that will provide a total allocation of seven hundred fifty thousand dollars per fiscal year. The allocation must



1 be distributed to school districts within the county pursuant to subdivision b  
2 of subsection 5.

3 (5) To each county that received more than twenty-five million dollars but not  
4 exceeding thirty million dollars of total allocations under subsection 2 in the  
5 most recently completed even-numbered fiscal year, the state treasurer  
6 shall allocate a monthly amount that will provide a total allocation of five  
7 hundred thousand dollars per fiscal year. The allocation must be distributed  
8 to school districts within the county pursuant to subdivision b of  
9 subsection 5.

10 e. (1) For the period beginning September 1, 2017, and ending August 31, 2019,  
11 the state treasurer shall allocate eight percent of the amount available under  
12 this subsection to the North Dakota outdoor heritage fund, but not in an  
13 amount exceeding ten million dollars per biennium. For purposes of this  
14 paragraph, "biennium" means the period beginning September first of each  
15 odd-numbered calendar year and ending August thirty-first of the following  
16 odd-numbered calendar year.

17 (2) After August 31, 2019, the state treasurer shall allocate eight percent of the  
18 amount available under this subsection to the North Dakota outdoor  
19 heritage fund, but not in an amount exceeding twenty million dollars per  
20 fiscal year.

21 f. (1) For the period beginning September 1, 2017, and ending August 31, 2019,  
22 the state treasurer shall allocate four percent of the amount available under  
23 this subsection to the abandoned oil and gas well plugging and site  
24 reclamation fund, but not in an amount exceeding four million dollars per  
25 fiscal year and not in an amount that would bring the balance in the fund to  
26 more than one hundred million dollars.

27 (2) After August 31, 2019, the state treasurer shall allocate four percent of the  
28 amount available under this subsection to the abandoned oil and gas well  
29 plugging and site reclamation fund, but not in an amount exceeding seven  
30 million five hundred thousand dollars per fiscal year and not in an amount

1 that would bring the balance in the fund to more than one hundred million  
2 dollars.

3 g. For the period beginning September 1, 2017, and ending August 31, 2019, the  
4 state treasurer shall allocate the remaining revenues in the following order:

5 (1) Up to twenty-five million dollars to the oil and gas impact grant fund.

6 (2) Any remaining revenues under subsection 3.

7 h. After August 31, 2019, the state treasurer shall allocate the remaining revenues  
8 in the following order:

9 (1) Up to five million dollars per biennium to the oil and gas impact grant fund.

10 For purposes of this paragraph, "biennium" means the period beginning

11 September first of each odd-numbered calendar year and ending

12 August thirty-first of the following odd-numbered calendar year.

13 (2) Any remaining revenues under subsection 3.

14 i. For purposes of this subsection, "fiscal year" means the period beginning

15 September first and ending August thirty-first of the following calendar year.

16 2. After deduction of the amount provided in subsection 1, annual revenue collected  
17 under this chapter from oil and gas produced in each county must be allocated as  
18 follows:

19 a. The first five million dollars is allocated to the county.

20 b. Of all annual revenue exceeding five million dollars, thirty percent is allocated to  
21 the county.

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

30 4. For a county that received less than five million dollars of allocations under  
31 subsection 2 in ~~state~~the most recently completed even-numbered fiscal year ~~2014~~,

1 revenues allocated to that county must be distributed at least quarterly by the state  
2 treasurer as follows:

- 3 a. Forty-five percent must be distributed to the county treasurer and credited to the  
4 county general fund. However, the distribution to a county under this subdivision  
5 must be credited to the state general fund if in a taxable year after 2012 the  
6 county is not levying a total of at least ten mills for combined levies for county  
7 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 8 b. Thirty-five percent must be distributed to school districts within the county on the  
9 average daily attendance distribution basis for kindergarten through grade twelve  
10 students residing within the county, as certified to the state treasurer by the  
11 county superintendent of schools. However, a hub city school district must be  
12 omitted from distributions under this subdivision.
- 13 c. Twenty percent must be distributed to the incorporated cities of the county. A hub  
14 city must be omitted from distributions under this subdivision. Distributions  
15 among cities under this subsection must be based upon the population of each  
16 incorporated city according to the last official decennial federal census. In  
17 determining the population of any city in which total employment increases by  
18 more than two hundred percent seasonally due to tourism, the population of that  
19 city for purposes of this subdivision must be increased by eight hundred percent.

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

- 22 5. For a county that received five million dollars or more of allocations under subsection 2  
23 in ~~state~~the most recently completed even-numbered fiscal year ~~2014~~, revenues  
24 allocated to that county must be distributed at least quarterly by the state treasurer as  
25 follows:

- 26 a. Sixty percent must be distributed to the county treasurer and credited to the  
27 county general fund. However, the distribution to a county under this subdivision  
28 must be credited to the state general fund if in a taxable year after 2012 the  
29 county is not levying a total of at least ten mills for combined levies for county  
30 road and bridge, farm-to-market and federal aid road, and county road purposes.

- 1           b. Five percent must be distributed to school districts within the county on the  
2           average daily attendance distribution basis for kindergarten through grade twelve  
3           students residing within the county, as certified to the state treasurer by the  
4           county superintendent of schools. However, a hub city school district must be  
5           omitted from distributions under this subdivision.
- 6           c. Twenty percent must be distributed to the incorporated cities of the county. A hub  
7           city must be omitted from distributions under this subdivision. Distributions  
8           among cities under this subsection must be based upon the population of each  
9           incorporated city according to the last official decennial federal census. In  
10          determining the population of any city in which total employment increases by  
11          more than two hundred percent seasonally due to tourism, the population of that  
12          city for purposes of this subdivision must be increased by eight hundred percent.
- 13          d. ~~Three~~One percent must be allocated among the organized and unorganized  
14          townships of the county. The state treasurer shall allocate the funds available  
15          under this subdivision among townships in proportion to each township's road  
16          miles relative to the total township road miles in the county. The amount allocated  
17          to unorganized townships under this subdivision must be distributed to the county  
18          treasurer and credited to a special fund for unorganized township roads, which  
19          the board of county commissioners shall use for the maintenance and  
20          improvement of roads in unorganized townships.
- 21          e. ~~Three~~One percent must be allocated among the organized and unorganized  
22          townships in all the counties that received five million dollars or more of  
23          allocations under subsection 2 in the most recently completed  
24          ~~state~~even-numbered fiscal year. The amount available under this subdivision  
25          must be allocated by the state treasurer in an equal amount to each eligible  
26          organized and unorganized township. The amount allocated to unorganized  
27          townships under this subdivision must be distributed to the county treasurer and  
28          credited to a special fund for unorganized township roads, which the board of  
29          county commissioners shall use for the maintenance and improvement of roads  
30          in unorganized townships.

1 f. Four percent must be allocated among the organized and unorganized townships  
2 in all the non-oil-producing counties. The amount available under this subdivision  
3 must be allocated by the state treasurer in an equal amount to each eligible  
4 organized and unorganized township. The amount allocated to unorganized  
5 townships under this subdivision must be distributed to the county treasurer and  
6 credited to a special fund for unorganized township roads which the board of  
7 county commissioners shall use for the maintenance and improvement of roads  
8 in unorganized townships. For purposes of this subdivision, "non-oil-producing  
9 counties" means the counties that received no allocation or a total allocation of  
10 less than five million dollars under subsection 2 in the most recently completed  
11 even-numbered fiscal year.

12 g. Nine percent must be distributed among hub cities. Sixty percent of funds  
13 available under this subdivision must be distributed to the hub city receiving the  
14 highest percentage of allocations to hub cities under subdivision a of  
15 subsection 1 for the quarterly period, thirty percent of funds available under this  
16 subdivision must be distributed to the hub city receiving the second highest  
17 percentage of such allocations, and ten percent of funds available under this  
18 subdivision must be distributed to the hub city receiving the third highest  
19 percentage of such allocations. Hub cities, which are located in a county that did  
20 not receive an allocation under subsection 2 in the most recently completed  
21 even-numbered fiscal year, must be excluded from the allocations under this  
22 subsection. If fewer than three hub cities are eligible for the allocations under this  
23 subsection, the state treasurer shall allocate the available funds in proportion to  
24 the amounts the eligible hub cities received under subdivision a of subsection 1.

25 h. For purposes of this subsection, "fiscal year" means the period beginning  
26 September first and ending August thirty-first of the following calendar year.

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

31 a. The county's statement of revenues and expenditures;

- 1           b. The county's ending fund balances;
- 2           c. The amounts allocated under this section to the county's general fund, the
- 3                 amounts expended from these allocations, and the purposes of the expenditures;
- 4                 and
- 5           d. The amounts allocated under this section to or for the benefit of townships within
- 6                 the county, the amounts expended from these allocations, and the purposes of
- 7                 the expenditures.

8           Within fifteen days after the time when reports under this subsection are due, the  
9           commissioner shall provide the reports to the legislative council compiling the  
10           information from reports received under this subsection.

- 11         7. Within thirty days after the end of each fiscal year ended June thirtieth, each school
- 12           district that has received an allocation under this section shall file a report for the fiscal
- 13           year ended June thirtieth with the commissioner, in a format prescribed by the
- 14           commissioner, including:
  - 15                 a. The school district's statement of revenue and expenditures;
  - 16                 b. The school district's ending fund balances; and
  - 17                 c. The amounts allocated under this section to the school district, the amounts
  - 18                         expended from these allocations, and the purposes of the expenditures.

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

22         **SECTION 14. DEPARTMENT OF TRUST LANDS - WILLISTON AIRPORT FUNDING**

23         **REPAYMENTS - DEPOSIT.** The city of Williston shall use the proceeds from the sale of the  
24         existing Williston airport, excluding any proceeds used to repay the Bank of North Dakota for  
25         outstanding loans related to the new airport, for repaying the department of trust lands up to  
26         \$27,500,000 for a portion of the state's financial assistance provided for the new Williston  
27         airport. The department of trust lands shall deposit any funds received under this section in the  
28         strategic investment and improvements fund.

29         **SECTION 15. LEGISLATIVE INTENT - HUB CITY BONDING.** It is the intent of the  
30         sixty-fifth legislative assembly that during the period beginning July 1, 2017, and ending

1 June 30, 2019, hub cities, as defined in section 57-51-01, not issue any new bonds based on  
2 anticipated future hub city oil tax revenue allocations under section 57-51-01.

3 **SECTION 16. LEGISLATIVE INTENT - AGENCY EFFICIENCIES.** It is the intent of the  
4 sixty-fifth legislative assembly that during the 2017-18 interim, the governor and the  
5 commissioner of university and school lands achieve efficiencies and budgetary savings within  
6 the department of trust lands through the use of innovative ideas and through alternative  
7 solutions relating to information technology.

8 **SECTION 17. LEGISLATIVE INTENT - ENCOURAGEMENT OF ENERGY**  
9 **INFRASTRUCTURE INVESTMENT - COMMISSIONER OF UNIVERSITY AND SCHOOL**  
10 **LANDS - USE OF TERMS.** It is the intent of the sixty-fifth legislative assembly that the state of  
11 North Dakota encourage the continued development of energy infrastructure that will help  
12 reduce instances of natural gas flaring and increase the market value received for oil and gas  
13 produced within the state generally and from state-owned lands specifically which will increase  
14 the value of royalties paid to the funds under the control of the board of university and school  
15 lands. Consistent with this intent, the commissioner of university and school lands shall  
16 continue to interpret the terms "gross production," "market value," and "gross proceeds of sale"  
17 in its lease form to mean a value determined at the producing well or associated production  
18 facility, or in the surrounding field or area, where the oil and gas was produced, before any post-  
19 production activities undertaken by the lessee, operator, or purchaser after the oil and gas has  
20 been transported from the producing well and associated production facility. These values must  
21 be determined by the amount received by the lessee in an arm's length contract, or in the  
22 absence of an arm's length contract, either a comparable sales method or a work-back  
23 calculation methodology consistent with state law.

24 **SECTION 18. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS TAX REVENUE**  
25 **ALLOCATIONS TO HUB CITIES AND HUB CITY SCHOOL DISTRICTS.**

- 26 1. During the 2017-18 interim, the legislative management shall consider studying oil and  
27 gas tax revenue allocations to hub cities and hub city school districts. The study must  
28 include consideration of the following:
- 29 a. The current and historical oil and gas tax revenue allocations to hub cities and  
30 hub city school districts.

- 1           b. Other state funding provided to hub cities and hub city school districts, including
- 2           grants from the oil and gas impact grant fund, distributions from the strategic
- 3           investment and improvements fund, state school aid payments, and payments
- 4           from the state aid distribution fund and highway tax distribution fund.
- 5           c. Local taxing and revenue levels in hub cities compared to cities in
- 6           non-oil-producing counties, including mill levies, property tax values, local sales
- 7           and use taxes, and other revenue sources.
- 8           d. The appropriate level of oil and gas tax revenue allocations to hub cities and hub
- 9           city school districts based on infrastructure and other needs.
- 10          e. The estimated fiscal impact to hub cities, hub city school districts, other political
- 11          subdivisions, and the state if the oil and gas tax revenue allocation formula would
- 12          be changed to transition hub cities and hub city school districts from allocations
- 13          under subsection 1 of section 57-51-15 to allocations under subsections 4 and 5
- 14          of section 57-51-15.
- 15          f. The estimated fiscal impact to hub cities, hub city school districts, other political
- 16          subdivisions, and the state if the oil and gas tax revenue allocation formula would
- 17          be changed to discontinue the allocations to hub cities and hub city school
- 18          districts under subsection 1 of section 57-51-15.
- 19          2. The membership of the committee assigned the responsibility of the study must
- 20          proportionately reflect the state's population distribution between oil-producing
- 21          counties and non-oil-producing counties and must include members from the finance
- 22          and taxation committees and the appropriations committees.
- 23          3. The legislative management shall report its findings and recommendations, together
- 24          with any legislation required to implement the recommendations, to the sixty-sixth
- 25          legislative assembly.

26           **SECTION 19. EFFECTIVE DATE.** Sections 12 and 13 of this Act are effective for taxable  
27 events occurring after June 30, 2017.