

**FIRST ENGROSSMENT
with House Amendments
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; to amend and reenact section 15-01-01, subsection 5 of section 57-51-01, and section
4 57-51-15 of the North Dakota Century Code, relating to oil and gas gross production tax
5 definitions and allocations; to provide for funding repayments; to provide exemptions; to provide
6 for reports; to provide statements of legislative intent; to provide for a legislative management
7 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>	
15				
16				
17	Salaries and wages	\$6,123,516	(\$295,046)	\$5,828,470
18	Operating expenses	2,019,637	(266,939)	1,752,698
19	Grants	99,300,000	(59,300,000)	40,000,000
20	Contingencies	100,000	0	100,000
21	Energy infrastructure and impact office	<u>700,000</u>	<u>(479,283)</u>	<u>220,717</u>
22	Total special funds	\$108,243,153	(\$60,341,268)	\$47,901,885
23	Full-time equivalent positions	33.00	(3.00)	30.00

1 **SECTION 2. HEALTH INSURANCE INCREASE.** The appropriation in section 1 of this Act
2 includes \$89,948 from special funds for increases in employee health insurance premiums from
3 \$1,130 to \$1,241 per month.

4 **SECTION 3. ONE-TIME FUNDING - EFFECT ON BASE BUDGET - REPORT TO THE**
5 **SIXTY-SIXTH LEGISLATIVE ASSEMBLY.** The following amounts reflect the one-time funding
6 items approved by the sixty-fourth legislative assembly for the 2015-17 biennium and the
7 2017-19 biennium one-time funding items included in the appropriation in section 1 of this Act:

8 <u>One-Time Funding Description</u>	<u>2015-17</u>	<u>2017-19</u>
9 Oil and gas impact grants - airports	\$0	\$25,000,000
10 Other grants - airports	<u>0</u>	<u>15,000,000</u>
11 Total special funds	\$0	\$40,000,000

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

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

21 **SECTION 5. DISTRIBUTIONS TO STATE INSTITUTIONS.** Pursuant to article IX of the
22 Constitution of North Dakota, the board of university and school lands shall distribute during the
23 biennium beginning July 1, 2017, and ending June 30, 2019, the following amounts, from the
24 permanent funds managed for the benefit of the following entities:

25 Commons schools	\$288,264,000
26 North Dakota state university	4,738,000
27 University of North Dakota	3,662,000
28 Youth correctional center	1,422,000
29 School for the deaf	1,598,000
30 North Dakota state college of science	1,446,286
31 State hospital	1,370,286

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1	Veterans' home	622,286
2	Valley City state university	808,000
3	North Dakota vision services - school for the blind	840,286
4	Mayville state university	542,000
5	Dakota college at Bottineau	186,286
6	Dickinson state university	186,286
7	Minot state university	<u>186,286</u>
8	Total	\$305,872,002

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

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

15	North Dakota state college of science	\$89,698
16	State hospital	89,698
17	Veterans' home	89,698
18	North Dakota vision services - school for the blind	89,698
19	Dakota college at Bottineau	89,698
20	Dickinson state university	89,698
21	Minot state university	89,698
22	Youth correctional center	<u>(621,186)</u>
23	Total	\$6,700

24 **SECTION 7. EXEMPTION - OIL AND GAS IMPACT GRANT FUND.** The amount
25 appropriated from the oil and gas impact grant fund for the energy infrastructure and impact
26 office line item in section 1 of chapter 13 of the 2015 Session Laws and for oil and gas impact
27 grants in section 5 of chapter 463 of the 2015 Session Laws is not subject to section
28 54-44.1-11. Any money deposited in the fund for taxable events occurring through June 30,
29 2017, and any unexpended funds from the appropriation are available for grants and
30 administrative costs associated with the fund during the biennium beginning July 1, 2017, and
31 ending June 30, 2019.

1 **SECTION 8. EXEMPTION - FLOOD-IMPACTED POLITICAL SUBDIVISION**

2 **INFRASTRUCTURE DEVELOPMENT GRANTS.** Up to \$1,325,500 appropriated from the
3 general fund in section 10 of chapter 579 of the 2011 Session Laws for flood-impacted political
4 subdivision infrastructure development grants, which was awarded but not yet reimbursed to the
5 city of Minot for a landfill expansion project, is not subject to section 54-44.1-11, and any
6 unexpended funds are available to reimburse the city of Minot during the biennium beginning
7 July 1, 2017, and ending June 30, 2019.

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

16 **SECTION 10. STRATEGIC INVESTMENT AND IMPROVEMENTS FUND - WILLISTON**

17 **AIRPORT GRANT.** The grants line item and the total special funds line item in section 1 of this
18 Act include the sum of \$15,000,000 from the strategic investment and improvements fund for a
19 grant to the Williston airport, for the biennium beginning July 1, 2017, and ending June 30,
20 2019. A grant may be awarded to the Williston airport only when any related federal funding is
21 committed and available to be spent on the new airport construction project. Grants awarded
22 but not yet paid under this section are not subject to section 54-44.1-11.

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

25 **15-01-01. Board - Membership - Officers.**

26 The governor, secretary of state, state treasurer, attorney general, and superintendent of
27 public instruction shall constitute the "board of university and school lands". The governor must
28 be the chairman, the secretary of state must be the vice chairman, and the commissioner of
29 university and school lands must be the secretary of the board. In the absence of the
30 commissioner at any meeting of the board, the deputy commissioner of university and school
31 lands shall act as secretary. When acting as the board of university and school lands, the

1 members of the board shall act in person and may not be represented by any assistant, clerk,
2 or deputy. The speaker of the house and the president pro tempore of the senate each shall
3 appoint one individual to advise the board. The individual appointed to advise the board may
4 attend and participate in all meetings of the board, but may not vote.

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

7 5. "Hub city" means, ~~for the period beginning September 1, 2015, and ending August 31,~~
8 ~~2017, a city with a population of twelve thousand five hundred or more, according to~~
9 ~~the last official decennial federal census, which has more than one percent of its~~
10 ~~private covered employment engaged in oil and gas related employment, according to~~
11 ~~annual data compiled by job service North Dakota. "Hub city" means, after August 31,~~
12 ~~2017, a city with a population of twelve thousand five hundred or more, according to~~
13 ~~the last official decennial federal census, which has more than one percent of its~~
14 ~~private covered employment engaged in the mining industry, according to annual data~~
15 ~~compiled by job service North Dakota.~~

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

18 **57-51-15. Gross production tax allocation.**

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

20 1. ~~First the~~The tax revenue collected under this chapter equal to one percent of the gross
21 value at the well of the oil and one-fifth of the tax on gas must be deposited with the
22 state treasurer ~~who shall~~. The state treasurer shall allocate the funding in the following
23 order:
24 a. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~
25 ~~2017, to each hub city, which is located in a county that received an allocation~~
26 ~~under subsection 2, a monthly amount that will provide a total allocation of three~~
27 ~~hundred seventy-five thousand dollars per fiscal year for each full or partial~~
28 ~~percentage point of its private covered employment engaged in oil and~~
29 ~~gas related employment, according to annual data compiled by job service North~~
30 ~~Dakota and after August 31, 2017, allocate to~~To each hub city, which is located in
31 a county that received an allocation under subsection 2 in the most recently

1 completed even-numbered fiscal year, the state treasurer shall allocate a monthly
2 amount that will provide a total allocation of three hundred seventy-five thousand
3 dollars per fiscal year for each full or partial percentage point, excluding the first
4 two percentage points, of its private covered employment engaged in the mining
5 industry, according to annual data compiled by job service North Dakota;.

6 b. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~
7 ~~2017, to each hub city, which is located in a county that did not receive an~~
8 ~~allocation under subsection 2, a monthly amount that will provide a total~~
9 ~~allocation of two hundred fifty thousand dollars per fiscal year for each full or~~
10 ~~partial percentage point of its private covered employment engaged in oil and~~
11 ~~gas-related employment, according to annual data compiled by job service North~~
12 ~~Dakota and after August 31, 2017, allocate to~~ To each hub city, which is located in
13 a county that did not receive an allocation under subsection 2 in the most
14 recently completed even-numbered fiscal year, the state treasurer shall allocate a
15 monthly amount that will provide a total allocation of two hundred fifty thousand
16 dollars per fiscal year for each full or partial percentage point, excluding the first
17 two percentage points, of its private covered employment engaged in the mining
18 industry, according to annual data compiled by job service North Dakota;.

19 c. ~~Allocate, for the period beginning September 1, 2015, and ending August 31,~~
20 ~~2017, to each hub city school district, which is located in a county that received~~
21 ~~an allocation under subsection 2, a monthly amount that will provide a total~~
22 ~~allocation of one hundred twenty-five thousand dollars per fiscal year for each full~~
23 ~~or partial percentage point of the hub city's private covered employment engaged~~
24 ~~in oil and gas-related employment, according to annual data compiled by job~~
25 ~~service North Dakota and after August 31, 2017, allocate to~~ To each hub city
26 school district, which is located in a county that received an allocation under
27 subsection 2 in the most recently completed even-numbered fiscal year, the state
28 treasurer shall allocate a monthly amount that will provide a total allocation of one
29 hundred twenty-five thousand dollars per fiscal year for each full or partial
30 percentage point, excluding the first two percentage points, of the hub city's
31 private covered employment engaged in the mining industry, according to annual

1 data compiled by job service North Dakota, ~~provided that hub.~~ Hub city school
2 districts, which are located in a county that did not receive an allocation under
3 subsection 2 in the most recently completed even-numbered fiscal year, must be
4 excluded from the allocations under this subdivision;

5 d. ~~Allocate to~~To each county that received more than five million dollars but less
6 than thirty million dollars of total allocations under subsection 2 in ~~state~~the most
7 recently completed even-numbered fiscal year 2014, the state treasurer shall
8 allocate a monthly amount that will provide a total allocation of one million five-
9 hundred thousand dollars per fiscal year ~~to be added by the state treasurer~~be
10 added to the allocations to school districts under subdivision b of subsection 5;

11 e. ~~Credit revenues to the oil and gas impact grant fund, but not in an amount~~
12 ~~exceeding one hundred forty million dollars per biennium for the 2015-17-~~
13 ~~biennium, and not in an amount exceeding one hundred million dollars per~~
14 ~~biennium thereafter;~~

15 f. ~~Credit eight percent of the amount available under this subsection to the North~~
16 ~~Dakota outdoor heritage fund, but not in an amount exceeding twenty million-~~
17 ~~dollars in a state fiscal year and not in an amount exceeding forty million dollars~~
18 ~~per biennium;~~

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

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

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

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

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

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

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

28 e. (1) For the period beginning September 1, 2017, and ending August 31, 2019,
29 the state treasurer shall allocate eight percent of the amount available under
30 this subsection to the North Dakota outdoor heritage fund, but not in an
31 amount exceeding ten million dollars per biennium. For purposes of this

1 paragraph, "biennium" means the period beginning September first of each
2 odd-numbered calendar year and ending August thirty-first of the following
3 odd-numbered calendar year.

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

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

14 (2) After August 31, 2019, the state treasurer shall allocate four percent of the
15 amount available under this subsection to the abandoned oil and gas well
16 plugging and site reclamation fund, but not in an amount exceeding seven
17 million five hundred thousand dollars per fiscal year and not in an amount
18 that would bring the balance in the fund to more than one hundred million
19 dollars.

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

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

23 (2) Any remaining revenues under subsection 3.

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

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

27 For purposes of this paragraph, "biennium" means the period beginning
28 September first of each odd-numbered calendar year and ending
29 August thirty-first of the following odd-numbered calendar year.

30 (2) Any remaining revenues under subsection 3.

- 1 i. For purposes of this subsection, "fiscal year" means the period beginning
2 September first and ending August thirty-first of the following calendar year.
- 3 2. After deduction of the amount provided in subsection 1, annual revenue collected
4 under this chapter from oil and gas produced in each county must be allocated as
5 follows:
- 6 a. The first five million dollars is allocated to the county.
7 b. Of all annual revenue exceeding five million dollars, thirty percent is allocated to
8 the county.
- 9 3. After the allocations under subsections 1 and 2, the amount remaining is allocated first
10 to provide for deposit of thirty percent of all revenue collected under this chapter in the
11 legacy fund as provided in section 26 of article X of the Constitution of North Dakota
12 and the remainder must be allocated to the state general fund. If the amount available
13 for a monthly allocation under this subsection is insufficient to deposit thirty percent of
14 all revenue collected under this chapter in the legacy fund, the state treasurer shall
15 transfer the amount of the shortfall from the state general fund share of oil extraction
16 tax collections and deposit that amount in the legacy fund.
- 17 4. For a county that received less than five million dollars of allocations under
18 subsection 2 in ~~state~~the most recently completed even-numbered fiscal year ~~2014~~,
19 revenues allocated to that county must be distributed at least quarterly by the state
20 treasurer as follows:
- 21 a. Forty-five percent must be distributed to the county treasurer and credited to the
22 county general fund. However, the distribution to a county under this subdivision
23 must be credited to the state general fund if in a taxable year after 2012 the
24 county is not levying a total of at least ten mills for combined levies for county
25 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 26 b. Thirty-five percent must be distributed to school districts within the county on the
27 average daily attendance distribution basis for kindergarten through grade twelve
28 students residing within the county, as certified to the state treasurer by the
29 county superintendent of schools. However, a hub city school district must be
30 omitted from distributions under this subdivision.

- 1 c. Twenty percent must be distributed to the incorporated cities of the county. A hub
2 city must be omitted from distributions under this subdivision. Distributions
3 among cities under this subsection must be based upon the population of each
4 incorporated city according to the last official decennial federal census. In
5 determining the population of any city in which total employment increases by
6 more than two hundred percent seasonally due to tourism, the population of that
7 city for purposes of this subdivision must be increased by eight hundred percent.
- 8 d. For purposes of this subsection, "fiscal year" means the period beginning
9 September first and ending August thirty-first of the following calendar year.
- 10 5. For a county that received five million dollars or more of allocations under subsection 2
11 in ~~stat~~the most recently completed even-numbered fiscal year 2014, revenues
12 allocated to that county must be distributed at least quarterly by the state treasurer as
13 follows:
- 14 a. Sixty percent must be distributed to the county treasurer and credited to the
15 county general fund. However, the distribution to a county under this subdivision
16 must be credited to the state general fund if in a taxable year after 2012 the
17 county is not levying a total of at least ten mills for combined levies for county
18 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 19 b. Five percent must be distributed to school districts within the county on the
20 average daily attendance distribution basis for kindergarten through grade twelve
21 students residing within the county, as certified to the state treasurer by the
22 county superintendent of schools. However, a hub city school district must be
23 omitted from distributions under this subdivision.
- 24 c. Twenty percent must be distributed to the incorporated cities of the county. A hub
25 city must be omitted from distributions under this subdivision. Distributions
26 among cities under this subsection must be based upon the population of each
27 incorporated city according to the last official decennial federal census. In
28 determining the population of any city in which total employment increases by
29 more than two hundred percent seasonally due to tourism, the population of that
30 city for purposes of this subdivision must be increased by eight hundred percent.

- 1 d. ~~Three~~One percent must be allocated among the organized and unorganized
2 townships of the county. The state treasurer shall allocate the funds available
3 under this subdivision among townships in proportion to each township's road
4 miles relative to the total township road miles in the county. The amount allocated
5 to unorganized townships under this subdivision must be distributed to the county
6 treasurer and credited to a special fund for unorganized township roads, which
7 the board of county commissioners shall use for the maintenance and
8 improvement of roads in unorganized townships.
- 9 e. ~~Three~~One percent must be allocated among the organized and unorganized
10 townships in all the counties that received five million dollars or more of
11 allocations under subsection 2 in the most recently completed
12 stateeven-numbered fiscal year. The amount available under this subdivision
13 must be allocated by the state treasurer in an equal amount to each eligible
14 organized and unorganized township. The amount allocated to unorganized
15 townships under this subdivision must be distributed to the county treasurer and
16 credited to a special fund for unorganized township roads, which the board of
17 county commissioners shall use for the maintenance and improvement of roads
18 in unorganized townships.
- 19 f. Four percent must be allocated among the organized and unorganized townships
20 in all the non-oil-producing counties. The amount available under this subdivision
21 must be allocated by the state treasurer in an equal amount to each eligible
22 organized and unorganized township. The amount allocated to unorganized
23 townships under this subdivision must be distributed to the county treasurer and
24 credited to a special fund for unorganized township roads which the board of
25 county commissioners shall use for the maintenance and improvement of roads
26 in unorganized townships. For purposes of this subdivision, "non-oil-producing
27 counties" means the counties that received no allocation or a total allocation of
28 less than five million dollars under subsection 2 in the most recently completed
29 even-numbered fiscal year.
- 30 g. Nine percent must be distributed among hub cities. Sixty percent of funds
31 available under this subdivision must be distributed to the hub city receiving the

1 highest percentage of allocations to hub cities under subdivision a of
2 subsection 1 for the quarterly period, thirty percent of funds available under this
3 subdivision must be distributed to the hub city receiving the second highest
4 percentage of such allocations, and ten percent of funds available under this
5 subdivision must be distributed to the hub city receiving the third highest
6 percentage of such allocations. Hub cities, which are located in a county that did
7 not receive an allocation under subsection 2 in the most recently completed
8 even-numbered fiscal year, must be excluded from the allocations under this
9 subsection. If fewer than three hub cities are eligible for the allocations under this
10 subdivision, the state treasurer shall allocate the available funds in proportion to
11 the amounts the eligible hub cities received under subdivision a of subsection 1.

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

- 14 6. Within thirty days after the end of each calendar year, the board of county
15 commissioners of each county that has received an allocation under this section shall
16 file a report for the calendar year with the commissioner, in a format prescribed by the
17 commissioner, including:
- 18 a. The county's statement of revenues and expenditures;
 - 19 b. The county's ending fund balances;
 - 20 c. The amounts allocated under this section to the county's general fund, the
21 amounts expended from these allocations, and the purposes of the expenditures;
22 and
 - 23 d. The amounts allocated under this section to or for the benefit of townships within
24 the county, the amounts expended from these allocations, and the purposes of
25 the expenditures.

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

- 29 7. Within thirty days after the end of each fiscal year ended June thirtieth, each school
30 district that has received an allocation under this section shall file a report for the fiscal

1 year ended June thirtieth with the commissioner, in a format prescribed by the
2 commissioner, including:

- 3 a. The school district's statement of revenue and expenditures;
4 b. The school district's ending fund balances; and
5 c. The amounts allocated under this section to the school district, the amounts
6 expended from these allocations, and the purposes of the expenditures.

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

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

11 **REPAYMENTS - DEPOSIT.** The city of Williston shall use the proceeds from the sale of the
12 existing Williston airport, excluding any proceeds used to repay the Bank of North Dakota for
13 outstanding loans related to the new airport, for repaying the department of trust lands up to
14 \$27,500,000 for a portion of the state's financial assistance provided for the new Williston
15 airport. The department of trust lands shall deposit any funds received under this section in the
16 strategic investment and improvements fund.

17 **SECTION 15. LEGISLATIVE INTENT - HUB CITY BONDING.** It is the intent of the
18 sixty-fifth legislative assembly that during the period beginning July 1, 2017, and ending
19 June 30, 2019, hub cities, as defined in section 57-51-01, not issue any new bonds based on
20 anticipated future hub city oil tax revenue allocations under section 57-51-01.

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

26 **SECTION 17. LEGISLATIVE INTENT - ENCOURAGEMENT OF ENERGY**
27 **INFRASTRUCTURE INVESTMENT - COMMISSIONER OF UNIVERSITY AND SCHOOL**
28 **LANDS - USE OF TERMS.** It is the intent of the sixty-fifth legislative assembly that the state of
29 North Dakota encourage the continued development of energy infrastructure that will help
30 reduce instances of natural gas flaring and increase the market value received for oil and gas
31 produced within the state generally and from state-owned lands specifically which will increase

1 the value of royalties paid to the funds under the control of the board of university and school
2 lands. Consistent with this intent, the commissioner of university and school lands shall
3 continue to interpret the terms "gross production," "market value," and "gross proceeds of sale"
4 in its lease form to mean a value determined at the producing well or associated production
5 facility, or in the surrounding field or area, where the oil and gas was produced, before any post-
6 production activities undertaken by the lessee, operator, or purchaser after the oil and gas has
7 been transported from the producing well and associated production facility. These values must
8 be determined by the amount received by the lessee in an arm's length contract, or in the
9 absence of an arm's length contract, either a comparable sales method or a work-back
10 calculation methodology consistent with state law.

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

- 13 1. During the 2017-18 interim, the legislative management shall consider studying oil and
14 gas tax revenue allocations to hub cities and hub city school districts. The study must
15 include consideration of the following:
- 16 a. The current and historical oil and gas tax revenue allocations to hub cities and
17 hub city school districts.
 - 18 b. Other state funding provided to hub cities and hub city school districts, including
19 grants from the oil and gas impact grant fund, distributions from the strategic
20 investment and improvements fund, state school aid payments, and payments
21 from the state aid distribution fund and highway tax distribution fund.
 - 22 c. Local taxing and revenue levels in hub cities compared to cities in
23 non-oil-producing counties, including mill levies, property tax values, local sales
24 and use taxes, and other revenue sources.
 - 25 d. The appropriate level of oil and gas tax revenue allocations to hub cities and hub
26 city school districts based on infrastructure and other needs.
 - 27 e. The estimated fiscal impact to hub cities, hub city school districts, other political
28 subdivisions, and the state if the oil and gas tax revenue allocation formula would
29 be changed to transition hub cities and hub city school districts from allocations
30 under subsection 1 of section 57-51-15 to allocations under subsections 4 and 5
31 of section 57-51-15.

- 1 f. The estimated fiscal impact to hub cities, hub city school districts, other political
2 subdivisions, and the state if the oil and gas tax revenue allocation formula would
3 be changed to discontinue the allocations to hub cities and hub city school
4 districts under subsection 1 of section 57-51-15.
- 5 2. The membership of the committee assigned the responsibility of the study must
6 proportionately reflect the state's population distribution between oil-producing
7 counties and non-oil-producing counties and must include members from the finance
8 and taxation committees and the appropriations committees.
- 9 3. The legislative management shall report its findings and recommendations, together
10 with any legislation required to implement the recommendations, to the sixty-sixth
11 legislative assembly.
- 12 **SECTION 19. EFFECTIVE DATE.** Sections 12 and 13 of this Act are effective for taxable
13 events occurring after June 30, 2017.