

Sixty-sixth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1066

Introduced by

Representatives Nathe, Owens, Porter, Howe, Vigesaa, Lefor, D. Ruby, Mock

Senators Wardner, Cook, Robinson, Bekkedahl

1 A BILL for an Act to create and enact a new section to chapter 2-05 and sections 57-51.1-07.7
2 and 57-51.1-07.8 of the North Dakota Century Code, relating to infrastructure funds; to amend
3 and reenact subsection 5 of section 57-51-01 and sections 57-51-15, 57-51.1-07.3, and
4 57-51.1-07.5 of the North Dakota Century Code, relating to oil and gas tax revenue allocations;
5 to provide a continuing appropriation; to provide for a report; and to provide an effective date.

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

7 **SECTION 1.** A new section to chapter 2-05 of the North Dakota Century Code is created
8 and enacted as follows:

9 **Airport infrastructure fund.**

10 There is created in the state treasury the airport infrastructure fund. The fund consists of all
11 moneys deposited in the fund pursuant to chapter 57-51.1. Moneys in the fund may be spent by
12 the aeronautics commission pursuant to legislative appropriations to provide grants to airports
13 for infrastructure projects. Grant funds must be distributed giving priority to projects that have
14 been awarded or are eligible to receive federal funding.

15 **SECTION 2. AMENDMENT.** Subsection 5 of section 57-51-01 of the North Dakota Century
16 Code is amended and reenacted as follows:

17 5. "Hub city" means a city with a population of twelve thousand five hundred or more,
18 according to the last official decennial federal census, which has ~~more than two-~~
19 ~~percent of its private covered employment engaged in the mining industry, according~~
20 ~~to annual data compiled by job service North Dakotais located in a county that has oil~~
21 ~~and gas gross production tax or oil extraction tax revenue collections attributed to it, as~~
22 ~~reported by the tax commissioner in certifications made to the state treasurer, in any~~
23 ~~three consecutive months during the twenty-four month period preceding September~~
24 ~~first of the most recent odd-numbered year.~~

1 **SECTION 3. AMENDMENT.** Section 57-51-15 of the North Dakota Century Code is
2 amended and reenacted as follows:

3 **57-51-15. Gross production tax allocation.**

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

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

8 a. ~~To each hub city, 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~~
11 ~~three hundred seventy-five thousand dollars per fiscal year for each full or partial~~
12 ~~percentage point, excluding the first two percentage points, of its private covered~~
13 ~~employment engaged in the mining industry, according to annual data compiled~~
14 ~~by job service North Dakota. For purposes of the allocations under this~~
15 ~~subdivision during the period beginning September 1, 2017, and ending~~
16 ~~August 31, 2018, the state treasurer shall use the following employment~~
17 ~~percentages:~~

- 18 (1) ~~Thirty three percent for the city of Williston;~~
19 (2) ~~Seventeen percent for the city of Dickinson; and~~
20 (3) ~~Four percent for the city of Minot.~~

21 b. ~~To each hub city, which is located in a county that did not receive an allocation~~
22 ~~under subsection 2 in the most recently completed even-numbered fiscal year,~~
23 ~~the state treasurer shall allocate a monthly amount that will provide a total~~
24 ~~allocation of two hundred fifty thousand dollars per fiscal year for each full or~~
25 ~~partial percentage point, excluding the first two percentage points, of its private~~
26 ~~covered employment engaged in the mining industry, according to annual data~~
27 ~~compiled by job service North Dakota.~~

28 c. ~~To each hub city school district, which is located in a county that received an~~
29 ~~allocation under subsection 2 in the most recently completed even-numbered~~
30 ~~fiscal year, the state treasurer shall allocate a monthly amount that will provide a~~
31 ~~total allocation of one hundred twenty-five thousand dollars per fiscal year for~~

1 each full or partial percentage point, excluding the first two percentage points, of
2 the hub city's private covered employment engaged in the mining industry,
3 according to annual data compiled by job service North Dakota. Hub city school
4 districts, which are located in a county that did not receive an allocation under
5 subsection 2 in the most recently completed even-numbered fiscal year, must be
6 excluded from the allocations under this subdivision. For purposes of the
7 allocations under this subdivision during the period beginning September 1,
8 2017, and ending August 31, 2018, the state treasurer shall use the following
9 employment percentages:

- 10 (1) Thirty-three percent for the city of Williston;
11 (2) Seventeen percent for the city of Dickinson; and
12 (3) Four percent for the city of Minot.

13 d. To each county that received more than five million dollars but less than thirty
14 million dollars of total allocations under subsection 2 in the most recently
15 completed even-numbered fiscal year, the state treasurer shall allocate a monthly
16 amount that will be added to the allocations to school districts under subdivision b
17 of subsection 5, as follows:

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

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

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

21 e. (1) ~~For the period beginning September 1, 2017, and ending August 31, 2019,~~
22 ~~the state treasurer shall allocate eight percent of the amount available under~~
23 ~~this subsection to the North Dakota outdoor heritage fund, but not in an~~
24 ~~amount exceeding ten million dollars per biennium. For purposes of this~~
25 ~~paragraph, "biennium" means the period beginning September first of each~~
26 ~~odd-numbered calendar year and ending August thirty-first of the following~~
27 ~~odd-numbered calendar year.~~

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

- 1 f. (1) ~~For the period beginning September 1, 2017, and ending August 31, 2019,~~
2 ~~the state treasurer shall allocate four percent of the amount available under~~
3 ~~this subsection to the abandoned oil and gas well plugging and site~~
4 ~~reclamation fund, but not in an amount exceeding four million dollars per~~
5 ~~fiscal year and not in an amount that would bring the balance in the fund to~~
6 ~~more than one hundred million dollars.~~
- 7 (2) ~~After August 31, 2019, the state treasurer shall allocate four percent of the~~
8 ~~amount available under this subsection to the abandoned oil and gas well~~
9 ~~plugging and site reclamation fund, but not in an amount exceeding seven~~
10 ~~million five hundred thousand dollars per fiscal year and not in an amount~~
11 ~~that would bring the balance in the fund to more than one hundred million~~
12 ~~dollars.~~
- 13 g. ~~For the period beginning September 1, 2017, and ending August 31, 2019, the~~
14 ~~state treasurer shall allocate the remaining revenues in the following order:~~
- 15 (1) ~~Up to twenty five million dollars to the oil and gas impact grant fund.~~
16 (2) ~~Any remaining revenues under subsection 3.~~
- 17 h. ~~After August 31, 2019, the state treasurer shall allocate the remaining revenues~~
18 ~~in the following order:~~
- 19 (1) ~~Up to five million dollars per biennium to the oil and gas impact grant fund.~~
20 ~~For purposes of this paragraph, "biennium" means the period beginning~~
21 ~~September first of each odd-numbered calendar year and ending~~
22 ~~August thirty-first of the following odd-numbered calendar year.~~
- 23 (2) ~~Any remaining revenues under subsection 3~~Eight percent of the amount
24 available under this subsection to the North Dakota outdoor heritage fund,
25 but not in an amount exceeding twenty million dollars per fiscal year.
- 26 b. Four percent of the amount available under this subsection to the abandoned oil
27 and gas well plugging and site reclamation fund, but not in an amount exceeding
28 seven million five hundred thousand dollars per fiscal year and not in an amount
29 that would bring the balance in the fund to more than one hundred million dollars.
- 30 c. Any remaining revenues pursuant to subsection 3.

1 i.d. 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. The tax revenue collected under this chapter equal to four percent of the gross value
4 at the well of the oil and four-fifths of the tax on gas must be deposited with the state
5 treasurer. The state treasurer shall allocate the funding in the following order:

6 a. ~~During the period beginning September 1, 2017, and ending August 31, 2019, for~~
7 ~~counties that received less than five million dollars of total allocations under this~~
8 ~~subsection in the most recently completed even-numbered fiscal year, then after~~
9 ~~deduction of the amount provided in subsection 1, the state treasurer shall~~
10 ~~allocate revenue collected under this chapter from oil and gas produced in each~~
11 ~~county as follows:~~

12 (1) ~~The first five million dollars of collections received each fiscal year is~~
13 ~~allocated to the county.~~

14 (2) ~~The remaining revenue collections received each fiscal year are allocated~~
15 ~~thirty percent to the county and seventy percent to the state for allocations~~
16 ~~under subsection 3.~~

17 b. ~~During the period beginning September 1, 2017, and ending August 31, 2019, for~~
18 ~~counties that received five million dollars or more of total allocations under this~~
19 ~~subsection in the most recently completed even-numbered fiscal year, then after~~
20 ~~deduction of the amount provided in subsection 1, the state treasurer shall~~
21 ~~allocate revenue collected under this chapter from oil and gas produced in each~~
22 ~~county as follows:~~

23 (1) ~~The first five million dollars of collections received each fiscal year is~~
24 ~~allocated to the county. From the first five million dollars allocated to the~~
25 ~~county, the state treasurer shall allocate an amount from each county to the~~
26 ~~energy impact fund to provide a total allocation of two million per fiscal year~~
27 ~~to the fund. The amount allocated from each county to the energy impact~~
28 ~~fund under this paragraph must be proportional to the county's monthly oil~~
29 ~~and gas gross production tax revenue collected relative to the total monthly~~
30 ~~oil and gas gross production tax revenue collected from all the counties~~
31 ~~under this subdivision. The state treasurer shall allocate the amount~~

- 1 remaining from this paragraph to the county under subsection 5. For the
2 purposes of determining the counties that received five million dollars or
3 more of total allocations under this subsection in the most recently
4 completed even-numbered fiscal year under this section, any amounts
5 withheld from the county for allocations to the energy impact fund are
6 considered allocations to the county.
- 7 (2) ~~The remaining revenue collections received each fiscal year are allocated~~
8 ~~thirty percent to the county and seventy percent to the state for allocations~~
9 ~~under subsection 3.~~
- 10 e. ~~After deduction of the amount provided in subsection 1, annual revenue collected~~
11 ~~under this chapter from oil and gas produced in each county must be allocated~~
12 ~~after August 31, 2019, as follows:~~
- 13 (1) ~~The first five million dollars is allocated to the county.~~
- 14 (2) ~~Of all annual revenue exceeding five million dollars, thirty percent is~~
15 ~~allocated to the county.~~ The first five million dollars of collections received
16 from a county each fiscal year is allocated to the county.
- 17 b. The remaining revenue collections received from a county each fiscal year are
18 allocated thirty percent to the county and seventy percent as follows:
- 19 (1) Monthly amounts to the hub city funding pool to provide fifteen million four
20 hundred thousand dollars per fiscal year for the allocations under
21 paragraph 2 of subdivision a of subsection 5.
- 22 (2) Monthly amounts to the hub city school district funding pool to provide two
23 million one hundred thousand dollars per fiscal year for the allocations
24 under paragraph 3 of subdivision a of subsection 5.
- 25 (3) Monthly amounts to the supplemental school district funding pool to provide
26 seventy percent of the total amount needed for the allocations under
27 paragraph 4 of subdivision a of subsection 5.
- 28 (4) Any remaining revenue collections to the state for the state's allocations
29 pursuant to subsection 3.
- 30 d.c. For purposes of this subsection, "fiscal year" means the period beginning
31 September first and ending August thirty-first of the following calendar year.

- 1 3. After the allocations under subsections 1 and 2, the amount remaining is allocated first
2 to provide for deposit of thirty percent of all revenue collected under this chapter in the
3 legacy fund as provided in section 26 of article X of the Constitution of North Dakota
4 and the remainder must be allocated to the state general fund. If the amount available
5 for a monthly allocation under this subsection is insufficient to deposit thirty percent of
6 all revenue collected under this chapter in the legacy fund, the state treasurer shall
7 transfer the amount of the shortfall from the state general fund share of oil extraction
8 tax collections and deposit that amount in the legacy fund.
- 9 4. For a county that received less than five million dollars of allocations under
10 subsection 2 in the most recently completed even-numbered fiscal year before the
11 start of the biennium, revenues allocated to that county must be distributed ~~at least~~
12 quarterly by the state treasurer as follows:
- 13 a. Forty-five percent must be distributed to the county treasurer and credited to the
14 county general fund. However, the distribution to a county under this subdivision
15 must be credited to the state general fund if in a taxable year after 2012 the
16 county is not levying a total of at least ten mills for combined levies for county
17 road and bridge, farm-to-market and federal aid road, and county road purposes.
- 18 b. Thirty-five percent must be distributed proportionally to school districts within the
19 county on the average daily attendance distribution basis for kindergarten
20 through grade twelve students residing within the county, as certified to the state
21 treasurer by the county superintendent of schools. However, a hub city school
22 district must be omitted from distributions under this subdivision.
- 23 c. Twenty percent must be distributed to the incorporated cities of the county. A hub
24 city must be omitted from distributions under this subdivision. Distributions
25 among cities under this subsection must be proportional based upon the
26 population of each incorporated city according to the last official decennial federal
27 census. In determining the population of any city in which total employment
28 increases by more than two hundred percent seasonally due to tourism, the
29 population of that city for purposes of this subdivision must be increased by eight
30 hundred percent.

- 1 d. 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 5. For a county that received five million dollars or more of allocations under subsection 2
4 in the most recently completed even-numbered fiscal year before the start of the
5 biennium, revenues allocated to that county must be distributed at least quarterly by
6 the state treasurer as follows:
- 7 a. A portion of the revenues from each county must be distributed to a hub city
8 funding pool, a hub city school district funding pool, and a supplemental school
9 district funding pool as follows:
- 10 (1) The amount distributed from each county to the funding pools under this
11 subdivision must be proportional to each county's monthly oil and gas gross
12 production tax revenue collections relative to the combined total monthly oil
13 and gas gross production tax revenue collections from all the counties that
14 receive allocations under this subsection.
- 15 (2) The state treasurer shall distribute, to the hub city funding pool, the monthly
16 amount needed from each county to provide six million six hundred
17 thousand dollars per fiscal year for the allocations under this paragraph.
- 18 (a) The state treasurer shall allocate monthly amounts from the hub city
19 funding pool to provide a combined total of twenty-two million dollars
20 per fiscal year to all the hub cities, which includes the fifteen million
21 four hundred thousand dollars under paragraph 1 of subdivision b of
22 subsection 2 and the six million six hundred thousand dollars under
23 this paragraph. The monthly allocation to each hub city must be
24 proportional to each hub city's impact percentage score, including
25 fractional percentage points rounded to the nearest tenth of a percent,
26 relative to the combined total of all the hub cities' impact percentage
27 scores.
- 28 (b) The state treasurer shall calculate the impact percentage score for
29 each hub city by summing the following:
- 30 [1] The percentage of mining, quarrying, and oil and gas extraction
31 employment relative to the total employment of all industries in

- 1 the county in which the hub city is located, based on the most
2 recent annual data for all ownership types compiled by job
3 service North Dakota in the quarterly census of employment and
4 wages, multiplied by forty-five hundredths;
- 5 [2] The average of the percentage of mining, quarrying, and oil and
6 gas extraction employment relative to the total employment of all
7 industries in each county for all the counties in the human
8 service region in which the hub city is located, based on the most
9 recent annual data for all ownership types compiled by job
10 service North Dakota in the quarterly census of employment and
11 wages, multiplied by fifteen hundredths;
- 12 [3] The percentage of establishments engaged in mining, quarrying,
13 and oil and gas extraction relative to the total establishments of
14 all industries in the county in which the hub city is located, based
15 on the most recent annual data for all ownership types compiled
16 by job service North Dakota in the quarterly census of
17 employment and wages, multiplied by one-tenth;
- 18 [4] The percentage of oil production in the human service region in
19 which the hub city is located relative to the total oil production in
20 all the human service regions with hub cities, based on the most
21 recently available calendar year data compiled by the industrial
22 commission in a report on the historical barrels of oil produced by
23 county, multiplied by one-tenth;
- 24 [5] The percentage change in population from five years prior for the
25 hub city, based on the most recent actual or estimated census
26 data published by the United States census bureau, multiplied by
27 one-tenth; and
- 28 [6] The percentage change in population from five years prior for the
29 county in which the hub city is located, based on the most recent
30 actual or estimated census data published by the United States
31 census bureau, multiplied by one-tenth.

1 (c) For purposes of this paragraph, "human service region" means the
2 areas designated by the governor's executive order 1978-12 dated
3 October 5, 1978.

4 (3) The state treasurer shall distribute, to the hub city school district funding
5 pool, the monthly amount needed from each county to provide nine hundred
6 thousand dollars per fiscal year for the allocations under this paragraph.

7 (a) The state treasurer shall allocate monthly amounts from the hub city
8 school district funding pool to provide a combined total of three million
9 dollars per fiscal year to all the hub city school districts, which
10 includes the two million one hundred thousand dollars under
11 paragraph 2 of subdivision b of subsection 2 and the nine hundred
12 thousand dollars under this paragraph. The monthly allocation to each
13 hub city school must be proportional to each hub city school district's
14 impact percentage score, including fractional percentage points
15 rounded to the nearest tenth of a percent, relative to the combined
16 total of all the hub cities' impact percentage scores.

17 (b) For the purpose of determining the impact percentage score for each
18 hub city school district, the state treasurer shall use the same impact
19 percentage score as the corresponding score calculated for each hub
20 city in paragraph 2.

21 (4) The state treasurer shall distribute, to the supplemental school district
22 funding pool, the monthly amount needed from each county to provide for
23 thirty percent of the total allocations under this paragraph. To each county
24 that received more than five million dollars but less than thirty million dollars
25 of total allocations under subsection 2 in the most recently completed
26 even-numbered fiscal year before the start of the biennium, the state
27 treasurer shall allocate a monthly amount from the supplemental school
28 district funding pool which will be added to the distributions to school
29 districts under paragraph 2 of subdivision b, as follows:

30 (a) To each county that received more than five million dollars but not
31 exceeding ten million dollars of total allocations under subsection 2 in

1 the most recently completed even-numbered fiscal year before the
2 start of the biennium, the state treasurer shall allocate a monthly
3 amount that will provide a total allocation of one million five hundred
4 thousand dollars per fiscal year. The allocation must be distributed to
5 school districts within the county pursuant to paragraph 2 of
6 subdivision b.

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

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

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

30 (e) To each county that received more than twenty-five million dollars but
31 not exceeding thirty million dollars of total allocations under

1 subsection 2 in the most recently completed even-numbered fiscal
2 year before the start of the biennium, the state treasurer shall allocate
3 a monthly amount that will provide a total allocation of five hundred
4 thousand dollars per fiscal year. The allocation must be distributed to
5 school districts within the county pursuant to paragraph 2 of
6 subdivision b.

7 b. After the distributions in subdivision a, each county's remaining revenues must be
8 distributed as follows:

9 (1) Sixty percent must be distributed to the county treasurer and credited to the
10 county general fund. However, the distribution to a county under this
11 subdivision must be credited to the state general fund if in a taxable year
12 after 2012 the county is not levying a total of at least ten mills for combined
13 levies for county road and bridge, farm-to-market and federal aid road, and
14 county road purposes.

15 b: (2) Five percent must be distributed proportionally to school districts within the
16 county on the average daily attendance distribution basis for kindergarten
17 through grade twelve students residing within the county, as certified to the
18 state treasurer by the county superintendent of schools. However, a hub city
19 school district must be omitted from distributions under this subdivision.

20 e: (3) Twenty percent must be distributed to the incorporated cities of the county. A
21 hub city must be omitted from distributions under this subdivision.

22 Distributions among cities under this subsection must be proportional based
23 upon the population of each incorporated city according to the last official
24 decennial federal census. In determining the population of any city in which
25 total employment increases by more than two hundred percent seasonally
26 due to tourism, the population of that city for purposes of this subdivision
27 must be increased by eight hundred percent.

28 d: Three

29 (4) Four percent must be allocated among the organized and unorganized
30 townships of the county. The state treasurer shall allocate the funds
31 available under this subdivision among townships in proportion to each

1 township's road miles relative to the total township road miles in the county.
2 The amount allocated to unorganized townships under this subdivision must
3 be distributed to the county treasurer and credited to a special fund for
4 unorganized township roads, which the board of county commissioners shall
5 use for the maintenance and improvement of roads in unorganized
6 townships.

7 e. ~~Three percent must be allocated among the organized and unorganized~~
8 ~~townships in all the counties that received five million dollars or more of~~
9 ~~allocations under subsection 2 in the most recently completed even-numbered~~
10 ~~fiscal year. The amount available under this subdivision must be allocated by the~~
11 ~~state treasurer in an equal amount to each eligible organized and unorganized~~
12 ~~township. The amount allocated to unorganized townships under this subdivision~~
13 ~~must be distributed to the county treasurer and credited to a special fund for~~
14 ~~unorganized township roads, which the board of county commissioners shall use~~
15 ~~for the maintenance and improvement of roads in unorganized townships.~~

16 f. (5) ~~Nine percent must be distributed among hub cities. Sixty percent of funds~~
17 ~~available under this subdivision must be distributed to the hub city receiving~~
18 ~~the highest percentage of allocations to hub cities under subdivision a of~~
19 ~~subsection 1 for the quarterly period, thirty percent of funds available under~~
20 ~~this subdivision must be distributed to the hub city receiving the second~~
21 ~~highest percentage of such allocations, and ten percent of funds available~~
22 ~~under this subdivision must be distributed to the hub city receiving the third~~
23 ~~highest percentage of such allocations. Hub cities, which are located in a~~
24 ~~county that did not receive an allocation under subsection 2 in the most~~
25 ~~recently completed even-numbered fiscal year, must be excluded from the~~
26 ~~allocations under this subsection. If fewer than three hub cities are eligible~~
27 ~~for the allocations under this subdivision, the state treasurer shall allocate~~
28 ~~the available funds in proportion to the amounts the eligible hub cities~~
29 ~~received under subdivision a of subsection 1~~The state treasurer shall
30 distribute the funds available under this subdivision in proportion to the
31 amounts the hub cities receive under paragraph 2 of subdivision a.

1 (6) Two percent must be distributed among hub city school districts. The state
2 treasurer shall distribute the funds available under this subdivision in
3 proportion to the amounts the hub city school districts receive under
4 paragraph 3 of subdivision a.

5 g- (7) For purposes of this subsection, "fiscal year" means the period beginning
6 September first and ending August thirty-first of the following calendar year.

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

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

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

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

4 **SECTION 4. AMENDMENT.** Section 57-51.1-07.3 of the North Dakota Century Code is
5 amended and reenacted as follows:

6 **57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation.**

7 There is established a special fund in the state treasury to be known as the oil and gas
8 research fund. Before depositing oil and gas gross production tax and oil extraction tax
9 revenues ~~in the general fund, tax relief fund, budget stabilization fund, strategic investment and~~
10 ~~improvements fund, state disaster relief fund, or lignite research fund~~ under section
11 57-51.1-07.5, two percent of the revenues must be deposited monthly into the oil and gas
12 research fund, up to ten million dollars per biennium. All moneys deposited in the oil and gas
13 research fund and interest on all such moneys are appropriated as a continuing appropriation to
14 the council to be used for purposes stated in chapter 54-17.6.

15 **SECTION 5. AMENDMENT.** Section 57-51.1-07.5 of the North Dakota Century Code is
16 amended and reenacted as follows:

17 **57-51.1-07.5. State share of oil and gas taxes - Deposits.**

18 From the revenues designated for deposit in the state general fund under chapters 57-51
19 and 57-51.1, the state treasurer shall deposit the revenues received each biennium in the
20 following order:

- 21 1. The first two hundred million dollars into the state general fund;
- 22 2. The next two hundred million dollars into the tax relief fund;
- 23 3. The next seventy-five million dollars into the budget stabilization fund, but not in an
24 amount that would bring the balance in the fund to more than the limit in section
25 54-27.2-01;
- 26 4. ~~For the period beginning August 1, 2017, and ending July 31, 2019, the next two~~
27 ~~hundred million dollars into the state general fund and after July 31, 2019, the next~~
28 ~~one~~ The next two hundred million dollars into the state general fund;
- 29 5. ~~The next one hundred million dollars:~~
 - 30 a. ~~Eighty percent into the strategic investment and improvements fund and twenty~~
31 ~~percent into the lignite research fund until three million dollars has been~~

- 1 deposited into the lignite research fund to be used for advanced energy
2 technology grants; and
- 3 b. One hundred percent into the strategic investment and improvements fund after
4 three million dollars has been deposited. The next ten million dollars into the lignite
5 research fund;
- 6 6. The next twenty million dollars into the state disaster relief fund, but not in an amount
7 that would bring the unobligated balance in the fund to more than twenty million
8 dollars; and
- 9 7. The next thirty million three hundred seventy-five thousand dollars, or the amount
10 necessary to provide for the distributions under subsection 2 of section 57-51.1-07.7,
11 into the municipal infrastructure fund;
- 12 8. The next four hundred million dollars into the strategic investment and improvements
13 fund;
- 14 9. An amount equal to the deposit under subsection 7 into the county and township
15 infrastructure fund;
- 16 10. The next one hundred sixty-nine million two hundred fifty thousand dollars or the
17 amount necessary to provide a total of two hundred thirty million dollars into the funds
18 designated for infrastructure development in non-oil-producing counties under sections
19 57-51.1-07.7 and 57-51.1-07.8 with fifty percent deposited into the municipal
20 infrastructure fund and fifty percent deposited into the county and township
21 infrastructure fund;
- 22 11. The next twenty million dollars into the airport infrastructure fund; and
- 23 12. Any additional revenues into the strategic investment and improvements fund.

24 **SECTION 6.** Section 57-51.1-07.7 of the North Dakota Century Code is created and
25 enacted as follows:

26 **57-51.1-07.7. Municipal infrastructure fund - Continuing appropriation - State**
27 **treasurer - Reports.**

28 There is created in the state treasury the municipal infrastructure fund. The fund consists of
29 all moneys deposited in the fund under section 57-51.1-07.5. All moneys in the fund are
30 appropriated to the state treasurer on a continuing basis for the purpose of providing grants to
31 cities located in non-oil-producing counties. The grant funding may be distributed only to cities

1 located in non-oil-producing counties, excluding hub cities, and may be used only for essential
2 infrastructure projects.

3 1. By November thirtieth of each even-numbered year, starting in 2022, a city that
4 receives a grant from the fund shall provide a report to the state treasurer on the use
5 of the funding. The state treasurer shall notify cities of the reporting requirement by
6 November first of each even-numbered year, starting in 2022. Upon request, the state
7 treasurer may provide an extension of up to fifteen days for a city to submit the report.
8 The state treasurer shall determine the format of the report. The report must include
9 the amount of grant funding received and spent by the city and a description of the
10 infrastructure projects completed in part or in whole with the grant funding. The state
11 treasurer shall make the reports available to the public on the state treasurer's
12 website. A city that does not provide the report in a timely manner or in the correct
13 format is not eligible to receive a grant from the fund for a period of two years starting
14 from the date the report was due. If a city uses the funding in a manner inconsistent
15 with the requirements of this section as identified in any financial audits conducted by
16 the state auditor or an independent accounting firm, the state treasurer shall reduce
17 any future grants to that city by the amount spent that was inconsistent with the
18 requirements.

19 2. Within forty days after the fund balance is greater than or equal to the amount needed
20 for the grants under this subsection or by September thirtieth of each odd-numbered
21 year, whichever is earlier, the state treasurer shall distribute moneys in the fund as
22 grants to cities for essential infrastructure projects based on the following:

23 a. Two million five hundred thousand dollars to each city with a population of at
24 least five thousand;

25 b. Five hundred thousand dollars to each city with a population of at least two
26 thousand but less than five thousand; and

27 c. One hundred twenty-five thousand dollars to each city with a population of at
28 least one thousand but less than two thousand.

29 d. If, at the time of the distributions, the moneys in the fund are less than the
30 amount needed for the grants under this subsection, the state treasurer shall
31 distribute the grants under this subsection on a pro rata basis.

1 e. For the purposes of determining the city's population under this subsection, the
2 state treasurer shall use the most recent actual or estimated census data
3 published by the United States census bureau.

4 3. Within sixty days after the fund receives its statutory limit of oil and gas tax allocations
5 under section 57-51.1-07.5 or by September thirtieth of each odd-numbered year,
6 whichever is earlier, the state treasurer shall distribute the moneys in the fund as
7 grants to cities for essential infrastructure projects based on the following:

8 a. One hundred fifty dollars per person of the city's population.

9 b. In addition to the amounts in subdivision a, for a city with a positive average of
10 the annual percentage increase in population from three years prior, a dollar
11 amount equal to the product of the following:

12 (1) The amount calculated in subdivision a; and

13 (2) The average of the annual percentage increase in population from three
14 years prior, multiplied by ten.

15 c. In addition to the amounts in subdivisions a and b, for a city with a positive
16 average of the annual percentage increase in taxable property values from three
17 years prior, a dollar amount equal to the average of the annual property valuation
18 percentage increase for the three most recent years, multiplied by twenty-five
19 thousandths.

20 d. Grants may be distributed under this subdivision only if the grant distributions
21 under subsection 2 are completed. If the moneys in the fund are insufficient to
22 provide for the grants, the state treasurer shall distribute the grants under this
23 subsection on a pro rata basis. If any moneys remain in the fund after the
24 distribution of grants under this subsection, the state treasurer shall distribute any
25 remaining moneys in the fund in proportion to the combined total distributed to
26 each city under this section relative to the combined total distributed to all the
27 cities under this section.

28 e. For the purposes of determining the city's population under this subsection, the
29 state treasurer shall use the most recent actual or estimated census data
30 published by the United States census bureau.

1 f. For the purposes of determining taxable property values, the state treasurer shall
2 use the most recent data published by the tax commissioner in the tax levy
3 report.

4 4. For purposes of this section:

5 a. "Essential infrastructure projects" means capital construction projects to construct
6 new infrastructure or to replace existing infrastructure, which provide the fixed
7 installations necessary for the function of a city. Capital construction projects
8 exclude debt repayments and routine maintenance and repair projects, but
9 include the following:

10 (1) Water treatment plants;

11 (2) Wastewater treatment plants;

12 (3) Sewer lines and water lines, including lift stations and pumping systems;

13 (4) Water storage systems, including dams, water tanks, and water towers;

14 (5) Storm water infrastructure, including curb and gutter construction;

15 (6) Road and bridge infrastructure, including paved and unpaved roads and
16 bridges;

17 (7) Airport infrastructure;

18 (8) Electricity transmission infrastructure;

19 (9) Natural gas transmission infrastructure; and

20 (10) Communications infrastructure, excluding fiber optic infrastructure.

21 b. "Fiscal year" means the period beginning September first and ending August
22 thirty-first of the following calendar year.

23 c. "Non-oil-producing county" means a county that received no allocation of funding
24 or a total allocation of less than five million dollars under subsection 2 of section
25 57-51-15 in the most recently completed even-numbered fiscal year before the
26 start of each biennium.

27 **SECTION 7.** Section 57-51.1-07.8 of the North Dakota Century Code is created and
28 enacted as follows:

1 **57-51.1-07.8. County and township infrastructure fund - Continuing appropriation -**
2 **State treasurer - Reports.**

3 There is created in the state treasury the county and township infrastructure fund. The fund
4 consists of all moneys deposited in the fund under section 57-51.1-07.5. All moneys in the fund
5 are appropriated to the state treasurer on a continuing basis for the purpose of providing grants
6 to non-oil-producing counties and townships located in non-oil-producing counties. The grant
7 funding may be distributed only to non-oil-producing counties and townships located in
8 non-oil-producing counties and may be used only for road and bridge infrastructure projects.

9 1. By November thirtieth of each even-numbered year, starting in 2022, a county that
10 receives a grant from the fund shall provide a report to the state treasurer on the use
11 of the funding. The state treasurer shall notify counties of the reporting requirement by
12 November first of each even-numbered year, starting in 2022. Upon request, the state
13 treasurer may provide an extension of up to fifteen days for a county to submit the
14 report. The state treasurer shall determine the format of the report. The report must
15 include the amount of grant funding received and spent by the county and a
16 description of the road and bridge infrastructure projects completed in part or in whole
17 with the grant funding. The state treasurer shall make the reports available to the
18 public on the state treasurer's website. A county that does not provide the report in a
19 timely manner or in the correct format is not eligible to receive a grant from the fund for
20 a period of two years starting from the date the report was due. If a county uses the
21 funding in a manner inconsistent with the requirements of this section as identified in
22 any financial audits conducted by the state auditor or an independent accounting firm,
23 the state treasurer shall reduce any future grants to that county by the amount spent
24 that was inconsistent with the requirements.

25 2. Within sixty days after the fund receives its statutory limit of oil and gas tax allocations
26 under section 57-51.1-07.5 or by September thirtieth of each odd-numbered year,
27 whichever is earlier, the state treasurer shall distribute moneys in the fund as grants to
28 counties for road and bridge infrastructure projects.

29 3. The state treasurer shall distribute the lesser of thirteen percent of the balance of the
30 fund or sixteen million one hundred thousand dollars to non-oil-producing counties for
31 the benefit of the organized and unorganized townships within each non-oil-producing

1 county. The distribution to each non-oil-producing county must provide for an equal
2 allocation to each organized and unorganized township. The amount allocated to
3 organized townships under this section must be paid by the county treasurer to each
4 organized township. The amount allocated to unorganized townships under this
5 section must be credited by the county treasurer to a special fund for unorganized
6 township roads. A township is not eligible for an allocation of funds under this section if
7 the township does not maintain any township roads.

8 4. After the distributions in subsection 3, the state treasurer shall distribute the remaining
9 money in the fund to non-oil-producing counties based on the most recent data
10 compiled by the upper great plains transportation institute regarding North Dakota's
11 county, township, and tribal road and bridge infrastructure needs. The distribution to
12 each non-oil-producing county must be proportional to each non-oil-producing county's
13 total estimated road and bridge investment needs relative to the combined total
14 estimated road and bridge investment needs of all the non-oil-producing counties. The
15 total estimated road and bridge investment needs for each county is the twenty-year
16 estimate for unpaved and paved road and bridge needs as identified by the upper
17 great plains transportation institute. If the data compiled by the upper great plains
18 transportation institute includes more than one twenty-year estimate for the total needs
19 of each county, the state treasurer shall use an average of the twenty-year estimates
20 for each county.

21 5. If the moneys in the fund are insufficient to provide for the grants under this section,
22 the state treasurer shall distribute the grants on a pro rata basis.

23 6. For purposes of this section:

24 a. "Fiscal year" means the period beginning September first and ending August
25 thirty-first of the following calendar year.

26 b. "Non-oil-producing county" means a county that received no allocation of funding
27 or a total allocation of less than five million dollars under subsection 2 of section
28 57-51-15 in the most recently completed even-numbered fiscal year before the
29 start of each biennium.

30 c. "Road and bridge infrastructure projects" means the projects associated with the
31 construction of new unpaved and paved road and bridge infrastructure or

1 associated with the maintenance, repair, or replacement of existing unpaved and
2 paved road and bridge infrastructure.

3 **SECTION 8. EFFECTIVE DATE.** This Act is effective for taxable events occurring after
4 June 30, 2019.