

Sixty-seventh
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1179

Introduced by

Representatives Dockter, Headland

Senator Bell

1 A BILL for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code
2 and section 12 of chapter 471 of the 2013 Session Laws, relating to reporting requirements for
3 schools, counties, and hub cities receiving oil and gas gross production tax allocations.

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

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

7 **57-51-15. Gross production tax allocation.**

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

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

12 a. Eight percent of the amount available under this subsection to the North Dakota
13 outdoor heritage fund, but not in an amount exceeding twenty million dollars per
14 fiscal year.

15 b. Four percent of the amount available under this subsection to the abandoned oil
16 and gas well plugging and site reclamation fund, but not in an amount exceeding
17 seven 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 fifty million dollars.

19 c. Any remaining revenues pursuant to subsection 3.

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

- 1 a. The first five million dollars of collections received from a county each fiscal year
2 is allocated to the county.
- 3 b. The remaining revenue collections received from a county each fiscal year are
4 allocated thirty percent to the county and seventy percent as follows:
- 5 (1) Monthly amounts to the hub city funding pool to provide fifteen million four
6 hundred thousand dollars per fiscal year for the allocations under
7 paragraph 2 of subdivision a of subsection 5.
- 8 (2) Monthly amounts to the hub city school district funding pool to provide two
9 million one hundred thousand dollars per fiscal year for the allocations
10 under paragraph 3 of subdivision a of subsection 5.
- 11 (3) Monthly amounts to the supplemental school district funding pool to provide
12 seventy percent of the total amount needed for the allocations under
13 paragraph 4 of subdivision a of subsection 5.
- 14 (4) Any remaining revenue collections to the state for the state's allocations
15 pursuant to subsection 3.
- 16 c. For purposes of this subsection, "fiscal year" means the period beginning
17 September first and ending August thirty-first of the following calendar year.
- 18 3. After the allocations under subsections 1 and 2, the amount remaining is allocated first
19 to provide for deposit of thirty percent of all revenue collected under this chapter in the
20 legacy fund as provided in section 26 of article X of the Constitution of North Dakota
21 and the remainder must be allocated to the state general fund. If the amount available
22 for a monthly allocation under this subsection is insufficient to deposit thirty percent of
23 all revenue collected under this chapter in the legacy fund, the state treasurer shall
24 transfer the amount of the shortfall from the state general fund share of oil extraction
25 tax collections and deposit that amount in the legacy fund.
- 26 4. For a county that received less than five million dollars of allocations under
27 subsection 2 in the most recently completed even-numbered fiscal year before the
28 start of the biennium, revenues allocated to that county must be distributed by the
29 state treasurer as follows:
- 30 a. Forty-five percent must be distributed to the county treasurer and credited to the
31 county general fund. However, the distribution to a county under this subdivision

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

1 (2) The state treasurer shall distribute, to the hub city funding pool, the monthly
2 amount needed from each county to provide six million six hundred
3 thousand dollars per fiscal year for the allocations under this paragraph.

4 (a) The state treasurer shall allocate monthly amounts from the hub city
5 funding pool to provide a combined total of twenty-two million dollars
6 per fiscal year to all the hub cities, which includes the fifteen million
7 four hundred thousand dollars under paragraph 1 of subdivision b of
8 subsection 2 and the six million six hundred thousand dollars under
9 this paragraph. The monthly allocation to each hub city must be
10 proportional to each hub city's impact percentage score, including
11 fractional percentage points rounded to the nearest tenth of a percent,
12 relative to the combined total of all the hub cities' impact percentage
13 scores.

14 (b) The state treasurer shall calculate the impact percentage score for
15 each hub city by summing the following:

- 16 [1] The percentage of mining, quarrying, and oil and gas extraction
17 employment relative to the total employment of all industries in
18 the county in which the hub city is located, based on the most
19 recent annual data for all ownership types compiled by job
20 service North Dakota in the quarterly census of employment and
21 wages, multiplied by forty-five hundredths;
- 22 [2] The average of the percentage of mining, quarrying, and oil and
23 gas extraction employment relative to the total employment of all
24 industries in each county for all the counties in the human
25 service region in which the hub city is located, based on the most
26 recent annual data for all ownership types compiled by job
27 service North Dakota in the quarterly census of employment and
28 wages, multiplied by fifteen hundredths;
- 29 [3] The percentage of establishments engaged in mining, quarrying,
30 and oil and gas extraction relative to the total establishments of
31 all industries in the county in which the hub city is located, based

1 on the most recent annual data for all ownership types compiled
2 by job service North Dakota in the quarterly census of
3 employment and wages, multiplied by one-tenth;

4 [4] The percentage of oil production in the human service region in
5 which the hub city is located relative to the total oil production in
6 all the human service regions with hub cities, based on the most
7 recently available calendar year data compiled by the industrial
8 commission in a report on the historical barrels of oil produced by
9 county, multiplied by one-tenth;

10 [5] The percentage change in population from five years prior for the
11 hub city, based on the most recent actual or estimated census
12 data published by the United States census bureau, multiplied by
13 one-tenth; and

14 [6] The percentage change in population from five years prior for the
15 county in which the hub city is located, based on the most recent
16 actual or estimated census data published by the United States
17 census bureau, multiplied by one-tenth.

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

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

24 (a) The state treasurer shall allocate monthly amounts from the hub city
25 school district funding pool to provide a combined total of three million
26 dollars per fiscal year to all the hub city school districts, which
27 includes the two million one hundred thousand dollars under
28 paragraph 2 of subdivision b of subsection 2 and the nine hundred
29 thousand dollars under this paragraph. The monthly allocation to each
30 hub city school districts must be proportional to each hub city school
31 district's impact percentage score, including fractional percentage

1 points rounded to the nearest tenth of a percent, relative to the
2 combined total of all the hub cities' impact percentage scores.

3 (b) For the purpose of determining the impact percentage score for each
4 hub city school district, the state treasurer shall use the same impact
5 percentage score as the corresponding score calculated for each hub
6 city in paragraph 2.

7 (4) The state treasurer shall distribute, to the supplemental school district
8 funding pool, the monthly amount needed from each county to provide for
9 thirty percent of the total allocations under this paragraph. To each county
10 that received more than five million dollars but less than thirty million dollars
11 of total allocations under subsection 2 in the most recently completed
12 even-numbered fiscal year before the start of the biennium, the state
13 treasurer shall allocate a monthly amount from the supplemental school
14 district funding pool which will be added to the distributions to school
15 districts under paragraph 2 of subdivision b, as follows:

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

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

- 1 (c) To each county that received more than fifteen million dollars but not
2 exceeding twenty million dollars of total allocations under subsection 2
3 in the most recently completed even-numbered fiscal year before the
4 start of the biennium, the state treasurer shall allocate a monthly
5 amount that will provide a total allocation of one million dollars per
6 fiscal year. The allocation must be distributed to school districts within
7 the county pursuant to paragraph 2 of subdivision b.
- 8 (d) To each county that received more than twenty million dollars but not
9 exceeding twenty-five million dollars of total allocations under
10 subsection 2 in the most recently completed even-numbered fiscal
11 year before the start of the biennium, the state treasurer shall allocate
12 a monthly amount that will provide a total allocation of seven hundred
13 fifty thousand dollars per fiscal year. The allocation must be distributed
14 to school districts within the county pursuant to paragraph 2 of
15 subdivision b.
- 16 (e) To each county that received more than twenty-five million dollars but
17 not exceeding thirty million dollars of total allocations under
18 subsection 2 in the most recently completed even-numbered fiscal
19 year before the start of the biennium, the state treasurer shall allocate
20 a monthly amount that will provide a total allocation of five hundred
21 thousand dollars per fiscal year. The allocation must be distributed to
22 school districts within the county pursuant to paragraph 2 of
23 subdivision b.
- 24 b. After the distributions in subdivision a, each county's remaining revenues must be
25 distributed as follows:
- 26 (1) 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
28 subdivision must be credited to the state general fund if in a taxable year
29 after 2012 the county is not levying a total of at least ten mills for combined
30 levies for county road and bridge, farm-to-market and federal aid road, and
31 county road purposes.

- 1 (2) Five percent must be distributed proportionally to school districts within the
2 county on the average daily attendance distribution basis for kindergarten
3 through grade twelve students residing within the county, as certified to the
4 state treasurer by the county superintendent of schools. However, a hub city
5 school district must be omitted from distributions under this subdivision.
- 6 (3) Twenty percent must be distributed to the incorporated cities of the county. A
7 hub city must be omitted from distributions under this subdivision.
8 Distributions among cities under this subsection must be proportional based
9 upon the population of each incorporated city according to the last official
10 decennial federal census. In determining the population of any city in which
11 total employment increases by more than two hundred percent seasonally
12 due to tourism, the population of that city for purposes of this subdivision
13 must be increased by eight hundred percent.
- 14 (4) Four percent must be allocated among the organized and unorganized
15 townships of the county. The state treasurer shall allocate the funds
16 available under this subdivision among townships in proportion to each
17 township's road miles relative to the total township road miles in the county.
18 The amount allocated to unorganized townships under this subdivision must
19 be distributed to the county treasurer and credited to a special fund for
20 unorganized township roads, which the board of county commissioners shall
21 use for the maintenance and improvement of roads in unorganized
22 townships.
- 23 (5) Nine percent must be distributed among hub cities. The state treasurer shall
24 distribute the funds available under this subdivision in proportion to the
25 amounts the hub cities receive under paragraph 2 of subdivision a.
- 26 (6) Two percent must be distributed among hub city school districts. The state
27 treasurer shall distribute the funds available under this subdivision in
28 proportion to the amounts the hub city school districts receive under
29 paragraph 3 of subdivision a.
- 30 (7) 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 6. ~~Within thirty days after the end of each calendar year, the board of county-~~
2 ~~commissioners of each county that has received an allocation under this section shall~~
3 ~~file a report for the calendar year with the commissioner, in a format prescribed by the~~
4 ~~commissioner, including:~~
- 5 a. ~~The county's statement of revenues and expenditures;~~
 - 6 b. ~~The county's ending fund balances;~~
 - 7 c. ~~The amounts allocated under this section to the county's general fund, the~~
8 ~~amounts expended from these allocations, and the purposes of the expenditures;~~
9 ~~and~~
 - 10 d. ~~The amounts allocated under this section to or for the benefit of townships within~~
11 ~~the county, the amounts expended from these allocations, and the purposes of~~
12 ~~the expenditures.~~

13 ~~Within fifteen days after the time when reports under this subsection are due, the~~
14 ~~commissioner shall provide the reports to the legislative council compiling the~~
15 ~~information from reports received under this subsection.~~

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

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

27 **SECTION 2. AMENDMENT.** Section 12 of chapter 471 of the 2013 Session Laws is
28 amended and reenacted as follows:

29 **SECTION 12. HUB CITIES - REPORT TO BUDGET SECTION.** A representative
30 of a hub city as defined in section 57-51-01 shall report to the budget section annually

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- 1 on the use of funding received from allocations under section 57-51-15 for the period
- 2 beginning July 1, 2013, and ending June 30, 2021.