15.0329.07000

FISCAL NOTE
Requested by Legislative Council
04/06/2015

Amendment to: HB 1176

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$(133,000,000)		
Expenditures						
Appropriations			$112,000,000	$139,300,000		

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties		$133,000,000	
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1176 with Senate Amendments creates a new oil and gas gross production tax distribution formula.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 of engrossed HB 1176 with Senate Amendments changes the distribution funding formula for local governments to 30% local / 70% state for all revenue in excess of $5 million generated from each county each year. The definition of hub city is expanded in section 3, based on information provided annually by Job Service ND, and including provisions for hub cities that are not in oil producing counties. The changes in Sections 3 are expected to allow for total local revenue estimated to be $631 million in the 2015-17 biennium, relative to the March 2015 forecast, an increase of $133 million over the current law distribution. This $133 million in additional revenue is shared by counties, cities, and school districts, although it is shown as "counties" in 1B above. Revenues in the strategic investment and improvements fund are expected to decrease by the same $133 million.

Section 3 also directs $140 million to the oil and gas impact grant fund. $139.3 million of this amount is appropriated in Section 5 of the bill.

Section 4 of engrossed HB 1176 with Senate Amendments appropriates $112 million to the Department of Transportation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck
Agency: Office of Tax Commissioner
Telephone: 328-3402
Date Prepared: 04/07/2015

15.0329.06000

FISCAL NOTE
Requested by Legislative Council
04/06/2015

Amendment to: HB 1176

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$(133,000,000)		
Expenditures						
Appropriations			$112,000,000	$139,300,000		

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties		$133,000,000	
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1176 with Senate Amendments creates a new oil and gas gross production tax distribution formula.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 of engrossed HB 1176 with Senate Amendments changes the distribution funding formula for local governments to 30% local / 70% state for all revenue in excess of $5 million generated from each county each year. The definition of hub city is expanded in section 3, based on information provided annually by Job Service ND, and including provisions for hub cities that are not in oil producing counties. The changes in Sections 3 are expected to allow for total local revenue estimated to be $631 million in the 2015-17 biennium, relative to the March 2015 forecast, an increase of $133 million over the current law distribution. This $133 million in additional revenue is shared by counties, cities, and school districts, although it is shown as "counties" in 1B above. Revenues in the strategic investment and improvements fund are expected to decrease by the same $133 million.

Section 3 also directs $140 million to the oil and gas impact grant fund. $139.3 million of this amount is appropriated in Section 5 of the bill.

Section 4 of engrossed HB 1176 with Senate Amendments appropriates $112 million to the Department of Transportation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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Date Prepared: 04/07/2015

15.0329.05000

FISCAL NOTE
Requested by Legislative Council
02/25/2015

Amendment to: HB 1176

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$(146,000,000)		
Expenditures						
Appropriations			$112,000,000	$139,626,588		

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties		$146,000,000	
Cities			
School Districts			
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1176 creates a new oil and gas gross production tax distribution formula.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of engrossed HB 1176 changes the distribution funding formula for local governments to 30% local / 70% state for all revenue in excess of $5 million generated from each county each year. The definition of hub city is expanded in section 2, based on information provided by Job Service ND. The changes in Sections 2 are expected to increase total local revenue by an estimated $146 million in the 2015-17 biennium, when compared to the January 2015 re-forecast. Total biennial political subdivision revenue under the provisions of engrossed HB 1176 is estimated to be $720.3 million compared to $574.5 million in the January 2015 re-forecast, as estimated under current law. This $146 million in additional revenue is shared by counties, cities, and school districts, although it is shown as "counties" in 1B above. Revenues in the strategic investment and improvements fund are expected to decrease by the same $146 million.

Section 2 also directs $140 million to the oil and gas impact grant fund. $139.6 million of this amount is appropriated in Section 4 of the bill.

Section 3 of engrossed HB 1176 appropriates $112 million to the Department of Transportation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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15.0329.04000

FISCAL NOTE
Requested by Legislative Council
02/21/2015

Bill/Resolution No.: HB 1176

1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$(623,000,000)		
Expenditures			$70,000,000			
Appropriations			$120,000,000	$139,000,000		

1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties		$623,000,000	
Cities			
School Districts		$70,000,000	
Townships			

2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1176 creates a new oil and gas gross production tax distribution formula.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of HB 1176 changes the k-12 state aid funding formula by reducing the amount of mineral revenue considered in the formula by the amount of debt service payments up to 60% of the mineral revenue received. This effectively reduces the amount considered in the formula to 15%. The Department of Public Instruction estimates this will require an increase in state aid to schools of an estimated $70 million in the 2015-17 biennium as shown in 1A and 1B above. (This is the same amount estimated in the fiscal note for HB 1178.)

Section 3 of HB 1176 changes the distribution funding formula for local governments to 60% local / 40% state for all revenue in excess of $5 million generated from each county each year. The definition of hub city is expanded in section 2, and the amount going to hub cities and hub schools is expanded in Section 3. The changes in Sections 2 and 3 are expected to increase total local revenue by an estimated $623 million in the 2015-17 biennium, when compared to the January 2015 re-forecast. Total biennial political subdivision revenue under the provisions of HB 1176 is estimated to be $1.198 billion compared to $575 million in the January 2015 re-forecast, as estimated under current law. This $623 million in additional revenue is shared by counties, cities, and school districts, although it is shown as "counties" in 1B above. Revenues in the strategic investment and improvements fund are expected to decrease by the same $623 million.

Section 2 also directs $140 million to the oil and gas impact grant fund. $139 million of this amount is appropriated in Section 5 of the bill.

Section 4 of HB 1176 appropriates $120 million to the Department of Transportation.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

   A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

   The 60/40 distribution formula is contained in the executive budget recommendation.

   B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

   C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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Telephone: 328-3402

Date Prepared: 02/23/2015

2015 HOUSE APPROPRIATIONS

HB 1176

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1176
1/29/2015
22820

☐ Subcommittee
☐ Conference Committee

Explanation or reason for introduction of bill/resolution:

Relating to mineral revenue received by school districts and oil and gas gross production tax definitions and allocations; to provide appropriations; and to provide an effective date.

Minutes:

Attachments: 13

Chairman Jeff Delzer opened the Hearing on HB 1176.

Vice Chairman Keith Kempenich
Spoke as primary sponsor of the HB 1176 and presented attachment 1

Chairman Jeff Delzer
There's township money on top of that too, you got 6%. The 10 and 7, under the current situation, when the trigger comes on that's apt to change those numbers, right?

Vice Chairman Keith Kempenich
The 5% is isolated.

Chairman Jeff Delzer
If the slowdown continues, it might affect those numbers.

Vice Chairman Keith Kempenich
Yes. The triggers won't affect the 5% gross production tax; it's just strictly on the 6 ½ is how that works. There will be some changes because there are some counties that are just over the $5M.

Chairman Jeff Delzer
Does this bill reference a date or year, or is it just the past year?
Which are over and under $5M?

Vice Chairman Keith Kempenich
It will be on an annual basis.
Continued testimony and explained major changes to the bill on the handout.

Vice Chairman Keith Kempenich
Same concept as the bill had in the past; we're changing the percentages on what goes out to oil country. Attached to handout #1 is the back page on the history of the gross production tax collections and distributions.

Chairman Jeff Delzer
Hold questions for Vice Chairman Keith Kempenich
We have parts that this DOT budget, Land Commissioner's budget, and other places.

Vice Chairman Keith Kempenich
Asked DOT to bring in information, so everyone sees this side by side and how its working together.

Chairman Jeff Delzer
Have you asked Legislative Council?

Vice Chairman Keith Kempenich
No

Chairman Jeff Delzer
Adam, I'd like you to working off of the revenue forecast we adopted this morning.

Vice Chairman Keith Kempenich
I did ask Adam, but until we officially adopted the revenue forecast this morning, they weren't going to run any numbers.
Finished testimony

Chairman Jeff Delzer
Asked for testimony in favor of HB 1176

David Rust Senator from District 2 in Northwest North Dakota:
Handout #2.
Spoke in favor of 1176 with the changes as outlined in his handout having to do with 5% gross production tax. Urged for a do-pass and to correct the formula on page 8; lines 11-15.

Chairman Jeff Delzer
Adam, gather information from Land Dept. on impact dollars to schools.

Brad Bekkedahl, Senator District 1 in Northwest North Dakota
Encouraged a do pass on HB 1176.

Ron Ness, Petroleum Council. Spoke in favor of 1176. (No handout)

Representative Nelson
Ron, one question, I'm having a hard time getting my head around the impact to the additional hub cities?

Ness: Additional hub cities; cities like Bismarck, large percentage of people, the activity has increased the impact on our cities as well. Sets a baseline, people are commuting to work

Representative Nelson
Isn't some of that good?

Ness: extremely good, economy, but it brings challenges. There's a pot of money that should be divided out properly amongst the state. It's limited the ability of these communities to react, but that's what its purpose is.

Dan Brosz, Past President of the ND Association of Oil and Gas Producing Counties from Bowman ND spoke in favor of HB 1176.
Handout #3

Dennis Johnson, Mayor of Dickinson, ND and President of Dickinson City Commission; spoke in favor of passing HB 1176.
Handout #4

Chairman Jeff Delzer
When did you put the numbers together?

Johnson: the month of January.

Chairman Jeff Delzer
Including the numbers from NDSU?

Johnson;
Yes.

Johnson continued testimony in favor of HB 1176.

Representative Glassheim
Do you know what the change in the formula will make to Dickinson?

Chairman Jeff Delzer
Legislative Council will get that.

Representative Nelson
Have the city of Dickinson exempted property tax for new businesses?

Johnson: In the last several years, we are not doing property tax exemptions; other than some low income housing.

Representative Nelson
When you did that, wasn't the argument that although property taxes would be exempt, for a period of time that the home ownership would make up that shortfall and actually increase the tax base?

Johnson: that was not the argument. It was only for businesses located in the city limits. But if all you're getting is residential rooftops, the property tax there only covers about 25% of the expense of servicing people. Our general fund property tax revenue only covers about 25% of general fund expenditures. Many of these people work in other counties outside city.

Chairman Jeff Delzer
Graph page 4; say someone has a house that was worth $100,000 in 2008; what do you estimate your valuation increase on that house has been since then?

Johnson: It could easily have doubled. We've had extreme increases in commercial properties.

Chairman Jeff Delzer
That's commercial; I'm just talking about a house. Want to compare to other areas like Bismarck, Fargo, etc. Since you dropped from 98 to 49 mills; Is the share of property tax that the owner is paying, how does that compare to someone in Jamestown, or whatever?

Johnson: We've tried to keep people's property tax the same. Now every home changes in value. Our prop tax collections have risen, but our property values have risen dramatically and that's included on this chart. As a result, your mills come down. Revenue; there isn't a residential property in Dickinson that pays less than they were paying in 2008.

Chairman Jeff Delzer
When you figure in the states share, how's that work in there? We've increased the amount considerably on that.

Johnson: The school taxes have come down; county and city taxes have continued to rise.

Representative Boehning:
When Legislative Council is putting all that together, can they give us a per capita debt per resident also.

Chairman Jeff Delzer
Adam, check and see if that's available.

Lee Staab, City Manager of Minot ND presented testimony in favor of HB 1176.
Handout #5.

Representative Nelson
What are you seeing, in regards to bidding on projects, based on the slowdown?

Staab: I have not seen a slowdown yet.

Chairman Jeff Delzer
Bids 20% less, hope it a good sign;

Chairman Jeff Delzer
Left for another hearing and assigned Representative Pollert as Chairman.

Representative Pollert
Took over as chair and asked for further testimony.

Senator Bill Bowman, **District 39** presented testimony in favor of a new formula change and in favor of HB 1176. If we can get the revenue, we may not need the surge bill.

Howard Klug newly elected **Mayor of city of Williston; ND** spoke in favor of HB1176. Handout #6

Vice Chairman Keith Kempenich
What is a bond costing you, what kind of rates are you at now?

Klug; deferred the question to city auditor

John Kautzman Williston City Auditor
The rates do vary, but are at historic lows right now. Have been able to sell bonds in the in the 2 ½ to 3% range.

Vice Chairman Keith Kempenich
Your rates are here, but they are floating?

Kautzman: We do have a variable rate loan with the state Industrial Commieesion; for $93M has a base rate of 1.75%, with a cap.

Representative Nelson
Do you know the existing 2% sales tax you levied in 2010, generated in total dollars?

Kaurtzman;
In the $15M range.

Representative Nelson
In an earlier period how is that going?
From a macro standpoint and extreme growth started to occur; just trying to get a baseline of local ability to raise revenues as well as the state's share. Where were you in a previous time, within the boom?

Kautzman; will look up and email to committee.

Klug
One cent city sales tax is allocated to year 2020, to take care of some of the debts we already have. The new sales tax this year; it was a county city cooperative effort. And it was a 50/50 split between city of Williston and other cities in Williams County.

Shane Hart, Councilman from city of Parshall ND;
Testified in favor of HB1176.
Handout #7

Brent Sanford, Mayor of Watford City.
Testified in favor of HB 1176.
Handout #8

Representative Bellew
Did Watford City pass a sales tax for recreation center?

Sanford: not only for that, it was for senior housing, health care, new hospital, community event center and new senior housing project with that tax.

Representative Bellew
Sewer and water is more import than a recreation center. Shouldn't the voters have a chance to vote on something like that?

Sanford: A lot of folks felt that the recreation center was important for new families moving to the community. It showed up as number one in our community needs surveys.
Completed testimony

Bill Wocken City Administrator of City of Bismarck
Testified in favor of HB 1176
Handout #9

Wade Enget, City Attorney for Stanley ND: Testified in favor of the HB 1176.
Handout # 10

Representative Silbernagel
For clarity, the housing developments that have gone in in Stanley, is the developer picking up those costs or are you bonding and special assessing?

Enget: a combination. We will do some bonding, but not all.

Representative Silbernagel
Is that a similar practice in those communities?

Enget: It got to be that. The city council decided they couldn't do it on special assessment alone. We will help, but not fully fund.

Brent Bogar, North Dakota Association of Oil and Gas Producing Counties testified in support of HB 1176
Handout # 11 (Packet of testimony)

Marlyn Vatne Superintendent at Powers Lake ND Public schools testified in support of HB1176.
No handout.

Representative Brandenburg
Per student payments, what are you ending up with on a per student?

Vatne: $5,800.

Dan Kalil, Commissioner, Williams County, ND
Testified in support of HB 1176
No handout.

Dr. Sherlock Hirning, Superintendent of Divide County School in Crosby ND testified in support of HB 1176.
Handout #12

Representative Nelson
Can you give me a brief understanding of what your enrollment numbers have done in the last 5 years or so?

Hirning: in the last 4 years, we had a 60% increase

Representative Nelson
Has there been any capital construction with that increase in school populations?

Hirning: not at this point.

Representative Brandenburg
What is a per student number?

Hirning: Local support is 45%; state support is 55%

Representative Brandenburg
So you're probably, $6000?

Hirning: correct

Steve Holen; Superintendent of Schools; McKenzie County school District #1; current president of Oil and Gas Producing Counties. Testified in support
Handout: #13

Vice Chairman Keith Kempenich
6 years ago, what was your K-4th population?

Holen: well over 4 times of an increase in our K-6 population.

Representative Glassheim
In the bill, do you have any objections to any portion of it, or where the sunset clause is?

Holen: as far as the sunset clause; it is a true factor and a major obstacle for our subdivisions. What we need to have happen is to fix the issue with the $5M if you go over or below. The second part truly is when you look at the ability to leverage your tax base, all we are trying to do is take the amount we lost in property tax is leverage.

School construction is not part of funding; it is outside of that. Not breaking any type of equity rules in what's being proposed in HB 1176

Vice Chairman Keith Kempenich
The current legislation has an end date. These bills end every two years. Has a 2015 sunset in it.

Ben Schafer School Superintendent; Ray ND.
Testified in support; no handout

Scott Rising ND Soybean Growers Association testified in support.
No Handout

Representative Pollert
Opposed?
Neutral?

Wait for announcement from Chairman Jeff Delzer on when Appropriations will reconvene.

Representative Pollert
Closed hearing on HB 1176.

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1176
2/23/2015
24262

☐ Subcommittee
☐ Conference Committee

Explanation or reason for introduction of bill/resolution:
A BILL for an Act to amend and reenact sections 15.1-27-04.1, 57-51-01, and 57-51-15 of the North Dakota Century Code, relating to mineral revenue received by school districts and oil and gas gross production tax definitions and allocations; to provide appropriations; and to provide an effective date.

Minutes: Handout #1, #2, #3

Chairman Jeff Delzer: Adam from the legislative counsel is here to discuss amendment .04001. We will start on page 4. That shows the differences, we will go down the right hand column. It basically covers pretty much everything

Adam: (Handout 1-3) Taking a look at it as you can see starting on page 4 it does compare the two versions. In the original version there was a section in the beginning that allowed some of the allocations to be excluded from the calculation of state aid school payments for construction loans. That was removed in this version. The changes to the Hub City and the Hub City school district allocations on the top of page five. In the original version there was an increase in the amount allocated from that one percent to each Hub City but in this version there aren't and there was also a slight change in the definition of a Hub City, the original version and the new version change it to being defined as being a percentage of oil and gas related employment. Then the original one was just above one percent and any of them that had oil and gas related employment above one percent were considered a Hub City but this would increase the one percent to 7.5 percent so there would be only four cities that would be included as Hub Cities instead of the original nine that were added in the original version.

Representative Nelson: What's the additional city?

Chairman Jeff Delzer: Mandan.

Representative Dosch: What are the four Hub Cities?

Chairman Jeff Delzer: Williston, Dickinson, Minot and Mandan

Adam: So one of the changes that was made in both versions was a separate allocation to school districts that was again from the one percent side of the five percent oil and gas gross production tax. In the original version there was 1.75 million dollars to each county that received 5 million of more and then it would be distributed within that county to each school district based on your average attendance. The proposed version would be 1.5 million but it is only to counties that receive more than 5 million but less than 30 million of oil and gas production taxes.

Chairman Jeff Delzer: What we are doing there is when we had our discussion on this bill the big four reached the point where the 5 percent was equal or even better. What we are doing is we are protecting the smaller counties, the 6 out of the 10, that did not do as well last time. This should pretty much even that out so it's about the same as what under 5 million is under the school.

Adam: Continuing on with the oil and gas impact grant funds were changed from current law down from 240 million dollars to 140 million. That is the same in both versions. There was a change to the allocation of North Dakota outdoor heritage fund, this is just the note the changes that were made in HB 1409. The changes to allocations and distributions to political sub divisions, the main changes there you can see starting with the fourth bullet point down in each of those. The original version had a 60/40 split. The revised version does a 30 percent allocation to the county and 70 percent to the state. That is still an increase of 5 percent over the current law. The amount allocated would increase for 25 percent to 30 percent. It also locks the counties in as to who is over 5 million for the biennium based on the allocations and state fiscal for year 2014 so you would illuminate the concerns.

Chairman Jeff Delzer: What we are trying to do there is make sure that Bottineau and billings had a real good shot at dropping below if we left that on an annual looking at the annual dollars and that kind of messes everything up in the 43 counties to 45 counties. Last time we had a sunset on the bill 1358 would be done in July of this year if we don't pass something now next session if there isn't any recommendation to change is it still going to be based on the 2014 fiscal year as to when they are above or below the 5 million dollar figure or will that have to be changed next time?

Adam: The year 2014 would be going into law so you have to consider it the next time around. At the very bottom of page 5 you can see amendments that have the changes to the allocations with in the county. So the counties would receive 64 percent under the proposed changes. Cities that stay the same at 20 percent, schools the same at 5 percent, townships would decrease by 2 percent over all, 1 percent in each of the two categories and Hub Cities are at 9 percent under current law and they would be going down to 7 percent so a 2 percent reduction.

Chairman Jeff Delzer: The reason for the that discussion is first place on the townships when you get a list of how much money that 6 percent was for the townships it ended up to be some pretty big numbers. Part of what we are trying to do with townships is keep them somewhat the same as we are doing the rest. This is will still be more and the average was close to 40,000 to 60,000 dollars a year for the townships in those 10 counties. The Hub Cities, the issues there is the counties were pretty upset at the conference committee last year that we went from 7 to 9 and took a little bit away from the counties on that. So that is part of this. We are also dealing with some dollars on the impact side limiting the Hub Cities so that the counties are protected there.

Adam: On page 6 there were some other sections on the bill. Both sections were included previously in both versions it is just kind of a change in some of the dollar amounts. The first one talks about the distributions to non-oil counties for transportation need. Originally it was 120 million and this was revised to 112 million and I think that is reflective of the same amount that was in 2103 and then the second appropriation originally when the bill was put together was unknown how much would be needed for the administrative costs for the department of trust funds and so the number one 139 million is picked leaving them a million for administrative costs. That number is now been determined it has been refined and reflected in this version so it would be 139.6 million of the 140 that would be available for grants. Then of that there were some designations that were added so there would be a 40.8 million designated for certain areas.

Chairman Jeff Delzer: The make up for that is on page 3 and 4 of handout #1. One of the things we did last time is we did limit the amount that could go to the Hub Cities in 1358. That was a pretty good process because the Hub Cities get taken care of in the top end of the formula so we are limiting that to 10 million the most you could receive is 4 million. The 20 million for schools is listed to kind of take care of the imputing issue that was in 1178. Money that comes out from the impact dollars are not imputed and this is to deal with growth areas on schools out there and we are limiting those to 10 million for any school district from July 1, 2011 to July 1, 2017. Then we have 4, 5 and 6 that deal with 2103 there was some issues for the fringe area of cities. We lowered that dollar figure and there are 2 or three cities that are pretty highly impacted but have not had any opportunities to receive money out of the impact grants in the past. That's 500,000 dollars and basically we don't say a name but all of us can figure out what are doing there is Kenmare, Berthold and Burlington.

Representative Nelson: I am wondering about Mandan's impacts?

Chairman Jeff Delzer: There is quite a bit of growth in Mandan related to the oil industry because it's the closest big city on the west side.

Representative Nelson: In visiting with people about this and the need to take care of the growth in areas like Dickinson or Williston. I cannot understand how Mandan can be included.

Representative Sanford: This is an observation and that is that we have come through two lawsuits for equity issues with school districts and offer additional grants. Long term we are getting close to where equity issue is out of balance and so there is one district that brought the last lawsuit that is now all the sudden way on the other end.

Chairman Jeff Delzer: It's a moving target I don't know how you answer it. I can't support 1178 and that's why.

Representative Streyle: I move the amendment.

Representative Schmidt: Second.

Motion to Amend .04001
Motion made by Representative Streyle.
Seconded by Representative Schmidt.
Voice Vote.
Motion Carried.

Representative Boe: Explained .04002. The short version of this explanation is that instead of a 60/40 plan this is a 70/30 plan. 50 percent goes to the western counties and through the formula that was presented in the original bill. 20 percent goes to non-oil producing counties by population, 30 percent goes to the legacy fund. Of that 20 percent it it's a 50/50 split between non-oil producing counties and cities.

Representative Holman: The bill deals with only three major cities; Minot, Williston, and Dickinson instead of the four that we mentioned before. The 10 big cities and the 10 big schools are out but they are getting an additional 10 percent more to cities and counties as a result of the 50 percent and the 20 percent, which is split evenly between counties based on population.

Representative Boe: I move to further amend with .04002

Representative Hogan: Second.

Motion to Furth Amend with Amendment .04002
Motion made by Representative Boe.
Seconded by Representative Hogan.
Voice Vote
Motion Failed.

Representative Nelson: Moved to change the percent's from 7.5 to 10 percent.

Chairman Jeff Delzer: If we changed it to 10 percent they would get something.

Representative Nelson: Let's go back to the original language then, the three cities that would be my motion.

Representative Skarphol: I believe by going back, and I am assuming the motion means not using a newly refined job service categories but to revert back to the mining definition and that is a big problem because it dramatically changes the numbers for those three hub cities.

Representative Nelson: That would by motion to change the percentage to 10 percnet for the sake of discussion if nothing else.

Representative Boe: Second

A motion to further amend to increase the percentage from 7.5 to 10 percent on oil and gas definition for Hub Citites.
Motion made by Representative Nelson.
Seconded by Representative Boe.
Total Yes 9. No 14. Absent 0.
Motion Failed.

Representative Glassheim: The original bill had 4 million I think in Grand Forks was included as well as the 10 Hub Cities.

Chairman Jeff Delzer: I think it was Grand Forks, West Fargo and Jamestown but in all honesty I can't see how we can go there.

Representative Glassheim: What was the percent that included them?

Chairman Jeff Delzer: One percent.

Representative Pollert: I find myself wanting to agree with Representative Glassheim but I just can't go there 100 percent because of those us in non-oil producing the 60/40 was a huge deal not to support. But on the other hand I have the Jamestown and Carrington so no matter what I do I get something not favorable.

Representative Skarphol: When you change the dynamics of the situation I think a thresh hold is appropriate because at some point in time you change the dynamics. The nice paying jobs like the engineers and the technology people they become members of the community and provide stability and we don't always have the benefits of the best in society in the west to deal with in regards to the industry.

Chairman Jeff Delzer: There is certainly impact somewhere there is no question about that. It's a question that somewhere we have a threshold.

Representative Glassheim: People working out west who are living in Grand Forks who are sending their kids to school there, families find it better than whoever is working out there. I don't have the numbers I don't know if it's 10 or a hundred but we are having to build a new school. What percent of that comes from the people working in the west?

Representative Nelson: Create an impact bank and start from a period from 40 years ago that the impacts never changed much like the Mandan issue where there was a different time in job creation. There was a city in North Dakota that wouldn't have excepted that refinery back when it was built and now they benefit, the city and the region has benefited from the refinery being built there but now we put it into and impact bank 40 years later. Keep your banks going because maybe someday you will qualify.

Chairman Jeff Delzer: We have to be cognizant to the fact that we need to start looking at all of this stuff instead of being totaling grants we should maybe look at setting up some sort of oil related loan program like they had with the coal impact side instead of just preventatives but for now this is a bill that we have before us and quite frankly we were supposed to have the bill out today, I guess I would kind of hope that we would go ahead and pass it out. The issue will be alive the second half I'm sure it's going to be a conference committee.

Representative Streyle: I would like to offer an amendment on this to change kind of the dynamics of the energy and oil and gas impact to say energy impact. Therefore allowing some of the other energy related impacts to occur, such as coal and etc., Natural gas was already include in there but we will deal with that in the senate. I really think that coal should be a part of this dynamic as well in the impact fund but we can deal with that later.

Representative Streyle: I move a Do Pass As Amended.

Representative Kempenich: Second.

Motion for a Do Pass As Amended.
Motion made by Representative Streyle.
Seconded by Representative Kempenich.
Total Yes 15. No 8. Absent 0.
Motion Carried
Floor Assignment Representative Delzer.

HB 1176 Approved Amendment w/Title # 8/24/15 116

15.0329.04001
Title.05000

Prepared by the Legislative Council staff for
Representative Delzer
February 21, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1176

Page 1, line 1, remove "15.1-27-04.1,"

Page 1, line 1, remove the second comma

Page 1, line 2, remove "mineral revenue received by school districts and"

Page 1, line 3, after the second semicolon insert "to provide exemptions; to provide for reports to the budget section;"

Page 1, remove lines 6 through 23

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 29

Page 5, remove lines 1 through 12

Page 5, line 25, overstrike "one" and insert immediately thereafter "<u>seven and one-half</u>"

Page 8, line 2, remove the overstrike over "~~three hundred seventy-five~~"

Page 8, line 2, remove "<u>five hundred</u>"

Page 8, line 7, remove the overstrike over "~~twenty-five~~"

Page 8, line 7, remove "<u>fifty</u>"

Page 8, line 11, after "<u>Allocate</u>" insert "<u>to each county that received more than five million dollars but less than thirty million dollars of total allocations under subsection 2 in state fiscal year 2014</u>"

Page 8, line 11, replace "<u>seven</u>" with "<u>five</u>"

Page 8, line 12, remove "<u>fifty</u>"

Page 8, line 13, remove "<u>for each</u>"

Page 8, remove line 14

Page 8, line 15, remove "<u>in the most recently completed state fiscal year</u>"

Page 8, line 18, overstrike "four" and insert immediately thereafter "<u>eight</u>"

Page 8, line 19, overstrike "fifteen" and insert immediately thereafter "<u>twenty</u>"

Page 8, line 20, overstrike "thirty" and insert immediately thereafter "<u>forty</u>"

Page 9, line 1, replace "<u>sixty</u>" with "<u>thirty</u>"

Page 9, line 12, overstrike "the most recently completed"

Page 9, line 12, after "year" insert "<u>2014</u>"

Page 10, line 8, overstrike "the most recently completed"

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Page 10, line 8, after "year" insert "2014"

Page 10, line 10, overstrike "Sixty" and insert immediately thereafter "Sixty-four"

Page 11, line 1, overstrike "Three" and insert immediately thereafter "Two"

Page 11, line 11, overstrike "Three" and insert immediately thereafter "Two"

Page 11, line 21, overstrike "Nine" and insert immediately thereafter "Seven"

Page 18, remove lines 6 through 31

Page 19, replace lines 1 through 31 with:

"SECTION 3. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $112,000,000, or so much of the sum as may be necessary, to the department of transportation for the purpose of distributions to non-oil-producing counties, for the biennium beginning July 1, 2015, and ending June 30, 2017. The distributions must be based on county major collector roadway miles as defined by the department of transportation. The distribution to each non-oil-producing county must be proportional to each non-oil-producing county's total county major collector roadway miles relative to the combined total of county major collector roadway miles of all the eligible non-oil-producing counties under this section. For purposes of this section, "non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than $5,000,000 for the period beginning September 1, 2013, and ending August 31, 2014. The amounts available under this section must be distributed on or after February 1, 2016.

1. a. Each county requesting funding under this section for county road and bridge projects shall submit the request in accordance with criteria developed by the department of transportation. The request must include a proposed plan for funding projects that rehabilitate or reconstruct paved and unpaved roads and bridges within the county which are needed to support economic activity in the state. The plan must meet the following criteria:

   (1) Roadways and bridges must provide continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders.

   (2) Projects must be consistent with the upper great plains transportation institute's estimated road and bridge investment needs for the years 2015 to 2034 and other planning studies.

   (3) Upon completion of a major roadway construction or reconstruction project, the roadway segment must be posted at a legal load limit of 105,500 pounds [47853.995 kilograms].

   (4) Design speed on the roadway must be at least 55 miles per hour [88.51 kilometers per hour], unless the department of transportation provides an exemption.

   (5) Projects must comply with the American association of state highway transportation officials pavement design procedures

and standards developed by the department of transportation in conjunction with the local jurisdiction.

(6) Bridges must be designed to meet an HL 93 loading.

b. The department of transportation, in consultation with the county, may approve the plan or approve the plan with amendments. Upon approval of the plan, the department of transportation shall transfer to the county the approved funding for engineering and plan development costs. Upon execution of a construction contract by the county, the department of transportation shall transfer to the county the approved funding for county and township rehabilitation and reconstruction projects. Counties shall report to the department of transportation upon awarding of each contract and upon completion of each project in a manner prescribed by the department.

c. Funding provided under this section may be used for construction, engineering, and plan development costs, but may not be used for routine maintenance. Funding provided under this section may be applied to engineering, design, and construction costs incurred on related projects as of January 1, 2016. Section 54-44.1-11 does not apply to funding under this section. Any funds not spent by June 30, 2017, must be continued into the biennium beginning July 1, 2017, and ending June 30, 2019, and may be expended only for the purposes authorized by this section. The funding provided in this section is considered a one-time funding item.

2. The department of transportation shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding, including the amounts distributed to each county, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium."

Page 20, line 1, after "**FUND**" insert "**- GRANT RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION**"

Page 20, line 3, replace "$139,000,000" with "$139,626,588"

Page 20, line 6, after the period insert "The commissioner of the board of university and school lands shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided in this section, including the amounts awarded to taxing districts, the amounts spent to date, and the amounts anticipated to be continued into the 2017-2019 biennium. During the biennium beginning July 1, 2015, and ending June 30, 2017, the energy infrastructure and impact office director shall include in recommendations to the board of university and school lands on grants to eligible entities in oil and gas development impact areas:

1. $10,000,000, or so much of the sum as may be necessary, for grants to airports impacted by oil and gas development. The director of the energy infrastructure and impact office shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection, which must include cost-share requirements. Cost-share requirements must consider the availability of local funds to support the project. Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding.

2. $10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A hub city is a city that received an allocation under subdivision a of subsection 1 of section 57-51-15 in state fiscal year 2014. A hub city is eligible to receive grants from the oil and gas impact grant fund only to the extent provided for under this subsection. Of the funding provided in this subsection, a hub city may receive no more than $4,000,000.

3. $20,000,000, or so much of the sum as may be necessary, for grants to school districts impacted by oil and gas development. Grant funds may be used only for purposes relating to renovation and improvement projects. A school district is eligible to receive grants from the oil and gas impact grant fund only to the extent that the amount awarded does not bring the total amount of grants awarded from the oil and gas impact grant fund to the school district for the period beginning July 1, 2011, and ending June 30, 2017, to more than $10,000,000.

4. $500,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,084, but fewer than 1,097 according to the last official decennial federal census.

5. $200,000 or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 445, but fewer than 475 according to the last official decennial federal census.

6. $100,000 or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,019, but fewer than 1,070 according to the last official decennial federal census."

Page 20, line 7, replace "2" with "1"

Page 20, line 7, replace "3" with "2"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

The schedule below compares 2015 House Bill No. 1176 as introduced [15.0329.04000] to the proposed House changes [15.0329.04001].

House Bill No. 1176	
As Introduced [15.0329.04000]	**Proposed House Changes [15.0329.04001]**
School construction loan payments • Excludes up to 80 percent of the 75 percent of a school district's oil and gas gross production tax distributions that are utilized in the calculation of state school aid payments if the distribution is used to pay eligible school construction loans or bonds.	**School construction loan payments** • No change to current law.
Hub cities and hub city school districts	**Hub cities and hub city school districts**

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• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 percent to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.
• Increases the annual amounts allocated to hub cities under North Dakota Century Code Section 57-51-15(1) from $375,000 per percentage point of oil and gas-related employment to $500,000 per percentage point.	• No change to current law.
• Increases the annual amounts allocated to hub city school districts under Section 57-51-15(1) from $125,000 per percentage point of oil and gas-related employment to $150,000 per percentage point.	• No change to current law.
Additional school district allocation	**Additional school district allocation**
• Allocates $1.75 million each fiscal year for each county that received $5 million or more of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year for each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**
• No change to current law.	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year
Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.
• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.	• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.
• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.	• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 60 percent of all revenue above $5 million.	• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.
• No change to current law.	• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.
• No change to current law.	• Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:

	Current Law	Proposed Changes
County general fund	60%	64%
Cities	20%	20%
Schools	5%	5%
Townships (equal)	3%	2%
Townships (road miles)	3%	2%
Hub cities	3%	7%

Other sections	**Other sections**
• Provides funding of $120 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles. • Appropriates $139 million ($140 million allocated to the fund less approximately $1 million for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for undesignated oil impact grants.	• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles. • Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows: $10 million for airports $10 million for hub cities $20 million for school districts $800,000 to certain eligible cities

Prepared by the Legislative Council staff for
Representative Onstad
February 23, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1176

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to oil and gas gross production tax allocations; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

57-51-15. ~~(Effective for taxable events occurring through June 30, 2015)~~ Gross production tax allocation.

The gross production tax must be allocated monthly as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:

    a. Allocate to each hub city a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to <u>annual</u> data compiled by job service North Dakota;

    b. Allocate to each hub city school district a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in the mining industry, according to <u>annual</u> data compiled by job service North Dakota;

    c. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding two hundred forty million dollars per biennium;

    d. Credit four percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;

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

    f. Allocate the remaining revenues under subsection 3.

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

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

    b. Of all annual revenue exceeding five million dollars~~, twenty-five percent is allocated to the county~~:

        (1) Fifty percent is allocated to the county; and

        (2) Twenty percent is allocated to the non-oil-producing counties allocation fund for allocation among non-oil-producing counties at the times revenues are distributed to oil-producing counties under this section.

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

4. For ~~a~~an oil-producing county that received an allocation but received less than five million dollars of allocations under subsection 2 in the most recently completed state fiscal year, revenues allocated to that county must be distributed by the state treasurer as follows:

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

    b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the state treasurer no less than quarterly to school districts within the county, excluding consideration of and allocation to any hub city school district in the county, on the average daily attendance distribution basis, as certified to the state treasurer by the county superintendent of schools.

    c. Twenty percent must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. A hub city must be omitted from apportionment under this subdivision. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

5. For ~~a~~an oil-producing county that received five million dollars or more of allocations under subsection 2 in the most recently completed state fiscal year, revenues allocated to that county must be distributed by the state treasurer as follows:

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

   b. Five percent must be apportioned by the state treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis for kindergarten through grade twelve students residing within the county, as certified to the state treasurer by the county superintendent of schools. However, a hub city school district must be omitted from consideration and apportionment under this subdivision.

   c. Twenty percent must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. A hub city must be omitted from apportionment under this subdivision. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

   d. Three percent must be apportioned no less than quarterly by the state treasurer among the organized and unorganized townships of the county. The state treasurer shall apportion the funds available under this subdivision among townships in the proportion that township road miles in the township bear to the total township road miles in the county. The amount apportioned to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

   e. Three percent must be allocated by the state treasurer among the organized and unorganized townships in all the counties that received five million dollars or more of allocations under subsection 2 in the most recently completed state fiscal year. The amount available under this subdivision must be allocated no less than quarterly by the state treasurer in an equal amount to each eligible organized and unorganized township. The amount allocated to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

   f. Nine percent must be allocated by the state treasurer among hub cities. The amount available for allocation under this subdivision must be apportioned by the state treasurer no less than quarterly among hub cities. Sixty percent of funds available under this subdivision must be distributed to the hub city receiving the greatest percentage of allocations to hub cities under subdivision a of subsection 1 for the quarterly period, thirty percent of funds available under this subdivision must be distributed to the hub city receiving the second greatest percentage of such allocations, and ten percent of funds available under this subdivision must be distributed to the hub city receiving the third greatest percentage of such allocations.

6. For a non-oil-producing county that did not receive any allocations under subsection 2 from oil produced within that county in the most recently completed state fiscal year, revenues allocated to that county from the non-oil-producing counties allocation fund must be distributed by the state treasurer as follows:

   a. The state treasurer shall allocate the amount available for distribution from the non-oil-producing counties allocation fund among non-oil-producing counties in the proportion the population of each non-oil-producing county bears to the total population of all non-oil-producing counties.

   b. The state treasurer shall distribute fifty percent of the amount allocated to each non-oil-producing county to the county treasurer for deposit in the county general fund.

   b. The state treasurer shall distribute fifty percent of the amount allocated to each non-oil-producing county among the cities of the county in the proportion the population of each city bears to the total population of all cities in the county.

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

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

   b. The amount allocated to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.

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

~~**(Effective for taxable events occurring after June 30, 2015) Gross production tax allocation.** The gross production tax must be allocated monthly as follows:~~

~~1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:~~

~~a. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota;~~

~~b. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding one hundred million dollars per biennium;~~

~~c. Credit four percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;~~

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

~~e. Allocate the remaining revenues under subsection 3.~~

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

~~a. The first two million dollars is allocated to the county.~~

~~b. Of the next one million dollars, seventy-five percent is allocated to the county.~~

~~c. Of the next one million dollars, fifty percent is allocated to the county.~~

~~d. Of the next fourteen million dollars, twenty-five percent is allocated to the county.~~

~~e. Of all annual revenue exceeding eighteen million dollars, ten percent is allocated to the county.~~

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

~~4. The amount to which each county is entitled under subsection 2 must be allocated within the county so the first five million three hundred fifty thousand dollars is allocated under subsection 5 for each fiscal year and any amount received by a county exceeding five million three hundred fifty thousand dollars is credited by the county treasurer to the county infrastructure fund and allocated under subsection 6.~~

~~5. a. Forty-five percent of all revenues allocated to any county for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.~~

~~The countywide allocation to school districts under this subdivision is subject to the following:~~

~~(1) The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.~~

~~(2) The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.~~

~~(3) The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.~~

~~(4) The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.~~

~~(5) Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:~~

~~(a) Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.~~

~~(b) Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.~~

~~(c) Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.~~

~~c. Twenty percent of all revenues allocated to any county for allocation under this subsection must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

~~6. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 4 and 5 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsections 4 and 5 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township~~

~~roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.~~

~~c.~~ ~~Twenty percent of all revenues allocated to any county infrastructure fund under subsections 4 and 5 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

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

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

~~b.~~ ~~The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.~~

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

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2015."

Renumber accordingly

Date: 2/23/15

Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

House **Appropriations Committee**

☐ Subcommittee

Amendment LC# or Description: 15.0329.04001

Recommendation: ☑ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ________

Motion Made By: Streyle Seconded By: Schmidt

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer				Representative Nelson				Representative Boe			
Vice Chairman Keith Kempenich				Representative Pollert				Representative Glassheim			
Representative Bellew				Representative Sanford				Representative Guggisberg			
Representative Brandenburg				Representative Schmidt				Representative Hogan			
Representative Boehning				Representative Silbernagel				Representative Holman			
Representative Dosch				Representative Skarphol							
Representative Kreidt				Representative Streyle							
Representative Martinson				Representative Thoreson							
Representative Monson				Representative Vigesaa							

Totals

(Yes)	
No	
Absent	
Grand Total	

Voice Vote
Motion Carries

Floor Assignment: ________

If the vote is on an amendment, briefly indicate intent: ________

#1

Date: 2/23/15

Roll Call Vote #: 2

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

House **Appropriations Committee**

☐ Subcommittee

Amendment LC# or Description: 15.0329.04002

Recommendation: Further Amend
☑ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ______

Motion Made By: Boe Seconded By: Hogan

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer				Representative Nelson				Representative Boe			
Vice Chairman Keith Kempenich				Representative Pollert				Representative Glassheim			
Representative Bellew				Representative Sanford				Representative Guggisberg			
Representative Brandenburg				Representative Schmidt				Representative Hogan			
Representative Boehning				Representative Silbernagel				Representative Holman			
Representative Dosch				Representative Skarphol							
Representative Kreidt				Representative Streyle							
Representative Martinson				Representative Thoreson							
Representative Monson				Representative Vigesaa							

Totals

(Yes)	
No	
Absent	
Grand Total	

Voice Vote
Motion Failed

Floor Assignment:

If the vote is on an amendment, briefly indicate intent:

Handout #2

Date: 2/23/15

Roll Call Vote #: 3

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

House **Appropriations Committee**

☐ Subcommittee

Amendment LC# or Description: 15.0329.04001

Recommendation: ☑ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By: Nelson Seconded By: Boe

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer		✓		Representative Nelson	✓			Representative Boe	✓		
Vice Chairman Keith Kempenich		✓		Representative Pollert	✓			Representative Glassheim	✓		
Representative Bellew	✓			Representative Sanford		✓		Representative Guggisberg	✓		
Representative Brandenburg		✓		Representative Schmidt		✓		Representative Hogan		✓	
Representative Boehning		✓		Representative Silbernagel	✓			Representative Holman	✓		
Representative Dosch		✓		Representative Skarphol		✓					
Representative Kreidt		✓		Representative Streyle		✓					
Representative Martinson		✓		Representative Thoreson		✓					
Representative Monson	✓			Representative Vigesaa		✓					
		7				6				1	

Totals

(Yes)	9
No	14
Absent	0
Grand Total	23

Motion Failed

Floor Assignment:

If the vote is on an amendment, briefly indicate intent:
increase from 7.5% to 10% threshold

Date: 2/23/15

Roll Call Vote #: 4

2015 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

House **Appropriations Committee**

☐ Subcommittee

Amendment LC# or Description: 15.0329.04001

Recommendation:	☐ Adopt Amendment	
	☑ Do Pass ☐ Do Not Pass	☐ Without Committee Recommendation
	☑ As Amended	☐ Rerefer to Appropriations
	☐ Place on Consent Calendar	
Other Actions:	☐ Reconsider	☐ ______________

Motion Made By: Streyle Seconded By: Kempenich

Representatives	Yes	No	Absent	Representatives	Yes	No	Absent	Representatives	Yes	No	Absent
Chairman Jeff Delzer	✓			Representative Nelson		✓		Representative Boe		✓	
Vice Chairman Keith Kempenich	✓			Representative Pollert	✓			Representative Glassheim		✓	
Representative Bellew		✓		Representative Sanford	✓			Representative Guggisberg	✓		
Representative Brandenburg	✓			Representative Schmidt	✓			Representative Hogan	✓		
Representative Boehning		✓		Representative Silbernagel	✓			Representative Holman		✓	
Representative Dosch		✓		Representative Skarphol	✓						
Representative Kreidt	✓			Representative Streyle	✓						
Representative Martinson		✓		Representative Thoreson	✓						
Representative Monson	✓			Representative Vigesaa	✓						
	5	4	0		8	1	0		2	3	0

Totals

(Yes)	15
No	8
Absent	0
Grand Total	23

Floor Assignment: Delzer

If the vote is on an amendment, briefly indicate intent: ______________

REPORT OF STANDING COMMITTEE

HB 1176: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (15 YEAS, 8 NAYS, 0 ABSENT AND NOT VOTING). HB 1176 was placed on the Sixth order on the calendar.

Page 1, line 1, remove "15.1-27-04.1,"

Page 1, line 1, remove the second comma

Page 1, line 2, remove "mineral revenue received by school districts and"

Page 1, line 3, after the second semicolon insert "to provide exemptions; to provide for reports to the budget section;"

Page 1, remove lines 6 through 23

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 29

Page 5, remove lines 1 through 12

Page 5, line 25, overstrike "one" and insert immediately thereafter "<u>seven and one-half</u>"

Page 8, line 2, remove the overstrike over "~~three hundred seventy-five~~"

Page 8, line 2, remove "<u>five hundred</u>"

Page 8, line 7, remove the overstrike over "~~twenty-five~~"

Page 8, line 7, remove "<u>fifty</u>"

Page 8, line 11, after "<u>Allocate</u>" insert "<u>to each county that received more than five million dollars but less than thirty million dollars of total allocations under subsection 2 in state fiscal year 2014</u>"

Page 8, line 11, replace "<u>seven</u>" with "<u>five</u>"

Page 8, line 12, remove "<u>fifty</u>"

Page 8, line 13, remove "<u>for each</u>"

Page 8, remove line 14

Page 8, line 15, remove "<u>in the most recently completed state fiscal year</u>"

Page 8, line 18, overstrike "four" and insert immediately thereafter "<u>eight</u>"

Page 8, line 19, overstrike "fifteen" and insert immediately thereafter "<u>twenty</u>"

Page 8, line 20, overstrike "thirty" and insert immediately thereafter "<u>forty</u>"

Page 9, line 1, replace "<u>sixty</u>" with "<u>thirty</u>"

Page 9, line 12, overstrike "the most recently completed"

Page 9, line 12, after "year" insert "<u>2014</u>"

Page 10, line 8, overstrike "the most recently completed"

Page 10, line 8, after "year" insert "2014"

Page 10, line 10, overstrike "Sixty" and insert immediately thereafter "Sixty-four"

Page 11, line 1, overstrike "Three" and insert immediately thereafter "Two"

Page 11, line 11, overstrike "Three" and insert immediately thereafter "Two"

Page 11, line 21, overstrike "Nine" and insert immediately thereafter "Seven"

Page 18, remove lines 6 through 31

Page 19, replace lines 1 through 31 with:

"**SECTION 3. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $112,000,000, or so much of the sum as may be necessary, to the department of transportation for the purpose of distributions to non-oil-producing counties, for the biennium beginning July 1, 2015, and ending June 30, 2017. The distributions must be based on county major collector roadway miles as defined by the department of transportation. The distribution to each non-oil-producing county must be proportional to each non-oil-producing county's total county major collector roadway miles relative to the combined total of county major collector roadway miles of all the eligible non-oil-producing counties under this section. For purposes of this section, "non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than $5,000,000 for the period beginning September 1, 2013, and ending August 31, 2014. The amounts available under this section must be distributed on or after February 1, 2016.

1. a. Each county requesting funding under this section for county road and bridge projects shall submit the request in accordance with criteria developed by the department of transportation. The request must include a proposed plan for funding projects that rehabilitate or reconstruct paved and unpaved roads and bridges within the county which are needed to support economic activity in the state. The plan must meet the following criteria:

    (1) Roadways and bridges must provide continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders.

    (2) Projects must be consistent with the upper great plains transportation institute's estimated road and bridge investment needs for the years 2015 to 2034 and other planning studies.

    (3) Upon completion of a major roadway construction or reconstruction project, the roadway segment must be posted at a legal load limit of 105,500 pounds [47853.995 kilograms].

    (4) Design speed on the roadway must be at least 55 miles per hour [88.51 kilometers per hour], unless the department of transportation provides an exemption.

    (5) Projects must comply with the American association of state highway transportation officials pavement design procedures

and standards developed by the department of transportation in conjunction with the local jurisdiction.

(6) Bridges must be designed to meet an HL 93 loading.

b. The department of transportation, in consultation with the county, may approve the plan or approve the plan with amendments. Upon approval of the plan, the department of transportation shall transfer to the county the approved funding for engineering and plan development costs. Upon execution of a construction contract by the county, the department of transportation shall transfer to the county the approved funding for county and township rehabilitation and reconstruction projects. Counties shall report to the department of transportation upon awarding of each contract and upon completion of each project in a manner prescribed by the department.

c. Funding provided under this section may be used for construction, engineering, and plan development costs, but may not be used for routine maintenance. Funding provided under this section may be applied to engineering, design, and construction costs incurred on related projects as of January 1, 2016. Section 54-44.1-11 does not apply to funding under this section. Any funds not spent by June 30, 2017, must be continued into the biennium beginning July 1, 2017, and ending June 30, 2019, and may be expended only for the purposes authorized by this section. The funding provided in this section is considered a one-time funding item.

2. The department of transportation shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding, including the amounts distributed to each county, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium."

Page 20, line 1, after "**FUND**" insert "**- GRANT RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION**"

Page 20, line 3, replace "$139,000,000" with "$139,626,588"

Page 20, line 6, after the period insert "The commissioner of the board of university and school lands shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided in this section, including the amounts awarded to taxing districts, the amounts spent to date, and the amounts anticipated to be continued into the 2017-2019 biennium. During the biennium beginning July 1, 2015, and ending June 30, 2017, the energy infrastructure and impact office director shall include in recommendations to the board of university and school lands on grants to eligible entities in oil and gas development impact areas:

1. $10,000,000, or so much of the sum as may be necessary, for grants to airports impacted by oil and gas development. The director of the energy infrastructure and impact office shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection, which must include cost-share requirements. Cost-share requirements must consider the availability of local funds to support the project. Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding.

2. $10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A hub city is a city that received an allocation under subdivision a of subsection 1 of section 57-51-15 in state fiscal year 2014. A hub city is eligible to receive grants from the oil and gas impact

grant fund only to the extent provided for under this subsection. Of the funding provided in this subsection, a hub city may receive no more than $4,000,000.

3. $20,000,000, or so much of the sum as may be necessary, for grants to school districts impacted by oil and gas development. Grant funds may be used only for purposes relating to renovation and improvement projects. A school district is eligible to receive grants from the oil and gas impact grant fund only to the extent that the amount awarded does not bring the total amount of grants awarded from the oil and gas impact grant fund to the school district for the period beginning July 1, 2011, and ending June 30, 2017, to more than $10,000,000.

4. $500,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,084, but fewer than 1,097 according to the last official decennial federal census.

5. $200,000 or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 445, but fewer than 475 according to the last official decennial federal census.

6. $100,000 or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,019, but fewer than 1,070 according to the last official decennial federal census."

Page 20, line 7, replace "2" with "1"

Page 20, line 7, replace "3" with "2"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

The schedule below compares 2015 House Bill No. 1176 as introduced [15.0329.04000] to the proposed House changes [15.0329.04001].

House Bill No. 1176	
As Introduced [15.0329.04000]	**Proposed House Changes [15.0329.04001]**
School construction loan payments	**School construction loan payments**
• Excludes up to 80 percent of the 75 percent of a school district's oil and gas gross production tax distributions that are utilized in the calculation of state school aid payments if the distribution is used to pay eligible school construction loans or bonds.	• No change to current law.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 percent to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.
• Increases the annual amounts allocated to hub cities under North Dakota Century Code Section 57-51-15(1) from $375,000 per percentage point of oil and gas-related employment to $500,000 per percentage point.	• No change to current law.
• Increases the annual amounts allocated to hub city school districts under Section 57-51-15(1) from $125,000 per percentage point of oil and gas-related employment to $150,000 per percentage point.	• No change to current law.
Additional school district allocation	**Additional school district allocation**

<table>
<tr><td>• Allocates $1.75 million each fiscal year for each county that received $5 million or more of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.</td><td>• Allocates $1.5 million each fiscal year for each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.</td></tr>
<tr><td>Oil and gas impact grant fund allocations
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.</td><td>Oil and gas impact grant fund allocations
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.</td></tr>
<tr><td>North Dakota outdoor heritage fund allocations
• No change to current law.</td><td>North Dakota outdoor heritage fund allocations
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year</td></tr>
<tr><td>Allocations and distributions to political subdivisions
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.</td><td>Allocations and distributions to political subdivisions
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.</td></tr>
<tr><td>• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.</td><td>• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.</td></tr>
<tr><td>• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.</td><td>• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.</td></tr>
<tr><td>• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 60 percent of all revenue above $5 million.</td><td>• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.</td></tr>
<tr><td>• No change to current law.</td><td>• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.</td></tr>
<tr><td>• No change to current law.</td><td>• Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:
<table>
<tr><th></th><th>Current Law</th><th>Proposed Changes</th></tr>
<tr><td>County general fund</td><td>60%</td><td>64%</td></tr>
<tr><td>Cities</td><td>20%</td><td>20%</td></tr>
<tr><td>Schools</td><td>5%</td><td>5%</td></tr>
<tr><td>Townships (equal)</td><td>3%</td><td>2%</td></tr>
<tr><td>Townships (road miles)</td><td>3%</td><td>2%</td></tr>
<tr><td>Hub cities</td><td>3%</td><td>7%</td></tr>
</table></td></tr>
<tr><td>Other sections
• Provides funding of $120 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.</td><td>Other sections
• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.</td></tr>
<tr><td>• Appropriates $139 million ($140 million allocated to the fund less approximately $1 million for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for undesignated oil impact grants.</td><td>• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows:
$10 million for airports
$10 million for hub cities
$20 million for school districts
$800,000 to certain eligible cities</td></tr>
</table>

2015 SENATE APPROPRIATIONS

HB 1176

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1176
3/30/2015
Job # 25596 *(1:26:51)*

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	

Explanation or reason for introduction of bill/resolution:

Relating to oil and gas gross production tax definitions and allocations.

Minutes: 24 Attachments

Legislative Council - Adam Mathiak
OMB - Becky Keller

Chairman Holmberg called the committee to order on HB 1176.

District 39 Representative Keith Kempenich, Prime Bill Sponsor
Representative Kempenich: This is basically the formula distribution of the gross production tax for oil producing counties.

Chairman Holmberg: the subcommittee will be Senator Sorvaag, Senator Bowman and Senator O'Connell.

District 1 Senator Bekkedahl, Bill Sponsor (see attachment #1-2)

(4:25) **Brent Boger**, ND Association of Oil and Gas Producing Counties *(see attachment #3)*
Boger: A lot of the bill has stayed the same as it came over from the House.

(11:55) **Senator G. Lee**: The bill was pretty rigid in terms of its expenditures by the counties. Does this allow them to use it based on the needs that they have in their individual counties?
Boger: Yes, it is the intent to allow the flexibility for the counties to use as needed.

Senator Mathern: What was the process that was used to get to these amendments? Who was in the room to come to this conclusion of these amendments?
Boger: It was a wide variety of individuals who worked on this such as the Association of Counties, the Oil and Gas Counties Association, the Western Caucus, the legislators from the oil and gas producing counties as well as a number of the cities and county commissioners that are directly impacted- a wide range of people. We worked with the majority leader as he worked with Legislative Council to get the amendments drafted.

Senator Mathern: There is a number of things in this bill that were taken out of the Surge bill that we first sent over from the Senate and were defeated by floor action. I had offered some floor amendments and I see them back in here now. I am concerned about how this was put together. It seems like people have comes to see it in a different way now than a couple months ago.
Boger: The Surge bill didn't come out necessarily like the oil and gas counties would have liked to see that, but the funding we did get was still appreciated. This is an adjustment of the shortfalls from the Surge. Hopefully this chamber and the other will agree.

Chairman Holmberg: The Surge bill was rushed to be completed. There were some things in there that I know a number of senators were uncomfortable with, particularly how the money was sent out to the non-oil counties using the CMC versus the unmet needs from the Upper Great Plains. There are a number of other bills that are dependent upon what ends up being in this particular bill regarding funding etc. this bill will go to subcommittee right away.

(16:15) **Steve Holen,** ND Oil and Gas Producing Counties President *(see attachment #4)*

(20:50) **Ron Ness**, ND Petroleum Council
Ness: This is an important issue that deals with communities and quality of life. It also deals with rigs, jobs and revenues which is a vital part of the state's economy. We encourage you to look at this as a long term benefit because I am very concerned that the money is not going to be available in the SIIF fund money in the future for those catch up dollars like we've done in the past few sessions. Maximizing your amount of money that you put into the formula now, encouraging them to grow as the oil revenues increase again, allow them to grow with that so you don't have to play catch again next session.
We have 97 rigs operating today and we are at 186 on December 12th. I know of 10-12 more that will likely be laid down over the next period of time. Beyond that I think it's a day-by-day situation for our operators as they make their economic choices to continue to operate. We have a $30,000 non-refundable per rig fee move in some counties. You put that on top of a $1,000 per truck for their overweight permit. Operators are having to make the decision of paying the $30,000 or laying down the rig. If they chose to lay down the rig, it starts to affect jobs, the sales tax revenues and the income taxes and wages. If we don't get this right and start building the infrastructure to manage this business going forwards, we will continue to be pressed on these difficult choices. We can't continue to do our business this way. In addition we need some relief on the fees in those counties. You need to provide the money to get them going forward. This may have been pushed to the back burner because of how successful the Surge funding was. We've been playing catch up now it's time to get ahead of the game.

(25) **Brent Sanford**, Watford City Mayor *(see attachment #5)*
Sanford: Out of our $71M of transportation projects, we will use $32M of Surge funding towards those roads. Therefore we have a shortfall of $39M. We have a shortfall of $22M for our water and sewer projects which consists of two-waste water treatment facilities, two water towers and the associated mains and trunk lines. We knew this would be occurring and we hoped the 40-60 formula would help for some of this. We have options for the shortfall. We have been approved for a critical infrastructure loan from the Bank of North Dakota. that is a revolving interest rate loan that is repaid over 10 years. We also have the

ability to assess off-site improvements to the various developers. Some of those developers are public entities. The second page is a comparison of what our intended use of a 40/60 formula proceeds and gross production tax looks like. We budgeted $18M, a little bit more than we received last year. With the 30% we have enough to pay for police/fire, our debt service on our SRF and Bank loan at the current levels, but have nothing else left. We have no amount of money for debt service for new projects and very minimal equipment and staff additions. We are going backwards and we look forward to $70-80 oil, which seems like the only way out of this. I encourage you to pass the bill, and my main objective is to help this to not erode any further from 30% back to the 25%. I strongly support this as written.

Senator Sorvaag: On the right side, what price oil did you do that on?
Sanford: The right side is what we revised our budget to. That is based on numbers that Brent Bogar shared with us that was based on the numbers you are working off of.
Senator Sorvaag: $60 oil?
Sanford: It was using the current legislative budget forecast.
Senator Mathern: Do you support this bill as written or amended?
Sanford: as amended.

(31:10) **Kelly Woessner,** Parshall City Auditor *(see attachment #6)*

(32:35) **Dennis Johnson,** Dickinson City Commission President *(see attachment #7)*

(35:40) **Lee Staab,** Minot City Manager *(see attachment #8)*

(37:25) **Howard Klug,** Williston Mayor
Klug: We are the fastest growing micropolitan in the country for the last 4 years. I agree with rest of the hub cities about the challenges that we are facing. The Surge funding was great for us. We put that money to work getting good bids and they are coming in under than what we expected them to be. That money will go for a long ways. It is putting people to work and keeping them in that area. Williston's economy for the first 3 months of the year has not changed much. Our sales tax numbers are ahead of last year, our hotel occupancy is up from over a year ago and the job service numbers are good. We have two major retail projects opening in the middle of May and June, but we still need to get infrastructure to those areas. We have a high school that we are building and we are using some of the Surge money for putting in water/sewer and roads in that area just to keep Williston advancing toward the future. We have a lot of projects that are still going forwards. We've taken on a lot of debt in Williston whereas other cities in western North Dakota have taken a different route. We are building for the future over there and this funding with proper management, while not what we need, will help us carry Williston in the short term. Then when this rebounds, we will be able to grow.

(40:30) **Ann Hafner**, Killdeer Area Ambulance Paramedic/Manager *(see attachment #9)*

Senator Robinson: Have you been able to retain and recruit staff in your situation with the tremendous growth you've experienced over the last number of years?
Hafner: Yes. Right now our roster is 5 full time care providers and 21 volunteer staff.

Senator Robinson: How long have you been in this position?
Hafner: almost 3 years

Senator O'Connell: Do law enforcement respond with you? What is the traffic like?
Hafner: We are very lucky. There is usually more than one officer or deputy at the scene. The roads are still pretty bad and rocky. Our ambulances are in good condition. The traffic is a concern, but we do have good response times, well within the requirements of the state. We are able to get our patients to a helicopter or the nearest hospital within a half hour.

Senator Mathern: Calls are increasing even though oil activity is down? Why do you think that is happening?
Hafner: We don't have as many motor vehicle accidents, but we are continuing to have industrial accidents. I have heard from the community that laborers take jobs to avoid being laid off. Therefore they haven't been doing these jobs for a long time and they are not as successful at it. We also have an increase in substance abuse with more alcohol calls, fights, assaults and domestic violence. The types of calls have changed to a certain extent.

(48:05) **Mark Johnson,** North Dakota Association of Counties *(see attachment #10)*

Senator Carlisle: Ron Ness mentioned load restrictions. I'm looking at the weather patterns for the next 10 days- what is the criteria to lift? Is it county by county?
Johnson: Yes, I believe counties decide as a county board as to what they will do relative to restrictions.

(50:35) **Jason Benson,** Cass County Engineer *(see attachment #11)*

(55) **Eric Lindstrom,** Ducks Unlimited, Inc. Bismarck *(see attachment #12)*

Senator Mathern: If we amend the bill like it is suggested here, what would the price of oil have to be for this bucket to actually have $40M in it?
Lindstrom: The current estimate at 8% of the first 1% would generate about $21M per biennium. To get back to that $40M cap, price of oil would have to get around $59-60 a barrel.

Senator Mathern: If it stays under there, there is no money in this fund.
Lindstrom: the current 8% would generate about $21M per biennium is the estimate

Senator Mathern: The oil prices have to be $59 to fill up this bucket?
Lindstrom: Correct.

Senator Mathern: so it is not an appropriation amount, it's a cap. If oil prices stay at $50, there would be no money in this fund?
Lindstrom: The OMB estimates that at 8% of the first 1% of the production tax, the revenues received would be around $21M this upcoming biennium.

Chairman Holmberg: If oil prices stay, they will get $21M. In order to get the $40M that you are looking at, oil would have to be up at almost $60, but they are going to get the $21M. He's talking about the difference.
Senator Mathern: To grow this to the $40M, we'd have to have a higher price of oil.

(1:01:50) **Ben Schafer**, Ray Superintendent
Schafer: I want to voice my support and remind you that both our NDCEL legislative focus group and our superintendent representative group unanimously support this as well. It is the direct tax relief to those people who are dealing with the changes to their everyday lives. We'd like to see the school construction remain in the grants in that amount of $30M.

(1:02:50) **Tim Thorsen,** Airport Association of ND *(see attachment #13)*

(1:06:00) **Steven Kjergaard,** Williston Airport Director *(see attachment #14)*

Senator Heckaman: Has industry provided any funding to the airport for any kinds of upgrades or continued support?
Kjergaard: Not at this time. We've have had some donations to help with chemical storage on the field, but nothing else.

(1:08:50) **Sue Heitkamp,** CHI-Health at Home Executive Director *(see attachment #4A)*

Senator Sorvaag: You support the $4M amendments?
Heitkamp: Yes.

(1:12:25) **Jerry Jurena,** North Dakota Hospital Association President *(see attachment #15)*

(1:3:20) **Daniel Kelly,** McKenzie County Healthcare Systems CEO *(see attachment #16)*

(1:18:05) **Blake Crosby,** ND League of Cities Executive Director *(see attachment #17)*

(1:20:50) **Kelvin Hullett**, Bismarck Chamber of Commerce President *(see attachment #18)*
Hullet: We hope that you will reconsider in looking at the definition of the hub city and move that back to the definition of the mining production as opposed to the oil production. We are dealing with significant issues of growth. We will grow by 400 students per year for

the next 5 years in Bismarck and around 125 students in Mandan. The schools have indicated that they will be back for another bond issue for a junior high and some more grade schools. We have already issued the RFPs to expand the grade schools that were open last year. We passed a half cent sales tax for a jail that we thought was going to be $70M and came in at $82M. We are seeing many of the changes that the stakeholders in healthcare are concerned about. They are now hiring security guards at a fairly quick pace. They are looking at the substance abuse issues as well. We would like you to bring it back to a 3% at a minimum to include Bismarck Mandan into that. We would also support the flexibility asked for by the counties related to the Great Plains study. That is an appropriate way to go with this bill.

(1:23:50) **Janelle Moos,** CAWS ND Executive Director, Lobbyist #293
Moos: We have 20 domestic violence and rape crisis centers across the state. We support the amendment for $2M in this bill for the shelters for Dickinson, Williston and Minot. HB 1285 originally contained all 5 shelters that need to either build or expand. HB 1285 includes Grand Forks and Devil's Lake. The other 3 shelters that are in need of building are included in HB 1176 with the matching requirement. The funding source that is available to all of our shelters right now doesn't allow them to either build or provide any construction costs. The $2M will help Williston and Dickinson specifically who need to build new shelters. They are at or exceeding capacity. Williston has a 7 bed shelter. In 2008 they sheltered 71 victims at the cost of $1,400 and in 2013 that doubled to 142 victims at $4,200. The increased demand has not had an increased budget to match it. We are in need of building more shelters across the state.

(1:25:10) **Scott Rising,** ND Soybean Growers Association
Rising: The amendment to utilize the UGPTI study is very important. Dealing with systemic conductivity for rural roads is extremely important. We have a suggestion we will share with subcommittees about how to better do that and not cost any more money than what is already in the bill.

Additional Testimony in favor of HB 1176 submitted:

Fred Helbling, ND Ag Coalition Chairman: Attachment 19

McKenzie County Budget & Finances: Attachment 20

Williams County Board of County Commissioners: Attachment 21

Dan Uran, New Town Mayor: Attachment 22

Gary Weisenberger, Stanley Mayor: Attachment 23

Drake McClelland, Tioga City Commission President: Attachment 24

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1176
3/31/2015
Job # 25632 starting at 7:32

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Alice Delzer

Explanation or reason for introduction of bill/resolution:

A discussion in Appropriations Committee regarding Oil and Gas Production Tax Definitions

Minutes:

No testimony was submitted

The first 7 minutes of this job is relating to the hearing RE: HB 1372, which was passed out as a Do Pass in committee.(Minutes - 00 - 7.31)

Chairman Holmberg opened the discussion on HB 1176 at 10:00 on Tuesday, March 31, 2015 All committee members were present. Lori Laschkewitsch, OMB and Sean Smith, Legislative Council, were also present. (7.32) Discussion followed regarding HB 1176.

Chairman Holmberg: Yesterday we had 1176 in here and we had a subcommittee that was appointed and they are going to be meeting tomorrow. We have been asked, because there are a number of appropriation bills in different agencies that depend upon what the final product is in 1176, we have been asked to make sure that we pass the bill out, give our committee recommendation so that the bill can be on the calendar on Monday, which means we would have to make our recommendations. The committee, if they're going to amend, they would have to amend tomorrow and then we'd would have to pass on it on Thursday so that it could get up on the calendar. I am going to throw it open for a moment and see if there is a lot of angst in it's amended version, and if there is let's share that so that the subcommittee, which is Senator Sorvaag, Senator Bowman and Senator O'Connell can have that input when they come back to full committee

Senator Heckaman: I am looking at some amendments getting drafted that would move the share out to 40% instead of 30. I haven't got them drafted right now.

Chairman Holmberg: If they could be ready for the subcommittee tomorrow. She confirmed they would be. And if they accept or do not accept, then they would be ready if you wanted to amend it when we had the bill before us on Thursday. She stated she thinks they will be ready for tomorrow. (9.44)

Senator Carlisle: Just a comment for the subcommittee, I got asked by the Bismarck folks with our traffic situation. I don't know how to move that thing off the 70/30 and obviously Mandan is out now and the monies went into the 3 hub cities. I don't have any proposals. You may be asked about it from the Bismarck and Mandan folks.

Chairman Holmberg; I don't know the dollar amount but there are those that suggest that if Mandan is back in, then the rest of the cities who were in before and now are out, it might be like dominoes. We have a time line. Anyone else wants to make comments for that committee. There was a suggestion from someone from the House that I shared with Senator Sorvaag, their concern was HB 1377, the bucket bill. As you recall, we have the bucket bill, the proponents felt strongly that they had to set aside $712M into a bucket for property tax relief, and they were grudgingly convinced that the money is already built into ongoing expenses in DPI budget so that doesn't happen. There is a concern if we pass 1372, which it has some good portions in it, particularly the one that eliminates the 25% additional money going into the legacy fund. Their suggestion was that those necessary provisions should be put into 1176 and what I told Senator Sorvaag this morning is we need to, and it came from a western legislator, I don't know if we should do that but I've asked him to meet with our majority leader to see what his reaction is to that. Because if that other bill was killed, that would eliminate how many million from the available income and it would go into the legacy fund, we will be visiting with him on that particular issue.

Senator Robinson: I've heard from Bismarck-Mandan folks, the nature of this bill as it relates to the surge funding in the sensitivity state wide, we ought to be awful careful what we do or we could have a domino effect here. Anytime you have that much money on the table and you have some winners and some losers, these are touchy issues, the needs are high, the attempt here is to find some middle ground, sometimes there isn't middle ground on these issues. (14.02)

Chairman Holmberg: One of things that is in this bill which was the Senate position in the Surge Bill was how that money is sent out to counties and I know that there were many, I'll use the word losers, particularly any county in the Red River Valley lost bigtime on that from the other formula because that doesn't take into account bridge problems, which there a lot of bridges in the valley. Stutsman County took a sizeable hit in what happened so I hope the subcommittee, if they get into a fight with the House they really hang tough on the unmet needs rather than going with the CMC.

Senator Wanzek: I am going back to if we start messing with the percentage of mining and oil, I think you will open up a can of worms because I could even bring up Jamestown. I know I think Jamestown is in the 2 ½ -3% range. For the non-oil county areas, $112M is kind of a offering to us. In the other areas I think we have to be careful if we start messing with that it is going to open that up.

Senator Robinson: It was refreshing yesterday, after our hearing and we had representatives from Cass County and the east talking to folks from the west about during the interim how we've got to come together and come to the next session with a package that is good for ND. we want safe roads all across the state. I encouraged them to carry that message forward, and to start right away. And when we come back in Jan 2017 we have a plan for ND, not for the east and the west. (16.57)

Senator Carlisle: I view the 70/30 as a real fragile agreement. You folks on the conference committee you have a big time responsibility. It's fragile but it is a deal.

V.Chairman Bowman: When we started putting this package together, the goal was to get one out of four dollars. The paper said 60% and I think that scared everybody. it was 60% of 4/5th of the 5% which amounted to $1 out of $4.00 roughly. If I came into this room and said I'm going to give you $1M but I've got costs involved could I keep $250,000, you don't have anything invested but you get the rest of it, how many people would turn that down? We have legitimate needs, this isn't made up, but we also understand, and you heard from all of them yesterday if we can do a little better than what we did before and we all know what the oil prices are, we'll live with that. But hopefully the bottom line is that someday we'll realize that we need about ¼ of that money to cover our costs. Perfect example, from the year 2013 to 2015, the amount of money requested from the grants was One Billion, nine hundred and some Million. The amount issued was $255M, One Billion and seven hundred and some dollars short of meeting and they don't put in for grants unless they absolutely have to have them. So we're a long ways from getting this caught up but this is a start in the right direction and it will help considering the fact that has come to like it has. I hope we don't mess around with it too much and then have a chance to lose it. (19.36)

Chairman Holmberg: There are a couple of other issues You have this list of the targeted money and that goes to the agencies that have a large deficient regarding how do they compare and the ones we have right now, we have DOCR which is a real big one, the veteran bills, and most of that is special funds, and the health department also has that targeted equity money and we have CTE also.

There was further discussion on some bills, no action taken. The discussion was closed on HB 1176.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1176
4/1/2015
Job # 25729

☒ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Alice Delzer

Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing regarding Oil & Gas Production Tax Definitions

Minutes:

Attachments 1 - 6

Chairman Sorvaag called the subcommittee hearing to order on Wednesday, April 01, 2015 at 4:30 pm in the Harvest Room in regards to HB 1176. All subcommittee members were present: Chairman Sorvaag, Senator Bowman and Senator O'Connell. Adam Mathiak, Legislative Council and Becky Keller and Tammy Dolan, OMB were also present. we will start out with saying there has been some different amendments that came in. we will walk through attachment # 1 -2015-17 Biennium Estimated Oil Tax Allocations-Proposed Changes to Engrossed HB 1176 (15.9379.09000 version.) (1.28)

Brent Boger, ND Association of Oil and Gas Producing Counties: Just going through from top to bottom on this list the first change as it shows there, continued transfers to the legacy fund, this is language that is in some of the other bills. It would remove the 25% contingent transfer from the SIFF To the legacy fund. I believe this is in HB 1377.

The next section in regards to the hub cities, this is one of the bigger changes than what was revealed at the hearing. It lowers the hub city from the 10% that was introduced as amendment back down to 1% in the original bill version, so pretty much all the major cities in ND would be considered a hub city on that oil and gas related employment. What we did is create a tier that if that city is in an oil and gas producing county they would receive $375,000 per percentage point so that stays the same. Those that are in non-oil and gas producing counties would receive $250,000 per percentage point. That is basically Grand Forks, Fargo, West Fargo, Jamestown, Bismarck and Mandan. There's another sheet that I believe Senator Sorvaag handed out that shows what that would equate to for each city. The other difference is they are in a non-oil and gas producing county, their school districts do not receive any funding. The only school districts would be those in the oil and gas producing counties. (3.28) The next change that is on the list from Legislative Council is going back on the additional school district allocation. Basically going back to the House version and so it would not be an amendment on that. The counties that receive over $30M in gross production tax dollars would not receive that additional $1.5M. If we go down the oil and gas impact grant fund allocation in the ND outdoor heritage fund allocation, that all stays the same in the bill. The allocations and distributions to political subdivisions, this is not change from what was introduced at the hearing on Monday for the amendment. It is changing the distributions back to what they were in this current biennium where the counties would receive 60%, cities - 20%, schools - 5%, townships - 3.3% and hub cities 9%. That's just changing that back again; that is how it was presented on Monday at the hearing. The next two sections, there are no changes as to what was presented Monday.

Chairman Sorvaag: (5.08) I am going to add a few things. Just for clarification, but this Testimony Attached # 2 - Major Cities with Oil and Gas Related Employment Non-Oil Producing County; To the non-oil producing hub cities, that's coming off the state's 1% share. It's not coming off the 4%. It's not taking anything away from the 10 oil producing counties.

Mr. Boger: That is correct.

Senator Sorvaag: Part of that's cover to get rid of that 25% to make sure, I know it's in another bill, but to make sure that's not going away. Another thing to understand when they were changing that school formula back to what it was, they're all eligible under the $30M, the oil producing school districts in the impact fund. There's $30M in their schools, they're all eligible. I have a chart that shows what each would get. My understanding, we are not shorting anybody. It's moving around but the same dollars should be coming. Those are major changes. They are major changes but it's trying to make an inclusive bill that's fair to everybody that everybody can support. We can forward out of our chamber with a lot of support to try to carry it through. We can talk about the amendments that were done before, in some we are using the CMC we are using the needs distribution for the counties. And we'll be talking a little later on some of that language. I'll discuss the amendments.

Senator Bowman: I spent all night studying the first one and I am not real happy the way this is.

Chairman Sorvaag: it's not coming off the 4%. It is not taking away from the oil producing counties. It's coming off the 1%, the state side. Let's go to the amendments, it's 5008, the marked up bill Testimony Attached # 3, go to page 16, I did discuss this before I came down with the DOT people, we can make this do what we are intending it to do and that is if we are going to do it with unmet needs we want to leave as much discretion as we can to the counties. The way it was looked at the DOT fealt they still would have to go to the MCNC, even with the word changes. What we are talking is just putting words on line 10 after the word "state" it would put "or improve traffic safety". Line 10 on page 16, and then on line 12 after the word "integrate" we will change the "and" to "or", on line 13 after the word "borders" we're going to put "or" in. Mr. Levi was there and he thought with that changes that they would have the flexibility because the idea is, even if it's not on a connector but you have an elevator here or a fuel depot, that you can still build that road out. Right now they feel restricted and they can't do it. The whole intent is you can pick the road, you can pick the project, because the money will go through DOT for it. The other change that we talked about if you go to page 18, this wording might not be exact, and this is the money that goes, the $30M that will be distributed to the school districts and on line 23 after the word "distributed" we had discussed putting in "for renovation or improvement projects" and the idea is the money would be used for some type of projects, either to pay debt off that's paid for projects or to pay for a future project, but it's something facility based or project wise. These are hand scribbled so it might read differently when Legislative Council actually writes it. That's the intent of what we are doing. It would be project based.

Senator O'Connell: asked if there is a limit or a cap? (12.29)

Chairman Sorvaag: There is a dollar amount that will be allocated to each school district.

Brent Boger: That sheet is pretty much the distribution. If you read the amendment in the bill it's distributed based off what those school districts received from September 1, 2013 to August 31, 2014 in gross production tax distributions and then they receve 25% of that through the grant. When you add it all up it comes to that $30M.

Senator O'Connell: There is no reduction in that 25%.

Brent Boger: That is correct. Going through the grant program DPI and everyone is comfortable with that. Those dollars are not deducted or imputed from the foundation aid. That language that we talked about where the $30M came from was HB 1013, which was the land board bill and the governor had put that language in there in how that distribution would work and so we are just trying to mirror that in here. And even the addition of the renovation or construction, that was language that was in 1013.

Chairman Sorvaag: Attachment # 4 - School Construction Impact fund. Rose will have copies for you and it has the dollar amounts that every school districts getting. The big four are substantially more. You will see the numbers when they come out. In the Heritage Fund it still reads in there the same as what the bill worked with today. This hasn't changed but we really don't need to change that. If you look on this sheet, this 9000 sheet, it was written in there under the heritage fund where the 4 to 8 to 15 to 20, it was written on the bill that we dealt with today. Now we changed those numbers but that really won't affect anything. That's over on the state side so we are not playing with those because there is not a final bill yet so we're not going to know what's going to go in there until, I presume it will be in conference committee what we passed out today. It's moving some money around; there's winners, probably a little losers, but I think everybody gets treated pretty fairly in this. Again this added in the hub cities, the non-oil, with that formula is very new, nobody saw it before and we just started looking at it, but it came out as part of discussions for this subcommittee to look at. (15.51)

Senator Bowman: I would like to make a statement it's like when we are talking east, west, when we look at the money to do our state highways, where did the money come from? From western ND. It came out of our oil revenues. Where did all the federal dollars go to fund state highways? They went to eastern ND. If anybody in this room tells me that we haven't put a lot of money into the federal dollars and taxes collected out there, you are highly mistaken. But that's the kind of problems that I have when you're not looking at the whole picture, you're only looking at "what's in it for me". There's a lot that's going across the state that we're not talking about in here. But it looks good and you can see it on paper, now that we are going to spread this all over. The bottom line is it is costing oil counties more money, no matter how you look at it. They're taking money out of money that should be going out there. We are so far behind in catching up and that was the problem back in 1992. We started this deal in our county. We have never caught up, because we got peanuts and somebody else got the rest. We could have another surge bill in two years or four years twice as big as the one we had to help these areas out there if the formula doesn't come up with enough money to meet their needs. Hopefully by then they won't go broke from the bonding requirements that they have and the obligation to pay them bonds back. That's my fear. This deal is very fragile and the more money you spread across the state, the less money we have to take care of those ups and downs in this market. (18.27)

Chairman Sorvaag: I think everybody is realizing too that the dollars in this formula on your side in the impact is a lot less but that is what the oil revenue is generating for us. I do understand your concerns. I would like to digest this. We are under a lot of pressure that we need to keep moving this. There is going to be changes in this all along the way. But before we do that because I have that amendment in front of you.. Attachment # 5 - Amendment 15.0239.05008 which does everything except those little wording changes that I mentioned. Is there interest on the committee to move this forward? Knowing we'll have the full discussion and there's going to be another amendment to discuss next. We will hve a full discussion in the committee which will happen tomorrow.

Senator O'Connell I move for the adoption of amendment # 15.0329.05008.

Senator Sorvaag: With minor wording adjustments discussed in committee.

Senator Bowman seconded it. I know how important this is. But I wanted to let people know that there's a lot more to this game than what's on this piece of paper. There's a lot more risk. I'm just concerned about that because I've lived there all my life and I've seen this thing take off, and I've never seen anything like it in such a short period of time and all the problems that come with it that have to be taken care of. It's serious business to these rural communities. All this money goes to is the big cities. There are a lot of rural communities that need just as much help as the hub cities, only on a smaller scale. We always forget about them. I'm sticking up for them because most of them are in my district. I represent a huge share of this oil in McKenzie and Dunn County, 2 of the largest 3 oil producing counties. (21.07.

Chairman Sorvaag: Do you want to be on record for seconding it? That was confirmed. Any further discussion on 15.0329.05008 with a few wording changes? If not call the roll.

A Roll Call vote was taken. Yea: 3; Nay: 0; Absent: 0. It carried.

Senator Sorvaag: I am going to ask Senator Heckaman to propose her amendment to the subcommittee.

Senator Heckaman presented Attachment # 6, Amendment # 15.0329.0510 and explained her amendment which is a proposal regarding the allocations and productions of oil and the impact it will have on both non-oil and oil producing counties in North Dakota during certain time frames. We look at the needs in western ND and certainly they are huge right now and we just heard from Senator Bowman expressing his concerns about what's going out to western ND and if we get above 1.2M barrels per day we have an opportunity now to put some more money out there in the second year of the biennium. I don't have a fiscal note yet, ones being developed on this. It also allows more for the non-oil producing counties because I'm hearing from them that there are unmet needs out there need to be taken care of and as we go along it's only going to get more expensive for them as they move into the next biennium and do some of those additional repairs. (26.06)

Chairman Sorvaag: It has nothing with price.

Senator Heckaman: No. Only volume and only there would be basically that so many barrels per day and then only the 2nd year of the biennium. We started out looking at it and I thought maybe just barrels per day but with the triggers going off, we could reach 1.2M barrels per day before the 2nd year of the biennium and I didn't want that to happen. I think we have some methods to get money out there right now and this would be a little bit of an increase the 2nd year of the biennium if we are getting the production out there and if the prices go up that will certainly give us the funding to do this.

Chairman Sorvaag: Any questions on the amendment?

Senator Heckaman: I thank you for the opportunity to present this and I will leave it up to you to discuss and see what you want to do with it.

Senator Bowman: It's a matter of getting our bill passed first. I love the idea. My concern is everybody is concerned about the amount of money we are going to give back, and the way it is today, we've got this through the House it get it passed and every time we put another kink in it we are at risk of losing it, I think it's so important that we hold the bill together and get it passed so that we can see how it's going to affect us and how it's going to affect the rest of the state because we are all in it together. We know that oil money doesn't stay in western ND, all of it. We know that a very small part of it stays in western ND. So it's to the benefit of everybody if the price goes up and the barrel production goes up, every formula bill works to the advantage of everybody when it's a formula. Because the more we produce, the more the price, the more the state gets and then it's redistributed back out. (28.42)

Senator Heckaman: It is a contingency. If we don't get there, we don't need to worry about this part of the amendment.

Chairman Sorvaag: It is not tied to price. That was confirmed by Senator Heckaman.

Senator O'Connell Are you looking for a motion now?

Senator Sorvaag: if there is an interest in it by the subcommittee. I suppose if we don't act on it we will see it tomorrow.

Senator O'Connell moved for the adoption of Amendment # 15.0329. 05010.

Chairman Sorvaag: Is there a second? Is there a second? For lack of a second the motion dies. Is there any other questions? I suppose we should approve the whole bill as amended as a subcommittee. The intent is right after session to have this committee come in and act on this. If Legislative Council can get the pieces together, we will meet with the full committee right after the session.

Senator O'Connell: Do we need to see the amendments first?

Chairman Sorvaag: If the subcommittee's comfortable because we'll do the discussion that we approve the bill. Otherwise we're going to have to get together early in the morning. This is a whole new section adding in, if there is concern, we can talk early in the morning.

Senator O'Connell I move a do pass as amended subject to our review. 2nd by Senator Bowman.

A roll call was taken. Yea: 3; Nay: 0; Absent: 0. It carried.

Chairman Sorvaag: This will be presented to the full appropriation committee tomorrow. The subcommittee hearing is closed on HB 1176.

2015 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1176
4/2/2015
Job # 25769

☐ Subcommittee
☐ Conference Committee

Committee Clerk Signature	Emmery Grotberg for Alice Delzer

Explanation or reason for introduction of bill/resolution:

A BILL relating to oil and gas gross production tax definitions (Do Pass as Amended)

Minutes:

Attachments # 1 - 6

Chairman Holmberg called the committee to order on Thursday, April 02, 2015 at 1:30 pm in regards to HB 1176. All committee members were present.
Tammy Dolan, OMB and Adam Mathiak, Legislative Council were also present.

Senator Sorvaag presented Testimony Attached # 1. Amendment # 15. 0329.05013 and explained the amendment **.**

Senator Sorvaag moved to adopt amendment 15.0329.05013 to HB 1176.

Vice Chairman Bowman seconded the motion.

Senator Sorvaag: We did have amendments before but since the committee sent it down to the subcommittee, there's been a few changes and I'm going walk through those.
He directed the committee to look at Attached # 2.
He went over the sections and the changes the subcommittee has made to the bill:

1. Contingent of transfers to legacy fund which eliminates the 25% that the legislature put it in two sessions ago.
2. Hub city and hub city school district (biggest change to the bill). The way the amendments were written before, only 10% of your oil and gas in a city of over 12,500 which brought in Williston, Minot, and Dickinson as hub cities. This amendment starts a new classification, "non-oil producing hub cities" (see attachment # 3) What it's doing is moving it back, any city over 12,500 with more than 1% of the work force and the oil and gas industry becomes either an oil producing hub city or a non-oil producing. Instead of $375,000 at the oil producing, the non-oil related will get $250,000. This is not coming out of the 4% on the county distribution so it is not taking anything from the oil counties, it's following that formula and that's why that legacy language was important to have in there.
3. School distribution for those in the oil counties. We went back to what the House had; they get the $1.5M and I will explain how it works but it's not going to affect any of the

schools. If you look at the four oil counties, those schools are going to fain a little but with the formulation here.

4. The oil impact grant we didn't change from what the committee saw before.
5. The ND heritage outdoor fund we left all terminology as was in the original bill, we changed in the Senate but there's no reason to make any changes until we see the final compromise. So that can change, but that is just a place holder for whatever the policy committees come up with.
6. The next section doesn't change anything.
7. Referred to a change on page two of attachment # 2. We changed $400,000 to $700,000. We took it out of the $8.8M which leaves $8.5M for administrative costs.
8. The $30M for school districts is based on their distribution formula they have, that amount is already set and that needs to be designated to projects.
9. Verbiage change on page 15 (see attachment # 4). Originally you would distribute it with the needs formula but they still would have had it administrated under the CMC formula. This allows a discretion for the DOT and the counties to look at real needs. That's the reason for all the verbiage, both sides looked at it and I think everyone is comfortable with the changes so the county has the freedom to pick projects they really need.
10. One other change, on page 17, line 50 and 60 (see attachment #4) the original bill said that they couldn't take any funds until January 1st, 2016. After discussion with DOT, it was determined that would be pretty difficult because this money is meant to be spent in 2016. Some of the engineering and costs involved needs to start before the 1st of January, 2016. So the changes allow the counties to pay engineering counties that are accrued 6 months before. The only change they could expend in 2015. I covered all the amendments that we changed.

Senator Robinson: We did have a spread sheet regarding the number of eastern ND counties; I think Morton County was included. In the previous version, a couple in the House had significant reductions. Have they been addressed identical to what those reductions were

Senator Sorvaag: It should be the same. The counties really split about 50/50 on who benefits with one formula and who benefits with the other formula. So the surge went out with the CMC formula and some counties really got hurt and some really did better. So what this is doing is setting out with the automatic needs formula so those who lost on the first round are benefiting here so no one is getting both times the benefit or disadvantage. . It is a nearly 50/50 split; half gained on the first, half on the second.

Senator Wanzek: Still, reading through (see attachment #4) on page 15, what we are doing is looking at the unmet needs for each county from the upper great plains transportation institute, and then we are subtracting off from each county what we sent out in SB 2103?

Senator Sorvaag: It looks at their whole unmet needs; this was one distribution, this is another distribution, we're doing it under a different formula. So it's 3% of their total needs.

Brent Boger, representing North Dakota Association of oil and gas producing counties: The way it was set up in SB 2103, the Surge, certain dollars went out so we took the Upper Great Plains automatic needs study, subtracted what they've gotten from the surge, so you have your remaining automatic needs so then the funds from this bill will be distributed appropriately based on the remaining automatic needs.

Senator Wanzek: on page 16 of marked up bill (see attachment #4) does that extend back to the surge funding?

Senator Sorvaag: It would only be this funding. The surge bill had its own language, we're not redoing the surge bill; we're doing the fund redistribution on this amount here.

Senator Wanzek: Ok, I accept that.

Senator Sorvaag: I have a document that shows the non-oil cities (see attachment # 5).

Chairman Holmberg called for a voice vote to adopt amendment 15.0329.05013 to HB 1176.

The amendment was adopted.

Senator Sorvaag moved Do Pass on HB 1176 as amended.

Senator Heckaman provided Attachment # 6 - Amendment # 15.0329.05011.

Senator Heckaman moved to adopt amendment # 15.0329.05011 to HB 1176.

Senator Mathern seconded the motion.

Senator Heckaman explained the contingency amendment which considers that the committee doesn't know what the production will be in the future. She called on Adam Mathiak to explain the fiscal note and the difficulty of estimating the fiscal effect.

Adam Mathiak, Legislative Council: If there is an official fiscal note, the likely response is there is no fiscal impact because the March devised forecast is based on 1.1M barrels of production and the official forecast would assume that this doesn't take effect so it would say that there's no fiscal impact. But if there was some sort of alternative forecast that was used to look at a specific scenario, an estimate is possible but it is also difficult to piece together what individual county would receive.

Senator Heckaman: What we do know is that putting this into HB 1176 will certainly increase funding to both the non-oil and oil producing counties, especially for the unmet road and bridge needs that were expressed through the session.

Chairman Holmberg: I told Senator Heckaman that she could present her amendment to the full committee and Senator Heckaman did present this to the subcommittee.

Senator Heckaman said that the subcommittee did not act on this.

Senator Mathern: I would ask for your support on this amendment. I think one of the challenges we have in the development of our infrastructure relates to our meeting every two years. I think the development of the industry is moving faster than the legislature and our government acts and the consequence for our citizens, especially in oil country, is negative because the infrastructure isn't paid for as fast as the industry needs the infrastructure. I think this is just recognizing that scenario that we are in, and it just says if things are moving faster than we anticipate, we will get more dollars out there for infrastructure.

Senator Sorvaag: I would stand in opposition of this amendment; it wasn't supported in the subcommittee. The main issue I have is that there's no dollar amount and we've learned that the volume of oil being pumped is only one piece of the equation. The value of the oil and the price and the revenue that come into the states or counties is really effected by price as well as volume and that's what I see as what's wrong with this and I would ask the committee to reject the amendment.

Senator Heckaman: One thing we learned over the interim, we were escorted out to the oil field. The Mayor of Watford said if only we could get our percentage of our oil production taxes back into our communities, in 2 to 3 biennium we would be stable. When we look at coming into the session expecting to look at 60% and now we're only looking at 30%, I think it's only fair that we would go to 40 if there's a trigger here and the trigger is the barrels per day. It has nothing to do with the price, the price doesn't matter because there is going to be income coming in no matter what the price is. I think if we don't put it in, the counties lose out on the second year of the biennium so this is a positive amendment.

Senator Carlisle: I guess putting the amendment aside, some of us have been saying we would like to save 5 days. I guess I would be comfortable if we have to come back in December or another date before this and address it. A lot of us are nervous about betting out into the future, so I would vote against the amendment.

Senator Heckaman: I don't know what the 5 days have to do with this and I don't think there is any loss to anyone, this is just a positive move for western ND for the other 43 non-oil producing counties, and it takes us into a year where we are going to be able to pick up some more funding if production goes up. Production could go up this summer and it probably will. If the trigger goes on, I would guess the production is going to go way up. If this takes us clear into 2016, it gives the oil companies to pump that oil whenever they want too but if we're at 1.2M barrels in 2016, this would trigger in and nothing is lost by anyone but everyone would gain if we get to the point where we can trigger.

Chairman Holmberg called a voice vote on amendment # 15.0329.05011.

Amendment failed.

Senator Sorvaag moved Do Pass as amended on HB 1176.

Senator O'Connell seconded the motion.

A Roll Call vote was taken. Yea: 13; Nay: 0; Absent: 0.

Do Pass carries.

Senator Sorvaag will carry the bill.

Chairman Holmberg closed the hearing on HB 1176.

Prepared by the Legislative Council staff for
Senator Wardner
April 1, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, after line 6, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "seven"

Page 1, line 19, remove "and one-half"

Page 4, line 4, after "city" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, after line 8, insert:

"b. Allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private

covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota;"

Page 4, line 9, overstrike "b." and insert immediately thereafter "c."

Page 4, line 9, after "district" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 13, overstrike the semicolon and insert immediately thereafter ". Hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision;"

Page 4, line 14, replace "c." with "d."

Page 4, line 19, replace "d." with "e."

Page 4, line 21, replace "e." with "f."

Page 4, line 25, replace "f." with "g."

Page 4, line 30, replace "g." with "h."

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "Sixty-four"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "Two"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "Two"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "Seven"

Page 14, line 18, replace "county major collector roadway miles as defined by the department of transportation" with "estimated unmet road and bridge investment needs"

Page 14, line 20, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 21, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 22, after the period insert "For purposes of this section, "estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly."

Page 15, line 5, after "borders" insert ", provide connectivity to significant traffic generators, or directly improve traffic safety"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, remove "3."

Page 17, line 7, replace "$20,000,000" with "$30,000,000"

Page 17, line 8, remove "may be used only for"

Page 17, replace lines 9 through 13 with "must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

4. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increase or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

5. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

6. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

7. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing service in oil-producing counties, including the need for increased

emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

8. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

9. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes and to providers of home health services and hospice programs in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $750,000 must be distributed to home health services and hospice programs, and the remaining amount must be distributed to nursing homes.

10. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each nursing home, facility, or provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

12. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and

requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

13. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection."

Page 17, line 14, replace "4." with "15."

Page 17, line 18, replace "5." with "16."

Page 17, line 22, replace "6." with "17."

Page 17, line 26, after the boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Department of Trust Lands				
Total all funds	$0	$139,626,588	$0	$139,626,588
Less estimated income	0	139,626,588	0	139,626,588
General fund	$0	$0	$0	$0
Department of Transportation				
Total all funds	$0	$112,000,000	$0	$112,000,000
Less estimated income	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000
Bill total				
Total all funds	$0	$251,626,588	$0	$251,626,588
Less estimated income	0	139,626,588	0	139,626,588
General fund	$0	$112,000,000	$0	$112,000,000

House Bill No. 1176 - Department of Trust Lands - Senate Action

The Senate version provides additional designations for grants from the oil and gas impact grant fund compared to the House version as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Senate Action

The Senate version changes the basis for the distributions from county major collector roadway miles to estimated unmet road and bridge investment needs.

House Bill No. 1176 - Other Changes - Senate Action

House Bill No. 1176	
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05008]**
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**
●Same as current law.	●Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
●Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	●Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.
	●Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.
	●Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.
	●Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.
Additional school district allocation	**Additional school district allocation**
●Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	●Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
●Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	●Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**
●Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	●Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)
Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**
●Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	●Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)
●Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.	●Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
●Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.	●Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
●Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.	●Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)
●Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.	●Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)

House Version [15.0329.05000]	Proposed Senate Version [15.0329.05008]
•Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:	•Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:

House Version:

	Current Law	Proposed Changes
County general fund	60%	64%
Cities	20%	20%
Schools	5%	5%
Townships (equal)	3%	2%
Townships (road miles)	3%	2%
Hub cities	9%	7%

Proposed Senate Version:

	Current Law
County general fund	60%
Cities	20%
Schools	5%
Townships (equal)	3%
Townships (road miles)	3%
Hub cities	9%

Other sections (House Version)

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.
- Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows:
  - $10 million for airports
  - $10 million for hub cities
  - $20 million for school districts
  - $800,000 to certain eligible cities

Other sections (Proposed Senate Version)

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.
- Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.8 million is undesignated and $130.8 million is designated as follows:
  - $48 million for airports
  - $30 million for school districts
  - $10 million for law enforcement agencies
  - $10 million for critical access hospitals
  - $8 million for certain eligible counties
  - $6 million for emergency medical services providers
  - $5 million for eligible political subdivisions
  - $4 million for nursing homes and hospice programs
  - $3 million for fire protection districts
  - $2 million for providers serving individuals with developmental disabilities
  - $2 million for domestic violence sexual assault organizations
  - $2 million local district health units
  - $800,000 to certain eligible cities

15.0329.05013
Title.06000
Fiscal No. 5

Prepared by the Legislative Council staff for Senator Sorvaag
April 2, 2015

4/2/15
1/1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, after line 5, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent~~- Contingent transfer to legacy fund~~.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "<u>seven</u>"

Page 1, line 19, remove "<u>and one-half</u>"

Page 4, line 4, after "city" insert "<u>, which is located in a county that received an allocation under subsection 2,</u>"

Page 4, line 9, after "b." insert "<u>Allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota;</u>

c."

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Page 4, line 9, after "district" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 13, after "Dakota" insert ", provided that hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision"

Page 4, line 14, replace "c." with "d."

Page 4, line 19, replace "d." with "e."

Page 4, line 21, replace "e." with "f."

Page 4, line 25, replace "f." with "g."

Page 4, line 30, replace "g." with "h."

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "Sixty-four"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "Two"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "Two"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "Seven"

Page 14, line 18, replace "county major collector roadway miles as defined by the department of transportation" with "estimated unmet road and bridge investment needs"

Page 14, line 20, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 21, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 22, after the period insert "For purposes of this section, "estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034, identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly."

Page 15, line 2, after "state" insert "or which improve traffic safety"

Page 15, replace lines 3 through 5 with

"(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

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(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety."

Page 15, line 31, replace the first comma with "and"

Page 15, line 31, replace the second comma with "costs incurred on related projects as of July 1, 2015,"

Page 15, line 31, after "and" insert "may be applied to"

Page 16, line 14, replace "$139,626,588" with "$139,300,000"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, replace "3. $20,000,000" with "$30,000,000"

Page 17, line 9, remove ". A school district is eligible"

Page 17, replace lines 10 through 13 with "and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

3. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increased or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

4. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

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5. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

6. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing services in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

7. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

8. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes and to providers of home health services and hospice programs in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $750,000 must be distributed to home health services and hospice programs, and the remaining amount must be distributed to nursing homes.

9. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

10. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants

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under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each nursing home, facility, or provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

12. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection."

Page 17, line 14, replace "4." with "13."

Page 17, line 18, replace "5." with "14."

Page 17, line 22, replace "6." with "15."

Page 17, line 26, after the second boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Department of Trust Lands				
Total all funds	$0	$139,626,588	$0	$139,626,588
Less estimated income	0	139,626,588	0	139,626,588
General fund	$0	$0	$0	$0
Department of Transportation				
Total all funds	$0	$112,000,000	$0	$112,000,000
Less estimated income	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000
Bill total				
Total all funds	$0	$251,626,588	$0	$251,626,588
Less estimated income	0	139,626,588	0	139,626,588

6/7

General fund	$0	$112,000,000	$0	$112,000,000

House Bill No. 1176 - Department of Trust Lands - Senate Action

The Senate version provides additional designations for grants from the oil and gas impact grant fund compared to the House version as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Senate Action

The Senate version changes the basis for the distributions from county major collector roadway miles to estimated unmet road and bridge investment needs.

House Bill No. 1176 - Other Changes - Senate Action

House Bill No. 1176	
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05013]**
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**
• Same as current law.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually. • Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties. • Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties. • Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.
Additional school district allocation	**Additional school district allocation**
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)

House Version [15.0329.05000]	Proposed Senate Version [15.0329.05013]
Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)

<table>
<tr>
<td>• Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.</td>
<td>• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)</td>
</tr>
<tr>
<td>• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.</td>
<td>• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)</td>
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<td>• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.</td>
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<td>• Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:
<table>
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<tr><td>Townships (road miles)</td><td>3%</td><td>2%</td></tr>
<tr><td>Hub cities</td><td>9%</td><td>7%</td></tr>
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Other sections
• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.
• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows:
$10 million for airports
$10 million for hub cities
$20 million for school districts
$800,000 to certain eligible cities</td>
<td>• Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:
<table>
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Other sections
• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.
• Appropriates $139.3 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.5 million is undesignated and $130.8 million is designated as follows:
$48 million for airports
$30 million for school districts
$10 million for law enforcement agencies
$10 million for critical access hospitals
$8 million for certain eligible counties
$6 million for emergency medical services providers
$5 million for eligible political subdivisions
$4 million for nursing homes and hospice programs
$3 million for fire protection districts
$2 million for providers serving individuals with developmental disabilities
$2 million for domestic violence sexual assault organizations
$2 million local district health units
$800,000 to certain eligible cities</td>
</tr>
</table>

15.0329.05011
Title.

Prepared by the Legislative Council staff for
Senator Heckaman
April 1, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

Page 5, line 6, after the period insert "However, if the average statewide production of oil meets or exceeds one million two hundred thousand barrels of oil per day in the month of February 2016, allocations to the county occurring after June 30, 2016, must be increased to forty percent of all annual revenue exceeding five million dollars. An additional five percent of all annual revenue exceeding five million dollars also must be allocated to the department of transportation for allocation among non-oil-producing counties at the times revenues are distributed to oil-producing counties under this section. The allocation to each non-oil-producing county must be proportional to each non-oil-producing county's estimated unmet road and bridge investment needs relative to the combined total of estimated unmet road and bridge investment needs of all the eligible non-oil-producing counties. For purposes of this subdivision:

(1) "Average statewide production" means the number of barrels of oil produced from wells within this state during the calendar month divided by the number of calendar days in that month, as determined by the industrial commission.

(2) "Estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly.

(3) "Non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under this subsection of less than five million dollars for the period beginning September 1, 2013, and ending August 31, 2014."

Renumber accordingly

Date: 4-1-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176.5008

Senate Appropriations Committee

☒ Subcommittee

Amendment LC# or Description: Amendment # 15.0329.05008

Recommendation: ☐ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By ____________ Seconded By ____________

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman	✓		Senator Mathern		
Senator Krebsbach			Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) ____________ No ____________

Absent ____________

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

Date: 4-1-15
Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

Senate Appropriations Committee

☐ ~~Subcommittee~~

Amendment LC# or Description: Moved the Bill With new Amendments Subject to our review

Recommendation:
☐ Adopt Amendment
☑ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☑ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions:
☐ Reconsider ☐ ______

Motion Made By O'Connell Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman	✓		Senator Mathern		
Senator Krebsbach			Senator O'Connell	✓	
Senator Carlisle			Senator Robinson		
Senator Sorvaag	✓				
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) ______ No ______

Absent ______

Floor Assignment ______

If the vote is on an amendment, briefly indicate intent:

Date: 4-2-15
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 15.0329.05013

Recommendation:
☒ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By Sorvaag Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) ____________ No ____________

Absent ____________

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

Voice Vote Carried

Date: 4-2-15
Roll Call Vote #: 2

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: 15.0329.05011 Heckaman

Recommendation:
☐ Adopt Amendment
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☐ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ ____________

Motion Made By ____________ Seconded By ____________

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg			Senator Heckaman		
Senator Bowman			Senator Mathern		
Senator Krebsbach			Senator O'Connell		
Senator Carlisle			Senator Robinson		
Senator Sorvaag					
Senator G. Lee					
Senator Kilzer					
Senator Erbele					
Senator Wanzek					

Total (Yes) ____________ No ____________

Absent ____________

Floor Assignment ____________

If the vote is on an amendment, briefly indicate intent:

Voice Vote - failed

Date: 4-2-15
Roll Call Vote #: 3

2015 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1176

Senate Appropriations Committee

☐ Subcommittee

Amendment LC# or Description: ____________________

Recommendation:
☐ Adopt Amendment
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation
☒ As Amended ☐ Rerefer to Appropriations
☐ Place on Consent Calendar

Other Actions:
☐ Reconsider ☐ ____________________

Motion Made By Sorvaag Seconded By O'Connell

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Heckaman	✓	
Senator Bowman	✓		Senator Mathern	✓	
Senator Krebsbach	✓		Senator O'Connell	✓	
Senator Carlisle	✓		Senator Robinson	✓	
Senator Sorvaag	✓				
Senator G. Lee	✓				
Senator Kilzer	✓				
Senator Erbele	✓				
Senator Wanzek	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Sorvaag

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1176, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1176 was placed on the Sixth order on the calendar.

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, after line 5, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent~~- Contingent transfer to legacy fund~~.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "<u>seven</u>"

Page 1, line 19, remove "<u>and one-half</u>"

Page 4, line 4, after "city" insert "<u>, which is located in a county that received an allocation under subsection 2,</u>"

Page 4, line 9, after "b." insert "<u>Allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota;</u>

<u>c.</u>"

Page 4, line 9, after "district" insert "<u>, which is located in a county that received an allocation under subsection 2,</u>"

Page 4, line 13, after "Dakota" insert "<u>, provided that hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision</u>"

Page 4, line 14, replace "<u>c.</u>" with "<u>d.</u>"

Page 4, line 19, replace "<u>d.</u>" with "<u>e.</u>"

Page 4, line 21, replace "<u>e.</u>" with "<u>f.</u>"

Page 4, line 25, replace "<u>f.</u>" with "<u>g.</u>"

Page 4, line 30, replace "<u>g.</u>" with "<u>h.</u>"

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "<u>Sixty-four</u>"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "<u>Two</u>"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "<u>Two</u>"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "<u>Seven</u>"

Page 14, line 18, replace "county major collector roadway miles as defined by the department of transportation" with "estimated unmet road and bridge investment needs"

Page 14, line 20, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 21, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 22, after the period insert "For purposes of this section, "estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034, identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly."

Page 15, line 2, after "state" insert "or which improve traffic safety"

Page 15, replace lines 3 through 5 with

"(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety."

Page 15, line 31, replace the first comma with "and"

Page 15, line 31, replace the second comma with "costs incurred on related projects as of July 1, 2015,"

Page 15, line 31, after "and" insert "may be applied to"

Page 16, line 14, replace "$139,626,588" with "$139,300,000"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, replace "3. $20,000,000" with "$30,000,000"

Page 17, line 9, remove ". A school district is eligible"

Page 17, replace lines 10 through 13 with "and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

3. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increased or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

4. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

5. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must

be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

6. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing services in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

7. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

8. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes and to providers of home health services and hospice programs in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $750,000 must be distributed to home health services and hospice programs, and the remaining amount must be distributed to nursing homes.

9. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

10. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each nursing home, facility, or provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

12. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection."

Page 17, line 14, replace "4." with "13."

Page 17, line 18, replace "5." with "14."

Page 17, line 22, replace "6." with "15."

Page 17, line 26, after the second boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Department of Trust Lands				
Total all funds	$0	$139,626,588	($326,588)	$139,300,000
Less estimated income	0	139,626,588	(326,588)	139,300,000
General fund	$0	$0	$0	$0
Department of Transportation				
Total all funds	$0	$112,000,000	$0	$112,000,000
Less estimated income	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000
Bill total				
Total all funds	$0	$251,626,588	($326,588)	$251,300,000
Less estimated income	0	139,626,588	(326,588)	139,300,000
General fund	$0	$112,000,000	$0	$112,000,000

House Bill No. 1176 - Department of Trust Lands - Senate Action

	Base Budget	House Version	Senate Changes	Senate Version
Oil and gas impact grants		$139,626,588	($326,588)	$139,300,000
Total all funds	$0	$139,626,588	($326,588)	$139,300,000
Less estimated income	0	139,626,588	(326,588)	139,300,000

General fund	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00

Department No. 226 - Department of Trust Lands - Detail of Senate Changes

	Adjusts Funding for Administrative Costs[1]	Total Senate Changes
Oil and gas impact grants	($326,588)	($326,588)
Total all funds	($326,588)	($326,588)
Less estimated income	(326,588)	(326,588)
General fund	$0	$0
FTE	0.00	0.00

[1] The Senate reduced the funding for grants to provide additional funding for administrative costs.

The Senate version provides additional designations for grants from the oil and gas impact grant fund compared to the House version as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Senate Action

The Senate version changes the basis for the distributions from county major collector roadway miles to estimated unmet road and bridge investment needs.

House Bill No. 1176 - Other Changes - Senate Action

House Bill No. 1176	
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05013]**
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**
• Same as current law.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.
	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties. • Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties. • Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.
Additional school district allocation	**Additional school district allocation**
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**

• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05013]**
Allocations and distributions to political subdivisions • Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. • Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.	**Allocations and distributions to political subdivisions** • Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House) • Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. • Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.	• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House) • Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)
• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.	• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)
• Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:	• Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:

	Current Law
	60%
	20%
	5%
	3%
	3%
	9%

Other sections • Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles. • Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows: $10 million for airports $10 million for hub cities $20 million for school districts $800,000 to certain eligible cities	**Other sections** • Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs. • Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.5 million is undesignated and $130.8 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $800,000 to certain eligible cities

2015 CONFERENCE COMMITTEE

HB 1176

2015 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB 1176
4/21/2015
26331
☐ Subcommittee
☒ Conference Committee

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections 15.1-27-04.1, 57-51-01, and 57-51-15 of the North Dakota Century Code, relating to mineral revenue received by school districts and oil and gas gross production tax definitions and allocations; to provide appropriations; and to provide an effective date.

Minutes:

Attachments: 2

Chairman Jeff Delzer
Shared with the committee amendment 05019; attachment #1 and explained the amendment. Also had an attachment #2; 2015-17 biennium estimated oil tax allocations; HB 1176.

Motion made that the Senate recede from its amendments and further amend with .05019 made by **Senator O'Connell**; seconded by **Representative Keith Kempenich**

Senator Sorvaag: we did receive a copy of the amendments and are comfortable with them.

Senator Bowman: On the $2M that goes for local grant health units; on page 22; because they are understaffed and the rent in some areas is exorbitant amount; can that money be used for that or does that have to go through the policy when they set up the rules and regulations for those grants?

Chairman Jeff Delzer
Which one are you looking at?

Senator Bowman: Number 12 on page 22.

Representative Keith Kempenich
It's a grant to the local health units; the problem is that you are not fixing a structural issue if they want to use it as salaries or on-going money; it's not that they can't use it for salaries; but its not the same source because you're going to be dealing with that in two years of where you are going to fund them in two years' time. There's still a sustainability issue when you start going into these grant dollars.

Senator Bowman: my question is that because there will be rules adopted.

Chairman Jeff Delzer
When you read it, it says the director energy infrastructure and impact office in consult with state department of Health; so the grant procedures and requirements. They could set that, but if you do that; with the revenues of the state; and that is why these are all sunset; the chance of there being

money 2 years from now is pretty slim. So anyone receiving this money now should be cognizant of that fact and not put it into salaries and put it into options to help the people. But I don't know that there is anything in this language that restricts or allows it.

Senator Bowman: when I read it; part of the rule making for the grants and just so there is an understanding that it could be considered. I didn't say it had to be or anything.

Chairman Jeff Delzer
We don't have; unless we have another amendment; but all of these are one time buckets; but the opportunity to have this for the second or third time as we've done in the past is going to be pretty slim.

Senator O'Connell: I think everyone knows our intent; so if anyone goes back and looks in the records, they've already heard our intent, are you satisfied with that?

Representative Keith Kempenich: On section 6; what do we hope to gain or get out of that study?

Chairman Jeff Delzer
The discussions; meant to take a look at the whole system, so a number of legislators would be involved in all likelihood, this would be done with energy and transmission committee; but instead of the situation with HB 1176; this is to have everyone look at the whole list of where we are at during the interim; where the budget and revenue goes and to have a discussion; that's why we sunset the things we did.

Chairman Jeff Delzer: Further discussion? Hearing none; **roll call vote was taken.**

Clarified the motion from Senator O'Connell was to have the Senate recede from its amendments and further amend with .05019

Motion carries: 6-0-0
Hearing closed.

4/22/15
1/10

15.0329.05019
Title.07000
Fiscal No. 1

Prepared by the Legislative Council staff for
Representative Delzer
April 20, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

That the Senate recede from its amendments as printed on pages 1363-1369 of the House Journal and pages 1147-1153 of the Senate Journal and that Engrossed House Bill No. 1176 be amended as follows:

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, line 3, after third semicolon insert "to provide for a legislative management study;"

Page 1, after line 5, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent~~- Contingent transfer to legacy fund~~.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 17, after "means" insert "<u>, for the period beginning September 1, 2015, and ending August 31, 2017,</u>"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "<u>seven</u>"

Page 1, line 19, remove "<u>and one-half</u>"

2410

Page 1, line 21, after "Dakota" insert ". "Hub city" means, after August 31, 2017, a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one percent of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota"

Page 4, line 4, after "Allocate" insert ", for the period beginning September 1, 2015, and ending August 31, 2017,"

Page 4, line 4, after "city" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 8, after "Dakota" insert "and after August 31, 2017, allocate to each hub city, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota"

Page 4, line 9, after "b." insert "Allocate, for the period beginning September 1, 2015, and ending August 31, 2017, to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and after August 31, 2017, allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota;

c."

Page 4, line 9, after "Allocate" insert ", for the period beginning September 1, 2015, and ending August 31, 2017,"

Page 4, line 9, after "district" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 13, after "Dakota" insert " and after August 31, 2017, allocate to each hub city school district, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota, provided that hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision"

Page 4, line 14, replace "c." with "d."

Page 4, line 19, replace "d." with "e."

Page 4, line 20, after "biennium" insert "for the 2015-17 biennium, and not in an amount exceeding one hundred million dollars per biennium thereafter"

Page 4, line 21, replace "e." with "f."

Page 4, line 25, replace "f." with "g."

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Page 4, line 30, replace "g." with "h."

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "Sixty-four"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "Two"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "Two"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "Seven"

Page 14, line 17, replace "The" with "One-half of the"

Page 14, line 19, after "county" insert "based on county major collector roadway miles"

Page 14, line 22, after the period insert "One-half of the distributions must be based on the most recent data compiled by the upper great plains transportation institute regarding North Dakota's county, township, and tribal road and bridge infrastructure needs. The distribution to each non-oil-producing county based on total estimated road and bridge investment needs must be proportional to each non-oil-producing county's total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute relative to the combined total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute of all the eligible non-oil-producing counties under this subsection."

Page 15, line 2, after "state" insert "or which improve traffic safety"

Page 15, replace lines 3 through 5 with

"(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety."

Page 15, line 31, replace the first comma with "and"

Page 15, line 31, replace the second comma with "costs incurred on related projects as of July 1, 2015,"

Page 15, line 31, after "and" insert "may be applied to"

Page 16, line 14, replace "$139,626,588" with "$139,300,000"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

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Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, replace "3. $20,000,000" with "$30,000,000"

Page 17, line 9, remove ". A school district is eligible"

Page 17, replace lines 10 through 13 with "and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

3. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increased or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

4. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

5. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

6. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing services in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure

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and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

7. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

8. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers of home health services and hospice programs in oil-producing counties to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with key stakeholders, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $500,000 must be distributed to home health services and hospice programs in the two hub cities as defined under section 57-51-01 that received the two highest total allocations under subsection 1 of section 57-51-15 for the period beginning September 1, 2013, and ending August 31, 2014. The remaining amount must be distributed to nursing homes and basic care facilities.

9. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

10. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection.

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The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

12. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection.

13. $1,700,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,453, but fewer than 1,603 according to the last official decennial federal census."

Page 17, line 14, replace "4." with "14."

Page 17, line 18, replace "5." with "15."

Page 17, line 22, replace "6." with "16."

Page 17, after line 25, insert:

"**SECTION 6. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS TAX REVENUE ALLOCATION FORMULAS.** During the 2015-16 interim, the legislative management shall consider studying the oil and gas tax revenue allocation formulas. The study must include consideration of current and historical allocations to political subdivisions and the appropriate level of oil and gas tax revenue allocations to political subdivisions based on infrastructure and other needs. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Page 17, line 26, after the second boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Department of Trust Lands						
Total all funds	$0	$139,626,588	($326,588)	$139,300,000	$139,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$0	$0	$0	$0	$0
Department of Transportation						
Total all funds	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0
Less estimated income	0	0	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0

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	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Bill total						
Total all funds	$0	$251,626,588	($326,588)	$251,300,000	$251,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0

House Bill No. 1176 - Department of Trust Lands - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Oil and gas impact grants		$139,626,588	($326,588)	$139,300,000	$139,300,000	
Total all funds	$0	$139,626,588	($326,588)	$139,300,000	$139,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 226 - Department of Trust Lands - Detail of Conference Committee Changes

	Adjusts Funding for Administrative Costs[1]	Total Conference Committee Changes
Oil and gas impact grants	($326,588)	($326,588)
Total all funds	($326,588)	($326,588)
Less estimated income	(326,588)	(326,588)
General fund	$0	$0
FTE	0.00	0.00

[1] The Senate reduced the funding for grants to provide additional funding for administrative costs.

The Conference Committee version provides additional designations for grants from the oil and gas impact grant fund compared to the House and Senate versions as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Conference Committee Action

The Conference Committee version provides for distributing $56 million based on county major collector roadway miles and $56 million based on total estimated road and bridge investment needs. The House version was based on county major collector roadway miles, and the Senate version was based on estimated unmet road and bridge investment needs.

House Bill No. 1176 - Other Changes - Conference Committee Action

House Version [15.0329.05000]	Senate Version [15.0329.05013]	Proposed Conference Committee Version [15.0329.05019]
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**	**Contingent transfers to legacy fund**
• Same as current law.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million. (Same as Senate)

Hub cities and hub city school districts	**Hub cities and hub city school districts**	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment only for the 2015-17 biennium and clarifies that the hub cities' allocation percentages be updated annually.
	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
Additional school district allocation	**Additional school district allocation**	**Additional school district allocation**
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House and Senate)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**	**Oil and gas impact grant fund allocations**
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium for the 2015-17 biennium and decreases the allocation to $100 million in subsequent bienniums.
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**	**North Dakota outdoor heritage fund allocations**
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House and Senate)
Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**	**Allocations and distributions to political subdivisions**
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House and Senate)

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- Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.
- Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:

	Proposed Changes
County general fund	64%
Cities	20%
Schools	5%
Townships (equal)	2%
Townships (road miles)	2%
Hub cities	7%

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.

- Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)
- Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:

	Current Law
County general fund	60%
Cities	20%
Schools	5%
Townships (equal)	3%
Townships (road miles)	3%
Hub cities	9%

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.

- Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House and Senate)
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House and Senate)
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House and Senate)
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House and Senate)
- Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax (Same as Senate):

	Current Law
County general fund	60%
Cities	20%
Schools	5%
Townships (equal)	3%
Townships (road miles)	3%
Hub cities	9%

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. One-half of the funding distributions are based on county major collector roadway miles and one-half of the distributions are based on data compiled by the Upper Great Plains Transportation Institute related to estimated road and bridge investment needs.

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• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows: $10 million for airports $10 million for hub cities $20 million for school districts $800,000 to certain eligible cities	• Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.5 million is undesignated and $130.8 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $800,000 to certain eligible cities	• Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $6.8 million is undesignated and $132.5 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $1.7 million to an eligible city $800,000 to certain eligible cities • Provides for a legislative management study of oil and gas tax allocations

Date: 4/21/15
Roll Call Vote #: 1

2015 HOUSE CONFERENCE COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 1176 as (re) engrossed

House Full Appropriations Committee

Action Taken
- ☐ **HOUSE accede to Senate Amendments**
- ☐ **HOUSE accede to Senate Amendments and further amend**
- ☐ **SENATE recede from Senate amendments**
- ☒ **SENATE recede from Senate amendments and amend as follows**

- ☐ **Unable to agree**, recommends that the committee be discharged and a new committee be appointed

Motion Made by: O'Connell Seconded by: Rempenich

Representatives	4/21 A#1	A#2	A#3	Yes	No	Senators	4/21 A#1	A#2	A#3	Yes	No
Delzer	✓			✓		Sorvaag	✓			✓	
Rempenich	✓			✓		Bowman	✓			✓	
Boe	✓			✓		O'Connell	✓			✓	
Total Rep. Vote						Total Senate Vote					

Vote Count Yes: 6 No: 0 Absent: 0

House Carrier ________ Senate Carrier ________

LC Number 15.0329 . 05019 of amendment

LC Number .07000 . ________ of engrossment

Emergency clause added or deleted

Statement of purpose of amendment

05019 Amendment which sunsets that in 2 years. Sunsets buckets puts it back to $100m - go to 50/50 on Non-Oil Road money

REPORT OF CONFERENCE COMMITTEE

HB 1176, as engrossed: Your conference committee (Sens. Sorvaag, Bowman, O'Connell and Reps. Delzer, Kempenich, Boe) recommends that the **SENATE RECEDE** from the Senate amendments as printed on HJ pages 1363-1369, adopt amendments as follows, and place HB 1176 on the Seventh order:

That the Senate recede from its amendments as printed on pages 1363-1369 of the House Journal and pages 1147-1153 of the Senate Journal and that Engrossed House Bill No. 1176 be amended as follows:

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, line 3, after third semicolon insert "to provide for a legislative management study;"

Page 1, after line 5, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent~~- Contingent transfer to legacy fund~~.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 17, after "means" insert "<u>, for the period beginning September 1, 2015, and ending August 31, 2017,</u>"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "<u>seven</u>"

Page 1, line 19, remove "<u>and one-half</u>"

Page 1, line 21, after "Dakota" insert "<u>. "Hub city" means, after August 31, 2017, a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one percent of its private covered</u>

employment engaged in the mining industry, according to annual data compiled by job service North Dakota"

Page 4, line 4, after "Allocate" insert ", for the period beginning September 1, 2015, and ending August 31, 2017,"

Page 4, line 4, after "city" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 8, after "Dakota" insert "and after August 31, 2017, allocate to each hub city, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota"

Page 4, line 9, after "b." insert "Allocate, for the period beginning September 1, 2015, and ending August 31, 2017, to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and after August 31, 2017, allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota;

c."

Page 4, line 9, after "Allocate" insert ", for the period beginning September 1, 2015, and ending August 31, 2017,"

Page 4, line 9, after "district" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 13, after "Dakota" insert " and after August 31, 2017, allocate to each hub city school district, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota, provided that hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision"

Page 4, line 14, replace "c." with "d."

Page 4, line 19, replace "d." with "e."

Page 4, line 20, after "biennium" insert "for the 2015-17 biennium, and not in an amount exceeding one hundred million dollars per biennium thereafter"

Page 4, line 21, replace "e." with "f."

Page 4, line 25, replace "f." with "g."

Page 4, line 30, replace "g." with "h."

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "Sixty-four"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "Two"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "Two"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "Seven"

Page 14, line 17, replace "The" with "One-half of the"

Page 14, line 19, after "county" insert "based on county major collector roadway miles"

Page 14, line 22, after the period insert "One-half of the distributions must be based on the most recent data compiled by the upper great plains transportation institute regarding North Dakota's county, township, and tribal road and bridge infrastructure needs. The distribution to each non-oil-producing county based on total estimated road and bridge investment needs must be proportional to each non-oil-producing county's total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute relative to the combined total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute of all the eligible non-oil-producing counties under this subsection."

Page 15, line 2, after "state" insert "or which improve traffic safety"

Page 15, replace lines 3 through 5 with

"(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety."

Page 15, line 31, replace the first comma with "and"

Page 15, line 31, replace the second comma with "costs incurred on related projects as of July 1, 2015,"

Page 15, line 31, after "and" insert "may be applied to"

Page 16, line 14, replace "$139,626,588" with "$139,300,000"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, replace "3. $20,000,000" with "$30,000,000"

Page 17, line 9, remove ". A school district is eligible"

Page 17, replace lines 10 through 13 with "and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

3. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increased or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

4. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

5. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

6. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing services in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

7. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

8. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers of home health services and hospice programs in oil-producing counties to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with key stakeholders, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $500,000 must be distributed to home health services and hospice programs in the two hub cities as defined under section 57-51-01 that received the two highest total allocations under subsection 1 of section 57-51-15 for the period beginning September 1, 2013, and ending August 31, 2014. The remaining amount must be distributed to nursing homes and basic care facilities.

9. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

10. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

12. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection.

13. $1,700,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than

1,453, but fewer than 1,603 according to the last official decennial federal census."

Page 17, line 14, replace "4." with "14."

Page 17, line 18, replace "5." with "15."

Page 17, line 22, replace "6." with "16."

Page 17, after line 25, insert:

"**SECTION 6. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS TAX REVENUE ALLOCATION FORMULAS.** During the 2015-16 interim, the legislative management shall consider studying the oil and gas tax revenue allocation formulas. The study must include consideration of current and historical allocations to political subdivisions and the appropriate level of oil and gas tax revenue allocations to political subdivisions based on infrastructure and other needs. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Page 17, line 26, after the second boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Department of Trust Lands						
Total all funds	$0	$139,626,588	($326,588)	$139,300,000	$139,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$0	$0	$0	$0	$0
Department of Transportation						
Total all funds	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0
Less estimated income	0	0	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0
Bill total						
Total all funds	$0	$251,626,588	($326,588)	$251,300,000	$251,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0

House Bill No. 1176 - Department of Trust Lands - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Oil and gas impact grants		$139,626,588	($326,588)	$139,300,000	$139,300,000	
Total all funds	$0	$139,626,588	($326,588)	$139,300,000	$139,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$0	$0	$0	$0	$0

FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 226 - Department of Trust Lands - Detail of Conference Committee Changes

	Adjusts Funding for Administrative Costs[1]	Total Conference Committee Changes
Oil and gas impact grants	($326,588)	($326,588)
Total all funds	($326,588)	($326,588)
Less estimated income	(326,588)	(326,588)
General fund	$0	$0
FTE	0.00	0.00

[1] The Senate reduced the funding for grants to provide additional funding for administrative costs.

The Conference Committee version provides additional designations for grants from the oil and gas impact grant fund compared to the House and Senate versions as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Conference Committee Action

The Conference Committee version provides for distributing $56 million based on county major collector roadway miles and $56 million based on total estimated road and bridge investment needs. The House version was based on county major collector roadway miles, and the Senate version was based on estimated unmet road and bridge investment needs.

House Bill No. 1176 - Other Changes - Conference Committee Action

House Version [15.0329.05000]	Senate Version [15.0329.05013]	Proposed Conference Committee Version [15.0329.05019]
Contingent transfers to legacy fund • Same as current law.	**Contingent transfers to legacy fund** • Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.	**Contingent transfers to legacy fund** • Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million. (Same as Senate)
Hub cities and hub city school districts • Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	**Hub cities and hub city school districts** • Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually. • Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.	**Hub cities and hub city school districts** • Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment only for the 2015-17 biennium and clarifies that the hub cities' allocation percentages be updated annually. • Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.

	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
Additional school district allocation • Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	**Additional school district allocation** • Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)	**Additional school district allocation** • Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House and Senate)
Oil and gas impact grant fund allocations • Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	**Oil and gas impact grant fund allocations** • Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)	**Oil and gas impact grant fund allocations** • Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium for the 2015-17 biennium and decreases the allocation to $100 million in subsequent bienniums.
North Dakota outdoor heritage fund allocations • Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	**North Dakota outdoor heritage fund allocations** • Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)	**North Dakota outdoor heritage fund allocations** • Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House and Senate)
Allocations and distributions to political subdivisions • Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	**Allocations and distributions to political subdivisions** • Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)	**Allocations and distributions to political subdivisions** • Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House and Senate)
• Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.	• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)	• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House and Senate)
• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.	• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)	• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House and Senate)
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.	• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)	• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House and Senate)
• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.	• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)	• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House and Senate)
• Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:	• Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:	• Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax (Same as Senate):
Other sections	**Other sections**	**Other sections**

• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.	• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.	• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. One-half of the funding distributions are based on county major collector roadway miles and one-half of the distributions are based on data compiled by the Upper Great Plains Transportation Institute related to estimated road and bridge investment needs.
• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows: $10 million for airports $10 million for hub cities $20 million for school districts $800,000 to certain eligible cities	• Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.5 million is undesignated and $130.8 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $800,000 to certain eligible cities	• Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $6.8 million is undesignated and $132.5 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $1.7 million to an eligible city $800,000 to certain eligible cities • Provides for a legislative management study of oil and gas tax allocations

Engrossed HB 1176 was placed on the Seventh order of business on the calendar.

2015 TESTIMONY

HB 1176

House Approps.
HB 1176
Testimony Handout #1
1/29/15

House Bill 1176 has 6 major changes to existing statute. Instead of going section by section in the bill I will highlight the major changes and reference where they are located in the bill.

As a review of the oil tax collection for the state there are two taxes: the extraction tax of 6.5%, and the gross production tax, or GPT, at 5% for a total of 11.5%. When we talk about changing the formula, we are talking about an adjustment to the GPT only. Within the GPT, 20% of the revenue is the state's share and not impacted by the formula.

Within the formula distribution the funding is further delineated to the various political subdivisions. For counties that generate less than $5 million in GPT revenue, 100% of the funds are split with the county receiving 45%, the cities within the county receiving 20% and the schools receiving 35% of which 75% is imputed (or deducted) from their foundation aid payments. There are currently XXX counties under this structure and this distribution structure is not proposed to change. The counties that generate over $5 million, of which there are 10, 80 percent of the GPT funding is split with the county receiving 60%, cities 20%, townships a total of 6%, hub cities 9% shared between them, and schools 5% again with it being imputed (or deducted) from their foundation aid payments. This distribution structure is not proposed to change.

I will review the major changes in the bill. The first change is found in section 1. I will not spend a lot of time on this as Senator Rust will address this issue in his comments. I will state that this change provides funding to assist schools with construction funding.

The next change is in section 2 subsection 5 on page 5. This changes the language to use oil and gas related employment for ND Job Service data instead of mining industry. This past session the Legislature tasked Job service with researching and developing a more comprehensive tracking of oil and gas related employment and this change uses that data going forward. As a note, with this new classification the number of hub cities goes from 3 (Dickinson, Minot and Williston) to 9 with Bismarck, Fargo, Grand Forks, Jamestown, Mandan and West Fargo added as hub cities.

In section 3 subsection 1 (a) and (b) on page 8 is the next change. This changes the amount that is allocated to hub cities based on the Job Service oil and gas related employment figures.

The change is from $375,000 to $500,000 for cities and for schools it changes from $125,000 to $150,000 per full or partial percentage point of oil and gas related employment.

This section in subsection 1 (c) also addresses the need to maintain funds for the base allocation to school districts that have a negative impact to the amount of funding based on production. Again, Senator Rust will discuss this further in his testimony.

In section 3 subsection 2 (b) on page 9 is where the change to the formula allocation is found, changing the local share from 25 percent to 60 percent. As pointed out in earlier remarks, this change in the formula impacts 80 percent of GPT revenue, the remaining 20% is the stare share that is not affected by the change.

On page 12 in section 3 subsection 6 and 7 is an update to the reporting requirements for counties and the addition of school districts to file a report regarding the allocations from the formula and related expenditures.

In section 4 on page 18 and 19 of the bill there is an appropriation of $120,000,000 to DOT to counties that receive less than $5,000,000 in GPT dollars in fiscal year 2014. These funds would be available in February of 2016 and are to be used for road rehabilitation or reconstruction and bridges. The DOT would be responsible for determining the projects to receive funds based on applications from the counties. These funds would not be available for routine maintenance of county roads. There is also local match requirement for the project.

On page 20 section 5 is an appropriation of $139,000,000 to fund the oil and gas impact fund.

This is the summary review of House Bill 1176. I would stand for any questions you may have. There are also a number of individuals that are prepared to testify on this bill.

OIL AND GAS GROSS PRODUCTION TAX - HISTORICAL COLLECTIONS AND DISTRIBUTIONS

The schedule below provides information on oil and gas gross production tax collections and distributions to political subdivisions from fiscal years 1976 to 2014.

Fiscal Year	Gross Production Tax Collections	Gross Production Tax Distributions to Political Subdivisions	
		Amount[2]	Percentage
1976	$8,283,268	$2,899,144	35.0%
1977	9,288,175	3,250,861	35.0%
1978	10,729,667	3,755,383	35.0%
1979	13,532,669	4,736,434	35.0%
1980	29,601,845	7,645,360	25.8%
1981	63,754,409	14,729,596	23.1%
1982	79,794,487	20,547,829	25.8%
1983	79,715,144	20,671,134	25.9%
1984	85,122,189	19,310,387	22.7%
1985	73,014,024	21,842,141	29.9%
1986	57,208,654	17,921,500	31.3%
1987	34,356,907	12,376,688	36.0%
1988	35,259,694	12,524,028	35.5%
1989	29,385,521	11,511,034	39.2%
1990	33,902,581	13,233,743	39.0%
1991	47,316,794	16,484,522	34.8%
1992	32,517,549	12,612,291	38.8%
1993	29,792,007	11,791,588	39.6%
1994	22,118,770	9,116,849	41.2%
1995	23,787,276	10,209,527	42.9%
1996	26,905,996	11,228,254	41.7%
1997	34,772,117	13,149,772	37.8%
1998	29,521,309	11,636,247	39.4%
1999	22,705,995	9,892,124	43.6%
2000	38,041,008	14,414,154	37.9%
2001	46,029,027	17,058,647	37.1%
2002	36,515,072	13,314,864	36.5%
2003	43,477,533	16,036,564	36.9%
2004	47,519,075	16,477,184	34.7%
2005	74,046,219	22,366,932	30.2%
2006	104,378,689	28,740,724	27.5%
2007	118,782,343	30,208,466	25.4%
2008	209,457,069	40,014,642	19.1%
2009	221,462,334	44,480,771	20.1%
2010	302,099,211	67,987,859	22.5%
2011	481,083,658	94,830,593	19.7%
2012	795,700,305	118,077,477	14.8%
2013	1,130,378,568	147,551,827	13.1%
2014	1,492,918,264	346,038,583	23.2%
Total	$6,054,275,422	$1,310,675,723	21.6%

[2]The amounts shown for the gross production tax distributions to political subdivisions do not include Legislative Assembly appropriations of state funds that were distributed to political subdivisions for energy development-related impact grants or other related purposes.

House Approps,
HB 1176
Testimony Handout #2
1/29/15

Mr. Chairman and Members of the Committee:

For the record I am David Rust, Senator from District 2 in NW ND.

I'd like to speak to a particular section of the bill--page 8, lines 11-15.

I'll start with a brief reminder of the 5% Gross Production Tax breakdown:

	Prior to 2013 Session	After 2013 Session < $5 Million	After 2013 Session ≥ $5 Million
County	45%	45%	60%
Cities	20%	20%	20%
Schools	35%	35%	5%
Townships equally	---		3%
Townships roads	---		3%
Hub cities	---		9%
	100%	100%	100%

During the 2013 Legislative Assembly, the Senate and Conference Committee pulled the following statement from HB 1358 as passed by the House (See HB 1358--the 13.0134.10000 version of the 2013 Legislative Session):

"Allocate one million seven hundred fifty thousand dollars in each fiscal year to be added by the county treasurer to the allocations to school districts under subdivision c of subsection 4 for each county that has received five million dollars or more of allocations under subsection 2 during the preceding state fiscal year;"

The reason for the inclusion of that in HB1358 was to keep the schools, in counties that received over $5 million, from being penalized by a new GPT formula.

As shown on the previous page, currently there are two steps in HB1358's GPT formula after the state takes its 20% (or 1% of the 5%). The remaining 80% is distributed to schools as follows:

1) counties <u>under</u> $5 million, schools get 35% of the GPT
2) counties $5 million or <u>over</u>, schools get 5% of GPT.

Part A) below gives the amount that goes to schools in a county with $1 less than $5 million in GPT distributed to the county.

Part B) below shows the amount that goes to schools in a county with $1 more than $5 million in GPT distributed to the county.

A) NDCC 57-51-15 Section 4:

$4,999,999 X 35% = $1,750,000 goes to schools

B) NDCC 57-51-15 Section 5

$5,000,001 X 5% = $250,000 goes to schools

THEREFORE: $2 <u>more</u> in GPT to a county results in $1,500,000 <u>less</u> going to schools.

Note: The state school aid funding formula does subtract 75% of those dollars from school districts as part of the "equity formula."

In order for the schools to be made "whole" by the current formula, $156,250,000 in GPT must be "collected by the state from an oil-producing county"--resulting in a distribution of $121,250,000 retained by the state and $35,000,000 sent to the political subdivisions. Anything less than that amount results in school districts receiving fewer dollars than if the county's share were below $5 million.

The attached graph illustrates what I've just presented.

It simply does NOT make sense--that schools in a county which produces significantly more oil should get fewer dollars than schools in counties that produce less oil.

Page 8, lines 11 - 15 corrects the problem by allocating $1,750,000 to school districts in each of the counties receiving $5 million or more in GPT (as was the original intent of HB 1358).

There are 10 counties that receive $5 million or more in GPT.

Four of the affected school districts that "lost dollars" are in my legislative district--Crosby (Divide County), Lignite (Burke Central), Bowbells, and Powers Lake.

As I stated earlier, 75% is subtracted out of a school district's state aid. What really happened was, in the 2013-14 school year, that 75% was multiplied times a large GPT payment received the previous school year (2012-13) with a much smaller GPT amount received the current school year (2013-14). That was a significant hit to the school district's budget and a bottom line that really can't be recovered as you are always a year behind in the state school funding aid formula.

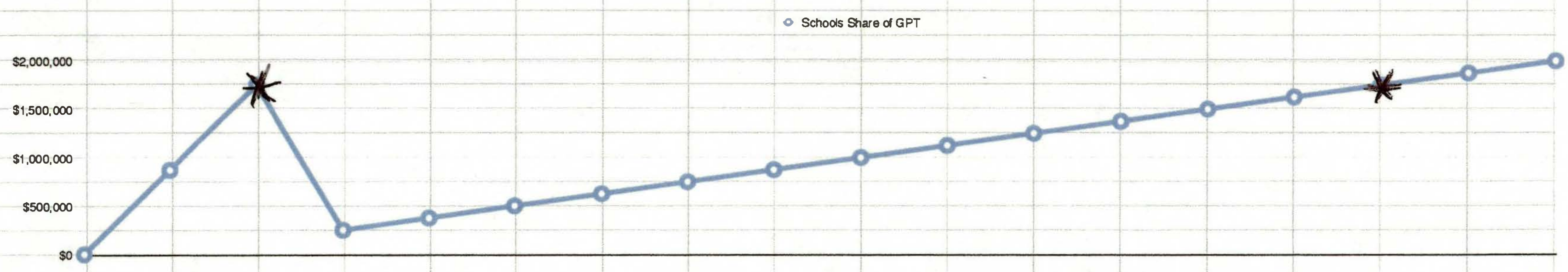
I urge you to give HB 1176 a "Do Pass" recommendation. Please correct the formula by including the language on page 8, lines 11-15.

Thank you. I try to answer any questions you may have.

5% Gross Production Tax (GPT)

GPT paid to State by Co	$0	$3,125,000	$6,249,999	$6,250,005	$18,750,000	$31,250,000	$43,750,000	$56,250,000	$68,750,000	$81,250,000
County Share of GPT	$0	$2,500,000	$4,999,999	$5,000,001	$7,500,000	$10,000,000	$12,500,000	$15,000,000	$17,500,000	$20,000,000
Schools Share of GPT	$0	$875,000	$1,750,000	$250,000	$375,000	$500,000	$625,000	$750,000	$875,000	$1,000,000

GPT paid to State by Co	$93,750,000	$106,250,000	$118,750,000	$131,250,000	$143,750,000	$156,250,000	$168,750,000	$181,250,000
County Share of GPT	$22,500,000	$25,000,000	$27,500,000	$30,000,000	$32,500,000	$35,000,000	$37,500,000	$40,000,000
Schools Share of GPT	$1,125,000	$1,250,000	$1,375,000	$1,500,000	$1,625,000	$1,750,000	$1,875,000	$2,000,000



5

House Approp.
HB 1176
Testimony Handout #3
1/29/15

House Bill 1176

PREPARED FOR:

HOUSE APPROPRIATIONS COMMITTEE
REPRESENTATIVE DELZER, CHAIRMAN

Chairman Delzer and Committee, I am Dan Brosz, Past President of the ND Association of Oil and Gas Producing Counties. Our Association has been working with Legislators and the Governor to change the formula that returns Gross Production Tax revenues to local political subdivisions for the past several years. Many of you along with the Governor and his staff have been out to our area to observe the growth and its impacts first hand. All have agreed more needs to be done to lessen the impacts and help with the needed infrastructure to make this a permanent industry in our State. My focus today will be the impacts to county and township roads and what this bill will do to help with the impacts.

The change in the formula proposed in this bill will go a long way in helping with these impacts. Our biggest expense is maintaining and re-building our road system to handle the traffic that is needed to produce the oil and gas and infrastructure such as housing, schools, business etc. We spend millions of dollars maintaining the existing road system. We don't have the money or ability to construct a system for this industry in one or two years. It will take many years and in the mean time we need to maintain the system we have. These maintenance costs include resurfacing roads and dust control for both health and stabilization reasons. The additional costs include more equipment and personnel to blade roads more frequently. More roads need sanding as they become snow packed before we can get out to plow the snow off.

Our road system was built for agriculture and it is not adequate in safety or capacity for the oil and gas industry. Thus we have most of our major collector roads, many minor collector and township roads and bridges that need to be rebuilt. The cost of this is enormous. The Upper Great Plains Transportation Institute Study commissioned by the 63rd Legislature has put those needs at $598 million in oil country for this biennium and over 4.4

billion dollars for the next twenty years. We think this may be a conservative number. As was reported in the study:

"Factors such as wetlands mitigation, geometric corrections, and high right-of-way acquisition costs, among others may influence the actual project specific costs. In addition, because this is a network planning study, project-specific enhancements such as turning lanes and climbing lanes were not modeled. These enhancements are typically included in a project as a result of a project-specific analysis."

The cost to make these improvements is high in western North Dakota. We have some counties that have very little aggregate and most all must be imported. The other high cost in our area is the trucking of materials. Because of high traffic volumes, delays for construction and various other reasons material is only hauled at an hourly rate. This brings the cost for construction much higher than in other parts of the state. Also, adding to the higher costs are housing for staff and well as competition for employees.

Building the roads to a standard that supports legal loads on a year around basis raises the cost of construction. We are building roads in oil country that only the coal industry builds for their big trucks. When roads are restricted or closed for any period of time it not only costs the industry money, it reduces income for others including the state and local agencies. Building these roads to this higher standard also requires more Right of Way, utility adjustments and other items that need to be moved or relocated, thus complicating the process.

The change in the formula proposed in this bill will help us do planning for the maintenance and rebuilding of our road system. Most counties have a long term plan to maintain and improve their system. When we do our budgets in September of each year we can estimate the revenue and work towards implementing that plan. If revenue changes we can make changes accordingly and quickly. We will not have to wait one or two years for the legislature to meet and wait to see how much will be given to us though various programs for our budgets. We understand that oil prices can change and will affect our revenue, but we think we can be more efficient with this change in the formula. Many counties have projects that are ready for bidding but cannot be bid until decisions are made in the next few weeks by this body. We are missing the prime bidding months and will likely be paying higher costs when we go to bid in late spring or this summer.

Changing the formula as proposed in this bill will provide the local leaders more predictability and thus make them more effective in meeting the needs of our citizens and the industry. In doing so will be a benefit to all the citizens of North Dakota. We urge your support and passage of this bill.

Thanks for your time and I would stand for questions.

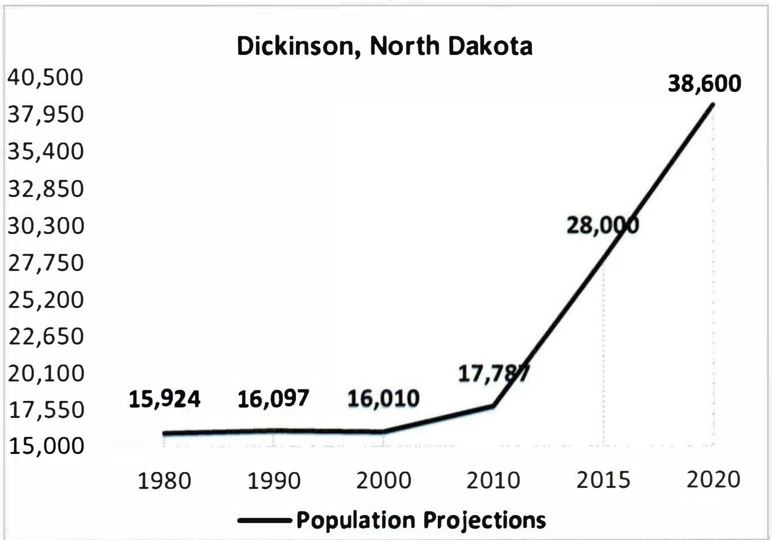
House Approp.
HB 1176
Testimony Handout #4
1/29/15

North Dakota House Appropriation Committee
House Bill No. 1176
January 29, 2015

Mr. Chairman and members of the committee, my name is Dennis Johnson and I serve as President of the Dickinson City Commission. I am here today to speak in support of House Bill No. 1176.

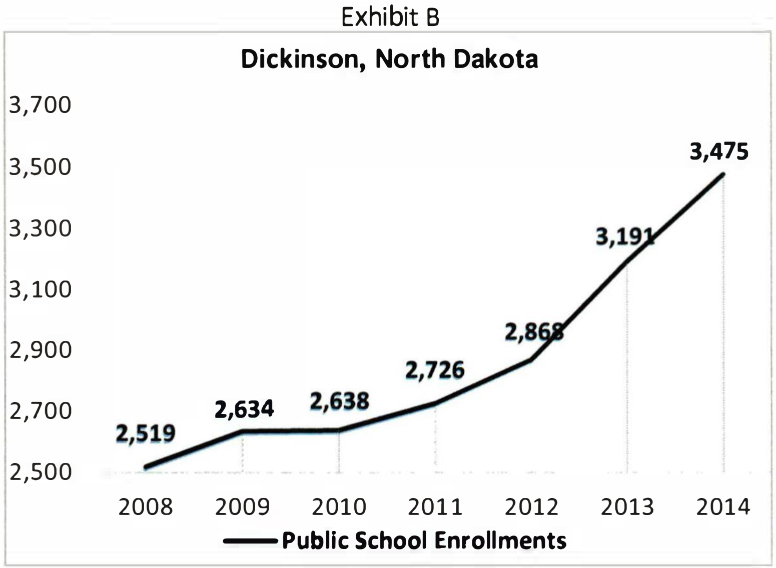
Dickinson is an Oil Hub City experiencing significant population growth. Dickinson is the nation's second fastest growing small city. NDSU, in the Dickinson Comprehensive Plan, forecasts the City reaching a permanent population of 38,600 by the year 2020. Exhibit "A" is Dickinson's population history and indicates Dickinson is on track to realize the NDSU projections. The City's permanent population is difficult to estimate but based on housing construction, water consumption, solid waste disposal, and other factors, we estimate our current permanent population to be 28,000.

Exhibit A



Other statistics illustrating the community's rapid population growth are public school enrollments, live births, and passenger enplanements. These can be found in Exhibits "B", "C", & "D". Much of Dickinson's population growth has occurred since 2010. During that time, the City footprint despite the City's efforts to grow within its pre 2010 boundaries has grown 29% from 6,734 acres to 8,701 acres. School enrollments have risen 32%. Live births have increased 73%. Passenger enplanements have grown 460%.

Exhibit B



City government is responsible for the health and safety of its residents. The City cannot ignore or defer making expensive critical investments in infrastructure that insure the health and safety of its residents. For example, one of the City's primary responsibilities is fire protection. To provide fire protection, the City requires sufficient water and infrastructure to maintain adequate fire flow and water pressure. Several areas within Dickinson are below the minimum fire flow standards. The City is investing over $30 million in water projects.

Exhibit C

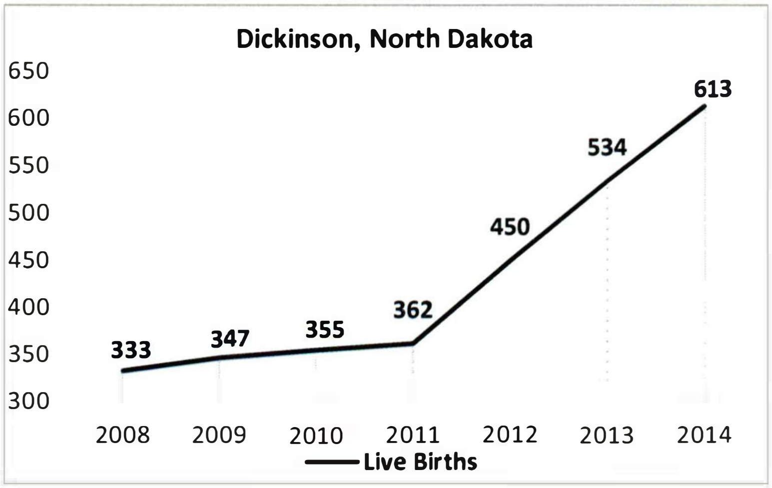
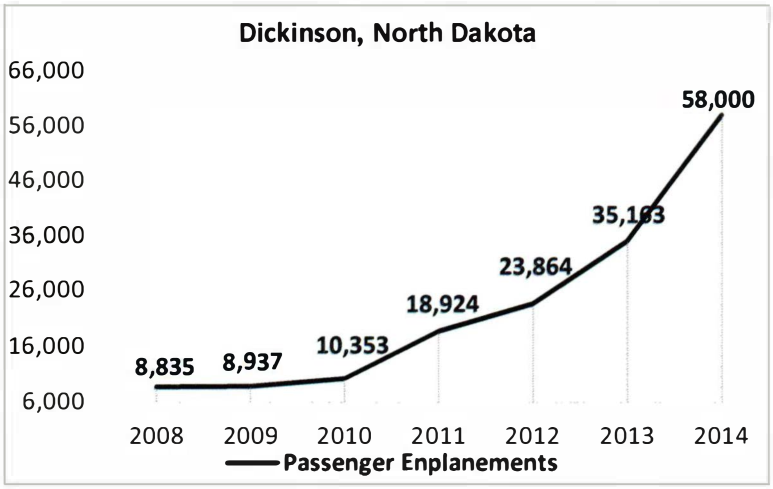


Exhibit D



Beginning in 2013 and ending in 2015, due to population growth, the City is making investments totaling $228 million to its public infrastructure (Exhibit "E"). About $112 million of the $228 million is complete. The remaining projects are either under construction or in engineering. Not included are the engineering and right of way acquisitions cost of $12 million for the 2016 construction projects.

Exhibit E

Infrastructure Projects Dickinson, North Dakota		
City Structures	$ 48,641,000	Public Works , Safety Center & WRCC
Waste Water Treatment	$ 46,464,000	Mechanical Plant, Influent Pump Station
Waste Water Collection	$ 38,257,000	Lift Stations, Force Mains, Pumps
Water Distribution & Storage	$ 30,477,000	Water Pumps, Mains, & Storage
Transportation	$ 46,212,000	Non NDDOT funded
Regional Landfill	$ 8,350,000	Expansion
Equipment	$ 4,383,000	
Other	$ 5,867,000	Storm water, Railroad related
SUBTOTAL	**$228,651,000**	

Not all the oil impact funds are spent on capital infrastructure projects. In addition to the infrastructure projects, Dickinson allocates it oil impact monies to two other areas:

1. General Fund (Fund annual shortfall of $3.5 million).
2. Annual Debt Repayment (SRF loan annual payment of $5.3 million).

Exhibit F

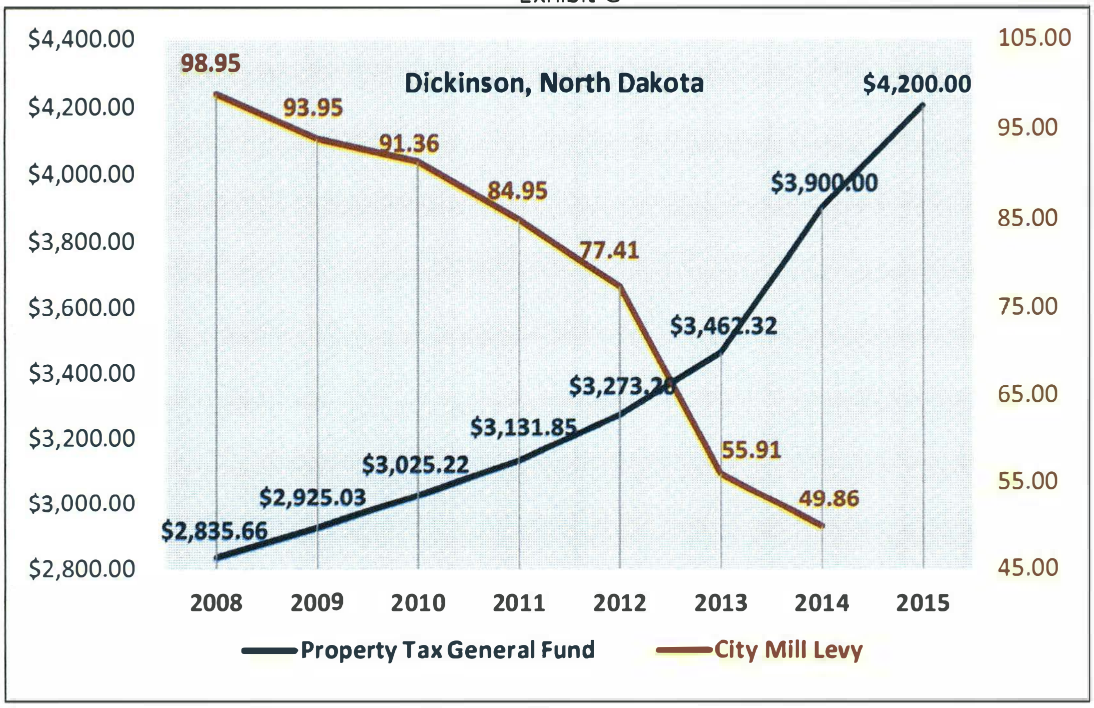
Source Of Funds Dickinson, North Dakota	
2013 Sales and Hospitality Revenue Bond	$ 15,855,000
State Revolving Fund Loan #1	$ 40,500,000
State Revolving Fund Loan # 2	$ 41,624,000
Wells Fargo Bank Sales Tax Bond	$ 965,000
Other Financing: Equipment	$ 4,383,000
TOTAL DEBT	**$ 103,327,000**
Oil Impact Funds Biennium Ending 6/30/13	$ 12,300,000
Oil Impact Funds Biennium Ending 6/30/15	$ 31,000,000
State Water Commission Grant	$ 18,400,000
TOTAL STATE OF ND IMPACT FUNDS	**$ 61,700,000**
Dickinson Sales Tax	$ 10,000,000
TOTAL SOURCE OF FUNDS	**$ 175,027,000**

Dickinson's source of funds totaling about $175 million is illustrated in (Exhibit F). City debt is the single largest source of funds.

Adding together the 2015 infrastructure projects, the 2016 projects engineering and right of way acquisition costs, general fund requirements, and debt service, Dickinson has an immediate short fall in excess of $70 million.

Dickinson is home to many energy workers whose place of employment is outside the city limits. For example many of the Dakota Prairie Refinery employees will live in Dickinson but the refinery is located outside the city limits and outside the Dickinson Public School District. It will generate no property tax for the City or Dickinson Public Schools. Residential property taxes by themselves do not adequately support all the services required by their owners. The City of Dickinson will levy $4.2 million for general fund property tax for 2015. Property tax currently funds only about 25% of the City's general fund expenditures. Exhibit "G" illustrates Dickinson's recent property tax history and mill levy. Dickinson attempts to limit its property tax growth to the tax collected from properties new to the tax rolls.

Exhibit G



Dickinson's 2015 infrastructure capital budget, to be fully funded and the City avoid taking on additional debt, requires significant oil impact funds. Also without significant oil impact funds, during 2015 critical 2016 infrastructure projects will not be engineered or right of way acquired.

The State of North Dakota takes pride that its taxes and fees are low, that its annual budget has a surplus, that the State neither bonds nor borrows, and that its' several reserve funds have healthy balances. As a North Dakota citizen, I support the state's efforts to be fiscally responsible and be financially strong. I want the same for Dickinson.

Financially, the City of Dickinson is in a much different position that the State of North Dakota. Its reserves are being depleted, its debt is growing, and its fees are increasing. City debt as shown in Exhibit "F" is $103,000,000. At a population of 28,000, that is a per capita debt of $3,678. This does not include the Dickinson Public School debt. In October of 2014 Dickinson Public School citizens voted in favor of a $65,000,000 bond to fund construction of a new middle school.

Without significant oil impact funding, the citizens of Dickinson are destined to add more debt. I urge you to act favorably on House Bill No. 1176.

House Approp.
HB 1176
Testimony-Handout #5
1/29/15

Testimony to the House Appropriations Committee
Chairman Delzer
Prepared by Lee Staab, City Manager
City of Minot
cmgr@minotnd.org

HOUSE BILL NO. 1176

Chairman Delzer, Committee members, my name is Lee Staab and corrected ~~I am the Mayor for the City of Minot.~~ I am representing the City of Minot to encourage funding of HB 1176.

With my written testimony, I have included a brochure titled "Growth and Energy Impacts" for the City of Minot. This document details how the City of Minot is being impacted by growth due to oil and gas development in North Dakota.

The City's capital improvement plan identifies over eight hundred million ($800 M) in necessary improvements over the **next five years**.[1] The City's footprint has increased eighty-two (82) percent since 2006. With this increase has come enormous demand for water, sewer, and street infrastructure, which supports the energy industry by providing

[1] This includes one-hundred eighty four million ($184 M) for flood control projects.

infrastructure for housing, and both energy related and support businesses.

The City has and continues to provide water on a regional basis to surrounding communities and water districts, including: Burlington, West River, Berthold, Mohall, Sherwood, North Prairie Rural Water, and North Central Rural Water Consortium. Each of these entities have seen tremendous growth related to the development of oil and gas in North Dakota. In order to continue to accommodate the growth in Minot, and the surrounding communities, we estimate the city will invest over Eighty-Two Million ($82 M) in water related infrastructure in the next five (5) years. The ability to provide infrastructure for permanent housing for Minot and the impacted communities will provide a more stable workforce and better environment for all residents.

As both the geographic size and the population grow in Minot, the demands on the waste water system continue to increase. In addition, the City accepts significant amounts of waste water from western North Dakota. The City has treated its waste water through lagoons and a wetlands system; however, due to the increased demands, the current system can no longer be considered adequate. The increased volume of waste water from the City and the region is forcing the construction of a mechanical waste water treatment facility. The City is estimating approximately One Hundred Twenty Million ($120 M) in needed waste water infrastructure in the next five (5) years. This is on top of what the City has put in the ground since 2011, which has caused the City of Minot to have the highest utility rates for all cities with a population over 5,000 in North Dakota.[2]

Storm water management has become one of the more serious issues facing the City. The Puppy Dog Coulee provides drainage for thousands of acres of land before flowing into Minot and passing through a large housing development located just west of Dakota Square Mall. The current capacity of this system is under-rated based on the growth in southwest Minot. Between the storm water management needs of downtown Minot and the Puppy Dog Coulee, the City is estimating expenditures of over Twenty-Four Million ($24 M) for storm water management in the next five (5) years.

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[2] Based on AE_2S 2014 Annual North Central Utility Rate Study.

In addition to demands on the City's utilities over the past five (5) years, traffic counts at major intersections have increased as much as seventy percent (70%). This is not unique to Minot. If a survey was taken of all towns from the Minot metro area west, I bet all the communities have seen a significant increase in the traffic in their communities. Major roadway improvements are necessary for access to a new hospital planned on 37th Avenue Southwest. The City must replace the Oak Park Bridge and both the north and south bridges on Broadway. Overall the City plans on Two Hundred Seventy-Four Million ($274 M) in road construction, repairs, and upgrades during in the next five (5) years.

During the last biennium the Legislature allotted Sixty Million ($60 M) for airports in North Dakota. The Minot International Airport (MOT) was a recipient of approximately Twenty-Three Million ($23 M) from the Sixty Million ($60 M), which facilitated the start of a new airport terminal and apron work at Minot International. However, looking into at the airports five (5) year capital improvements plan another Fifty Million ($50 M) is necessary to fully complete the overall terminal project. The impact is not only to Minot. Looking at the November Boardings from the North Dakota Aeronautics Commission the boardings continue to increase year-over-year for all the western cities.

Minot, like other energy impacted cities, is struggling to keep up with its own facilities. The City is building a new fire station in southeast Minot; however, with continued growth, a fire station in northwest Minot is warranted. Also, City Hall will soon need to build or move to another facility. Currently City Hall shares space with the police department. The police department has grown due to increased personnel necessary due to the increase in crime and has run out of space to house basic administrative services and the detectives division.

Our landfill also needs to expand, but due to exorbitant land prices, the City cannot afford land to expand the landfill and will need to look for other alternatives. Again, the City's landfill is a regional landfill taking waste from surrounding communities.

An aspect of the growth that all the communities are experiencing is the inflated cost of building materials and labor. The City recently bid a project for downtown Minot and the bid came in almost thirty (30) percent higher than the engineering estimate. This happens time-after-time. Adjustments are made to estimates to account for the increase cost of business in the energy region, but it never seems to be sufficient. Financial support is necessary for the communities in the energy-impacted area to ensure communities have the ability to provide for basic needs for the citizens.

In closing, the brochure provides the details of the City's infrastructure needs. As you review the Growth and Energy Impacts you will see the impact oil and gas development has and is having on the City of Minot. The impact is not isolated to any one city, but is impacting an entire region. Therefore, I encourage you to PASS HB 1176.

I would also like to express the City of Minot's appreciation for the funding received during the last biennium.[3] Thank you for your time to listen to Minot's concerns on this bill.

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[3] Page 12 of the brochure provides a brief summary of oil impact funding for funds received during the last biennium.

Minot's Capital Improvement Plan #5

The City of Minot strongly supports surge funding for hub cities in early 2015.
More than $172 million is urgently needed in 2015 for infrastructure projects that can be directly tied to the growth of the area due to energy related activity. In addition, the city is faced with costs for the initial phases of flood control, which amount to $9 Million in 2015.

Energy Related Growth Needs

2015 - $172,153,755
2016 - $ 71,585,000
2017 - $169,815,590
2018 - $ 83,579,866
2019 - $132,903,665

Flood Control

City of Minot	Souris River Joint Board
$80,500,000	$147,500,000

Total
$228,000,000

The City of Minot has committed to paying for the local share from border to border. Phases I-III are scheduled to take place between 2015 and 2018 as outlined below. Construction on the Maple Diversion will begin in 2019 at a cost of $104,000,000.

The City of Minot has identified public safety and infrastructure related projects amounting to over $800 million through 2019.

Year	Water	Waste Water	Storm Water	Transportation	Airport	Facilities	Flood Control	Total
2015	$ 54,470,859	$ 36,803,829	$ 8,860,599	$ 45,675,114	$ 16,279,995	$ 10,063,359	$ 9,000,000	$ 181,153,755
2016	$ 15,100,000	$ 10,750,000	$ 8,000,000	$ 22,810,000	$ 13,525,000	$ 1,400,000	$ 9,000,000	$ 80,585,000
2017	$ 8,555,000	$ 25,500,000	$ 1,720,318	$ 127,802,442	$ 5,550,000	$ 687,830	$ 32,500,000	$ 202,315,590
2018	$ 2,300,000	$ 25,100,000	$ 3,335,508	$ 42,694,358	$ 9,500,000	$ 650,000	$ 30,000,000	$ 113,579,866
2019	$ 2,300,000	$ 22,000,000	$ 3,000,000	$ 35,703,665	$ 4,900,000	$ 65,000,000	$ 104,000,000	$ 236,903,665
Total	$ 82,725,859	$ 120,153,829	$ 24,916,425	$ 274,685,579	$ 49,754,995	$ 77,801,189	$ 184,500,000	$ 814,537,876

2015-2016 Calendar Year	**$261,738,755**
2017-2018 Calendar Year	**$315,895,456**
2019 Calendar Year	**$236,903,665**

Capital Improvement Project & Flood Control Projection
2015-2019
$814,537,876

City of Minot

Meeting challenges head-on

They called us "The Magic City" because in 1886 a tent city at the end of a railroad turned in to a town almost overnight. It's hard to imagine what those original founders would think now. At the end of 2017, Minot is estimated to have increased in population to nearly 58,000 people. That's almost three times as much as our population increased between 1960 and 2000. To say this has put a strain on infrastructure is an understatement, but the City and its residents have taken on a large portion of the oil impact burden in the form of property taxes and utility fees. $34.8 Million in Oil Impact Funds from the 2013-2015 Biennium covered roughly 1/3 of the projects that were necessary to sustain this incredible growth.

Oil Impact Fund Expenditure 2013-2015

	Project Cost	Oil Impact Funds	Source
SW Sewer Improvements	$ 6,400,900	$ 5,000,000	HUB City Grant
Sanitary Lift Station Upgrades	$ 11,949,916	$ 2,250,000	Employment Mining
Puppy Dog Sewer Phase IV	$ 4,133,684	$ 1,008,711	Production Tax
Sewer Relocates BNSF	$ 1,670,861	$ 1,670,861	Production Tax
30th Ave Sewer & Lift Station	$ 6,024,911	$ 1,771,780	Employment Mining
Airport			
Terminal Apron/Taxiway D	$ 16,464,312	$ 826,065	Airport Impact Grant
Terminal	$ 49,390,157	$ 20,100,000	Airport Impact Grant
Perimeter Road	$ 8,070,515	$ 2,190,190	Airport Impact Grant
	$104,105,256	**$34,817,607**	

Minot Is Stepping Up With Local Funding

Property Taxes

Minot property tax payers, both residential and commercial, pay the highest rates among the HUB Cities*.

	Residential	Commercial
Fargo	$1,612	$1,791
Bismarck	$1,291	$1,434
Minot	**$1,236**	**$1,370**
Dickinson	$1,166	$1,295
Williston	$ 918	$1,020

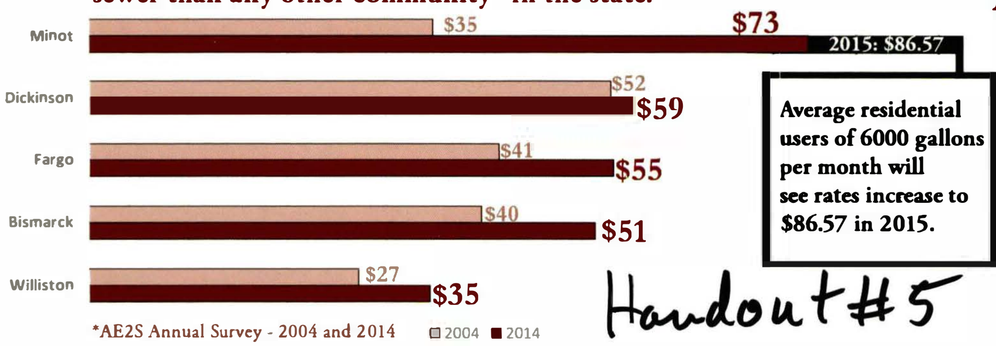
*2014 Fargo Assessor's Office Survey. Per $125,000 value and include the 12% legislative property tax credit.

Outstanding Debt - $81,959,335 Includes bonds issued in November, 2014

General Obligation -	$15,255,000	Refunding Improvement	$23,100,000
Water and Sewer -	$24,389,335	Airport Revenue Bonds -	$19,215,000

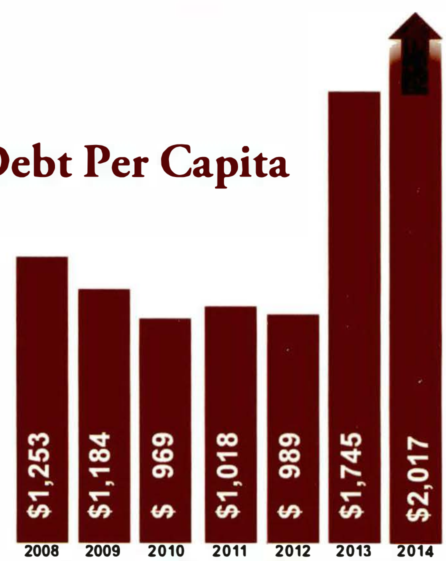
Utility Costs

Utility customers in Minot pay more for water and sewer than any other community* in the state.



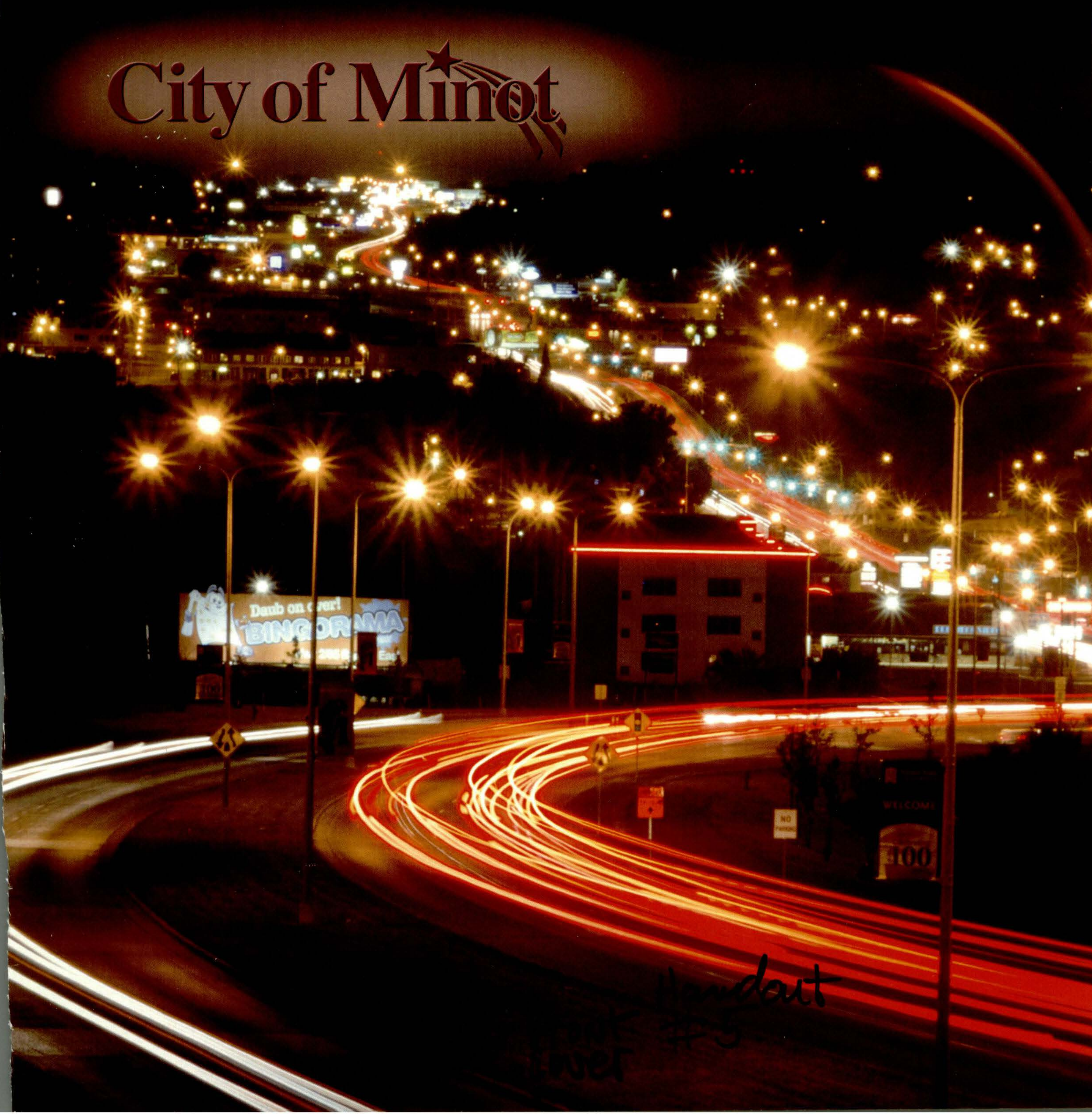
Handout #5

Debt Per Capita



Does not include special assessments or overlapping debt

GROWTH AND ENERGY IMPACTS
2015 North Dakota Legislature



Handout

City of Minot

GROWTH AND ENERGY IMPACTS

2015 North Dakota Legislature

Table of Contents

City of Minot

Mayor:	Chuck Barney
City Manager:	Lee Staab
Finance Director:	Cindy Hemphill
Asst. City Attorney:	Shane Goettle
Public Works Director:	Dan Jonasson
City Engineer:	Lance Meyer
Assessor:	Kevin Ternes
Police Chief:	Jason Olson
Fire Chief:	C.J. Craven

Front Cover

Executive Summary

City of Minot

Handout #5

Meeting challenges head-on

They called us "The Magic City" because in 1886 a tent city at the end of a railroad turned in to a town almost overnight. It's hard to imagine what those original founders would think now. At the end of 2017, Minot is estimated to have increased in population to nearly 58,000 people. That's almost three times as much as our population increased between 1960 and 2000. To say this has put a strain on infrastructure is an understatement, but the City and its residents have taken on a large portion of the oil impact burden in the form of property taxes and utility fees. $34.8 Million in Oil Impact Funds from the 2013-2015 Biennium covered roughly 1/3 of the projects that were necessary to sustain this incredible growth.

Oil Impact Fund Expenditure 2013-2015

	Project Cost	Oil Impact Funds	Source
SW Sewer Improvements	$ 6,400,900	$ 5,000,000	HUB City Grant
Sanitary Lift Station Upgrades	$ 11,949,916	$ 2,250,000	Employment Mining
Puppy Dog Sewer Phase IV	$ 4,133,684	$ 1,008,711	Production Tax
Sewer Relocates BNSF	$ 1,670,861	$ 1,670,861	Production Tax
30th Ave Sewer & Lift Station	$ 6,024,911	$ 1,771,780	Employment Mining
Airport			
Terminal Apron/Taxiway D	$ 16,464,312	$ 826,065	Airport Impact Grant
Terminal	$ 49,390,157	$ 20,100,000	Airport Impact Grant
Perimeter Road	$ 8,070,515	$ 2,190,190	Airport Impact Grant
	$104,105,256	**$34,817,607**	

Minot Is Stepping Up With Local Funding

Property Taxes

Minot property tax payers, both residential and commercial, pay the highest rates among the HUB Cities*.

	Residential	Commercial
Fargo	$1,612	$1,791
Bismarck	$1,291	$1,434
Minot	**$1,236**	**$1,370**
Dickinson	$1,166	$1,295
Williston	$ 918	$1,020

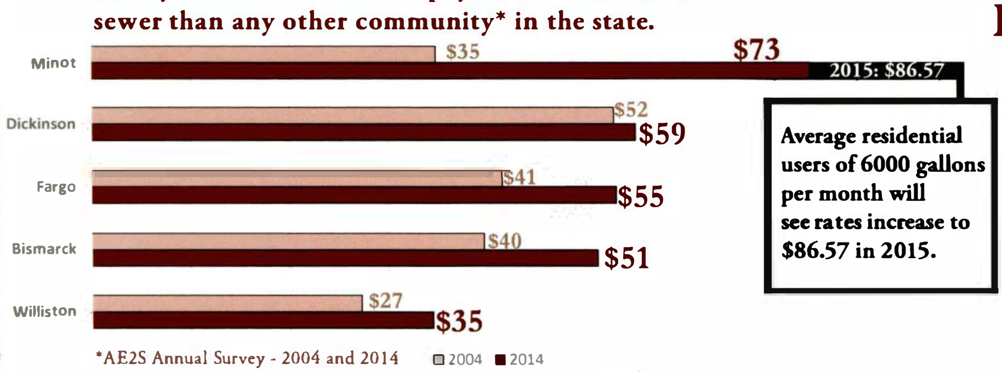
*2014 Fargo Assessor's Office Survey. Per $125,000 value and include the 12% legislative property tax credit.

Outstanding Debt - $81,959,335 Includes bonds issued in November, 2014

General Obligation -	$15,255,000	Refunding Improvement	$23,100,000
Water and Sewer -	$24,389,335	Airport Revenue Bonds -	$19,215,000

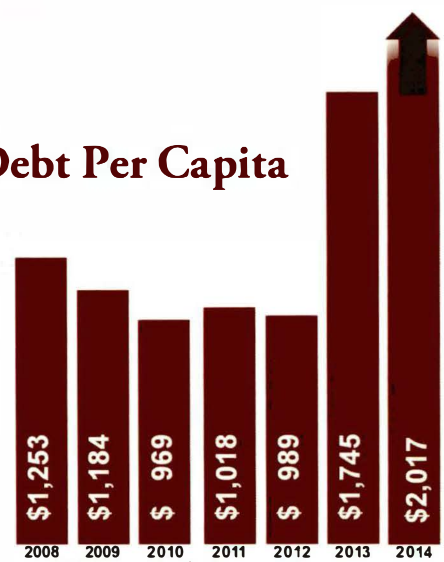
Utility Costs

Utility customers in Minot pay more for water and sewer than any other community* in the state.



*AE2S Annual Survey - 2004 and 2014

Debt Per Capita



Does not include special assessments or overlapping debt

Minot's Capital Improvement Plan

The City of Minot strongly supports surge funding for hub cities in early 2015.

More than $172 million is urgently needed in 2015 for infrastructure projects that can be directly tied to the growth of the area due to energy related activity. In addition, the city is faced with costs for the initial phases of flood control, which amount to $9 Million in 2015.

Energy Related Growth Needs

2015 - $172,153,755
2016 - $ 71,585,000
2017 - $169,815,590
2018 - $ 83,579,866
2019 - $132,903,665

Flood Control

City of Minot	Souris River Joint Board
$80,500,000	$147,500,000

Total

$228,000,000

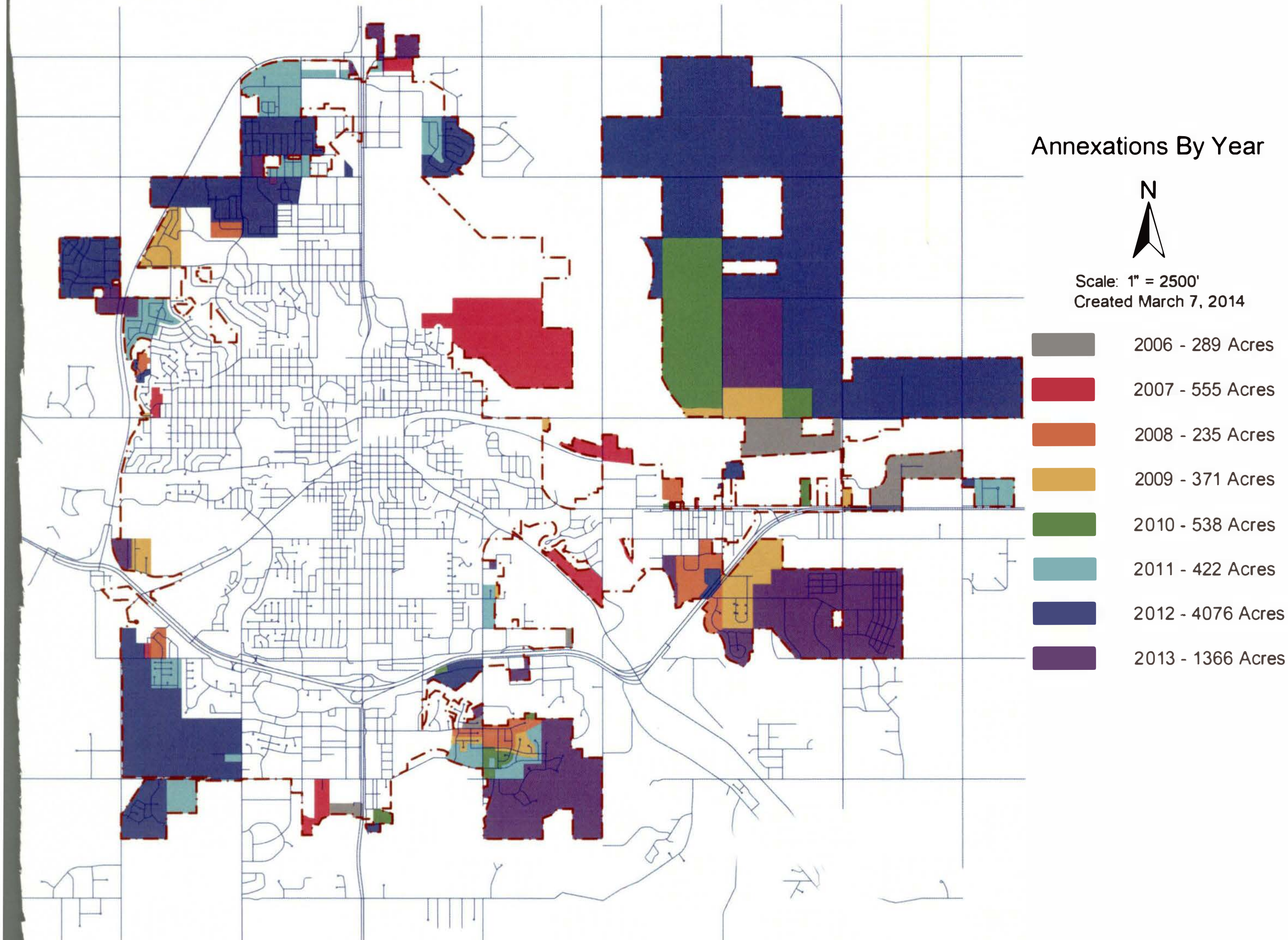
The City of Minot has committed to paying for the local share from border to border. Phases I-III are scheduled to take place between 2015 and 2018 as outlined below. Construction on the Maple Diversion will begin in 2019 at a cost of $104,000,000.

The City of Minot has identified public safety and infrastructure related projects amounting to over $800 million through 2019.

Year	Water	Waste Water	Storm Water	Transportation	Airport	Facilities	Flood Control	Total
2015	$ 54,470,859	$ 36,803,829	$ 8,860,599	$ 45,675,114	$ 16,279,995	$ 10,063,359	$ 9,000,000	$ 181,153,755
2016	$ 15,100,000	$ 10,750,000	$ 8,000,000	$ 22,810,000	$ 13,525,000	$ 1,400,000	$ 9,000,000	$ 80,585,000
2017	$ 8,555,000	$ 25,500,000	$ 1,720,318	$ 127,802,442	$ 5,550,000	$ 687,830	$ 32,500,000	$ 202,315,590
2018	$ 2,300,000	$ 25,100,000	$ 3,335,508	$ 42,694,358	$ 9,500,000	$ 650,000	$ 30,000,000	$ 113,579,866
2019	$ 2,300,000	$ 22,000,000	$ 3,000,000	$ 35,703,665	$ 4,900,000	$ 65,000,000	$ 104,000,000	$ 236,903,665
Total	$ 82,725,859	$ 120,153,829	$ 24,916,425	$ 274,685,579	$ 49,754,995	$ 77,801,189	$ 184,500,000	$ 814,537,876

2015-2016 Calendar Year	**$261,738,755**
2017-2018 Calendar Year	**$315,895,456**
2019 Calendar Year	**$236,903,665**

Capital Improvement Project & Flood Control Projection
2015-2019
$814,537,876



Footprint
2006: 9,600 Acres
2014: 17,510 Acres

Population Increase
1960-2010: 6,597
2010-2017: 18,962*

*Estimated total service population - Source: Impact Assessment Group / Nancy Hodur, PhD

Regional Population*
2012 Estimated: 56,236
2017 Projected: 79,291

*Estimated and projected total service population for Minot, Surrey, Burlington and Surrounding Townships
Source: Impact Assessment Group / Nancy Hodur, PhD

Airport
2009 - 3 Flights Per Day & 68,000 Passengers
2013 - 12 Flights Per Day & 222,083 Passengers

Traffic
2010 – 20,910 Vehicles Per Day
2013 – 33,029 Vehicles Per Day

Counts taken at the South Broadway / 28th Avenue SW Intersection

Visitors
2010 – 1,800 Hotel Rooms
2013 – 3,096 Hotel Rooms

School Enrollment
2007-2008 K-12: 6,097
2017-2018 K-12: 8,240

Minot Public Schools Enrollment Growth Projections

Building Permits
2010: $99.8 Million
2011 - present: Over $900 Million

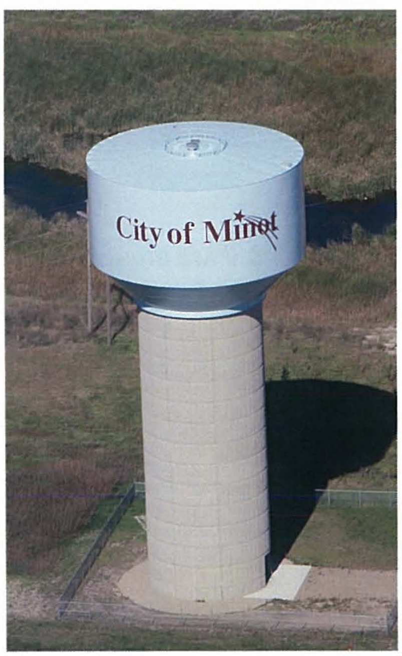
Water

In order to accommodate for the massive influx of residents to the Minot area, the city will be investing **$66,570,859** in water related infrastructure from 2015 through 2016. The City of Minot supplies water not only to our own community, but to several outlying communities in northwest North Dakota including those in the oil and gas producing counties.

Supplying Water to the Region

The primary way for the city to pay for these needed improvements is through utility bonding. As a result, The City of Minot has the highest utility rates in the entire state of North Dakota. This funding source is causing an excessive burden on the residents of Minot who already pay more than double the amounts of citizens in other energy producing cities.

Downtown Minot Infrastructure Improvements	$ 3,018,931
North East Transmission Project	$ 5,250,000
16th Avenue SE Water Main Up-sizing	$ 750,000
Northeast Water Tower	$ 2,500,000
South System Distribution Improvements	$ 1,000,000
Up-sizing Costs - Developer Payment	$ 200,000
27th Street NE Water Line	$ 200,000
55th Street NE Water Main	$ 3,600,000
Water Treatment Plant Hazard Mitigation Grant Project	$30,551,928
Water Treatment Plant Update	$20,000,000
Southwest Water Tower	$ 2,500,000



The City of Minot strongly supports hub city allocations. The funding will enable the City to move forward with necessary water, sewer, transportation and other essential infrastructure needs.

Engineer's rendering of a planned sewer lift station in Minot. This is one of four new lift stations needed to support Minot's expanding waste water system. Due to rapid growth over the past four years, the city has gone from having twenty six sanitary lift stations to now having forty five.

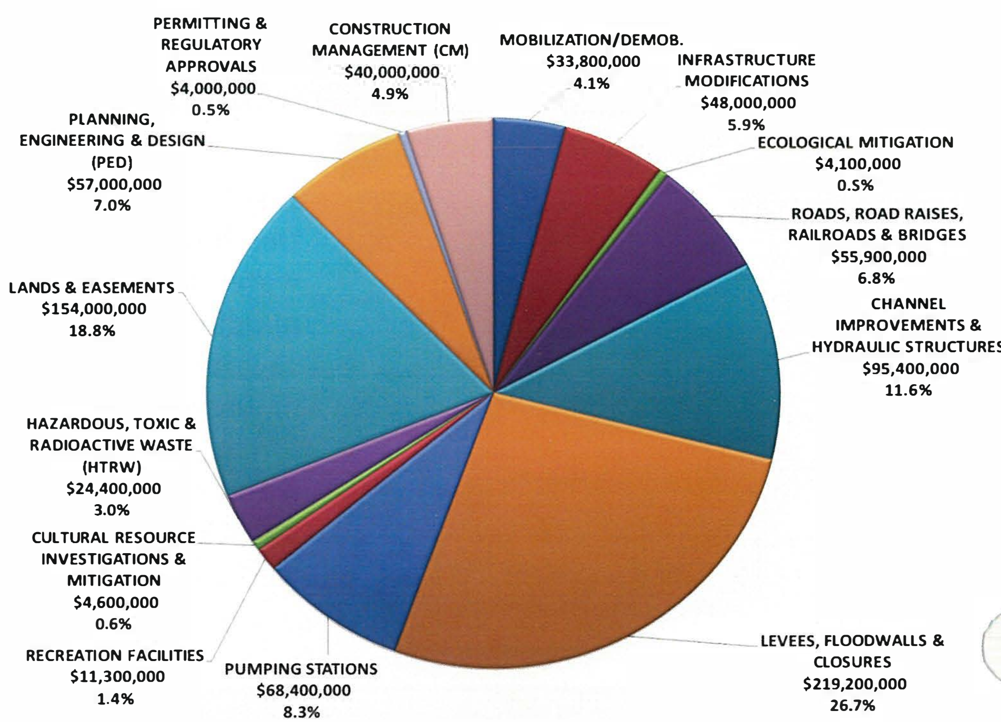
Downtown Minot Infrastructure Upgrade	$ 1,753,829
North Minot Sanitary Sewer Improvements	$26,800,000
55th Crossing Lift Station	$ 1,300,000
Puppy Dog Sewer Improvements	$ 5,950,000
Aeration Ponds & Blower Building Upgrades	$ 1,000,000
Puppy Dog Sewer Lift Station	$ 6,000,000
Lagoon Transfer Piping Upgrade	$ 4,750,000

Just as increased growth has created a burden on the drinking water needs of Minot, the waste water system is equally taxed. Minot is in the middle of major expansions and upgrades to several sewer systems, and the increased volume of waste water from the city and region is now forcing the construction of a mechanical waste water treatment facility. The City of Minot faces **$47,553,829** in needed waste water infrastructure in 2015 and 2016.

Minot's existing waste water treatment facility was constructed in the 1960s. Currently, the system treats in excess of 53,000 users, and is close to exceeding its capacity. The new mechanical facility will be constructed in phases through 2019, and will cost approximately $77 Million.

In addition to dealing with the tremendous amount of energy impacted growth, Minot is still recovering from one of the worst disasters in the State's history. While residents and the city continue to rebuild and recover, we also struggle to mitigate future events. The Mouse River Protection Plan will take at least a decade to complete, and will cost nearly $1 Billion.

Temporary levees protected the City of Minot water treatment pl[ant] during the 2011 flood. Construction of permanent flood protec[tion] for this critical piece of regional infrastructure will begin in 2015.



Costs of the Mouse River Protection Plan from Burlington to Velva amount to $820 million, but the City of Minot has committed to paying the local share from border to border.

Above: An engineer's rendering of a proposed floodwall.

To the right: Timeline for completion of the Minot area, estimated through 2025.

	Projected Time Frame (Fiscal Year)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	2014-2017 [2]	■	■	■	■								
	2014-2023	■	■	■	■	■	■	■	■	■	■		
N – 4th Avenue NE Floodwalls	2014-2016	■	■	■									
CP Rail Bridge	2014-2019	■	■	■	■	■	■						
Hwy 83 Bypass Bridge	2015-2018		■	■	■	■							
Hwy 2 Bypass Bridge	2015-2018		■	■	■	■							
Maple Diversion	2015-2019		■	■	■	■	■						
N – Forest Road	2017-2018				■	■							
N – Napa Valley	2018-2019					■	■						
Burdick Expressway Bridge	2018-2020					■	■	■					
N – Rodeo Road	2019-2020						■	■					
N – Roosevelt Park	2019-2020						■	■					
S – Roosevelt Park (Zoo)	2020-2022							■	■	■			
27th Street Diversion	2020-2023							■	■	■	■		
N – Valker Road	2023-2024										■	■	
S – Valker Road	2023-2024										■	■	
S – Downtown Floodwalls	2023-2025										■	■	■
S – Keller	2024-2025											■	■
S – Leites Brekke	2024-2025											■	■

Flood Control

Over the past 5 years, traffic counts at major intersections throughout the City of Minot have increased between 20 and 70 percent. In other areas throughout the country, annual traffic increases of approximately 2 percent are common. Unprecedented increases in additional cars and trucks on city roads significantly shortens the lifespan of this critical infrastructure.

Transportation

The City of Minot is faced with **$68,485,114** in critical transportation improvements in 2015 and 2016, and seeks as much legislative and NDDOT support as possible within the biennium for construction, repair and upgrades.

Downtown Minot Street Replacement and Repair	$16,073,241
Oak Park Bridge Replacement	$ 1,000,000
Traffic Signal Replacement	$ 550,000
Perkett Area School Sidewalks	$ 247,051
Street Light Replacements	$ 200,000
Street Lighting District - Downtown	$ 2,054,374
21st. Avenue NW (30th Street to 83 Bypass)	$ 2,500,000
Broadway Bridge Replacement Design Engineering	$ 600,000
16th Street / 31st. Avenue SW Intersection Mod Design/Construction	$ 700,000
37th Avenue SW Design and Reconstruction	$16,000,000
36th Avenue NW Design and Reconstruction	$ 5,100,000
Paving Districts 486, 487, 493 and 494	$ 9,828,098
Flood Inundation Road Repairs	$ 9,661,118
14th and 16th Avenues and 48th Street SE Street Improvements	$ 2,761,232
Broadway and 16th Avenue SW Intersection Improvement	$ 10,000
Burdick Expressway Preliminary Engineering	$ 200,000
30th Avenue NW Reconstruction Design	$ 400,000
Shared Use Path Construction	$ 300,000
8th Street NW 36th Avenue to 42nd Avenue Design	$ 300,000

Storm Water

As the City of Minot continues to grow, storm water management has become one of the more serious issues facing our community. The Puppy Dog Coulee provides drainage for thousands of acres of land before flowing in to Minot, and passing through a large housing development located just west of Dakota Square Mall. It's been particularly problematic, causing flooding for the homeowners in lower lying areas in the past, and now is in need of urgent fixes as development has continued in the area. Existing culverts designed to handle water from a 100 year storm event are aging, and new hydrology shows that as development has increased in southwest Minot, the existing capacity is under-rated.

Storm Water District 119 - Downtown	$8,460,599
Puppy Dog Coulee Storm Sewer Replacement - Design	$ 400,000
Puppy Dog Coulee Storm Sewer Replacement	$8,000,000

In downtown Minot, a major project is set to take place over the next three years that will replace a storm water system that ranges in age from 75 to 100 years. This massive project also includes water, waste water, streets, sidewalks, street lighting and more.

The new terminal at the Minot International Airport is well on the way to being one of the finest aviation facilities in the upper midwest. The City of Minot would like to thank the State for its support in helping us begin construction on what will be viewed as the Gateway to the Bakken. We ask for continued support of terminal construction and future upgrades to areas within the general aviation section of the Minot International Airport.

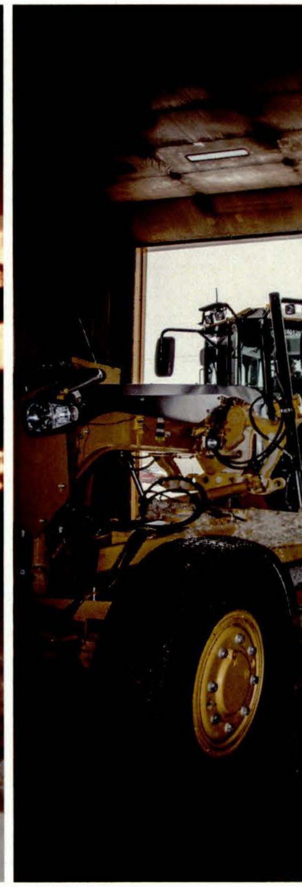
The Governor's Budget request includes $50 Million targeted to oil-impacted airports to address growth challenges. The City of Minot is seeking funds from this allocation in order to help complete the nearly $30 million in projects slated for 2015 and 2016 at the Minot International Airport.

Main Terminal Construction	$6,803,995
Main Terminal Apron - Phase II	$4,841,000
Access Road and Parking Lot Phase II	$3,485,000
Jet Bridges - Phase II	$ 800,0[illegible]
Storm Water Pond - Design	$ 350,[illegible]
Parking Lot - Phase III	$1,500,000
Cargo and General Aviation Apron	$4,000,000
Rental Car Quick Turn Around Design	$ 300,000
Storm Water Pond Construction	$3,650,000
LED Airfield Sign Upgrades	$ 75,000
Demolish and Replace T-Hangars	$4,000,000

Below: A comparison of the original architectural rendering, and a photo of construction as of December 1st, 2014.

Airport

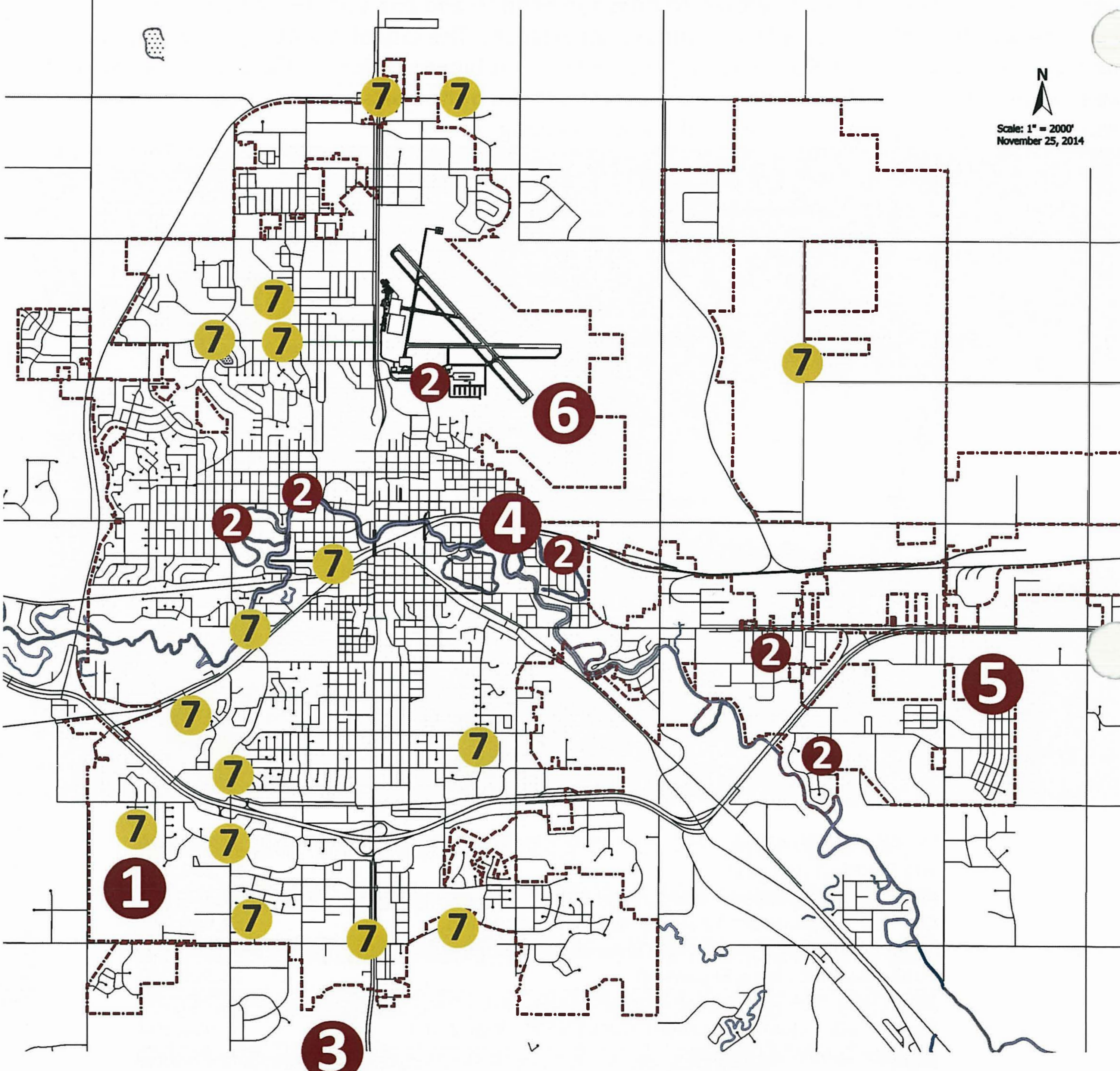
For the past half decade, the City of Minot sat on a footprint of just over 9,000 acres. Since 2006, that acreage has nearly doubled to 17,510 acres. While it may not be as visible as other areas in Western North Dakota, the growth in Minot can certainly be attributed to the expansion of the energy industry. And as the City grows, so does the need to add and update facilities. Public safety standards must be met with the utmost importance. The City of Minot is presently building one new fire station, and will be acquiring land in the next biennium for another. With the need to expand the Minot Police Department, we must look at the option of a new City Hall in the near future since the two currently reside in the same building.



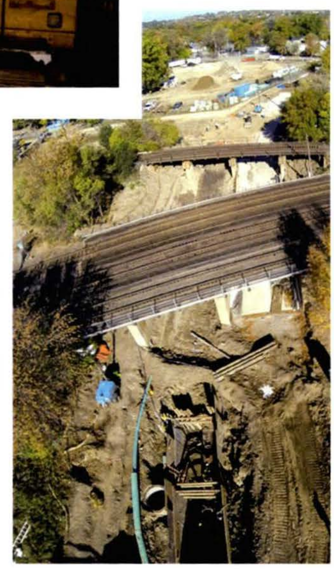
Landfill Land Purchase	$3,748,359
Fire Station 2 Remodel	$ 150,000
Northwest Fire Station - Year 1 and 2 of 4	$1,300,000
City Hall | Auditorium Retaining Wall Reconstruction	$2,000,000
Equipment Storage and Shop Maintenance Building Expansion	$ 750,000
Public Works Building Expansion	$1,500,000
Sertoma Complex Pavement Reconstruction	$1,265,000
Replace 2002 Quintuple Ladder Truck (MFD) - Year 2 of 2	$ 450,000
Land for South Fire Station	$ 300,000

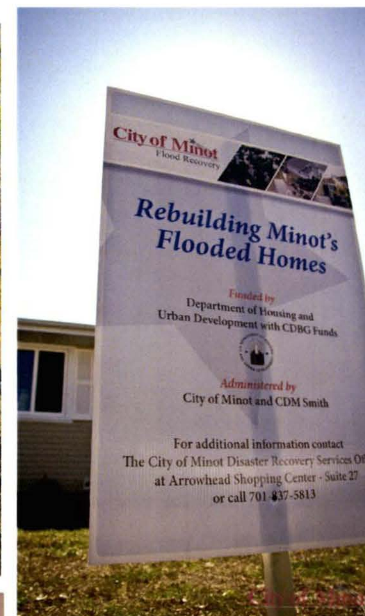
The City of Minot landfill is a regional landfill that takes inert and municipal solid waste (MSW) from all over northwestern North Dakota. As such, the expected life of the landfill has been cut dramatically in the past 5 years. Annual MSW tonnage has tripled from an average of 30,000 tons per year to over 90,000 expected by the end of 2014. What was an expected 25 years of life left in 2010, is now estimated to be 10 years. And since the process of permitting a new landfill takes at least 10 years, this leaves the City of Minot with little choice but to purchase adjoining land at substantial cost.

Oil Impact Fund Deployment Breakdown
2013-2015 Biennium



	Project Cost	State Share
1. Southwest Sewer Improvements	$ 6,400,900	$ 5,000,000
2. Sanitary Lift Station Upgrades	$11,949,916	$ 2,250,000
3. Puppy Dog Sewer Phase IV	$ 4,133,684	$ 1,008,711
4. Sewer Relocates BNSF	$ 1,670,861	$ 1,670,861
5. 30th Avenue Sewer and Lift Station	$ 6,024,911	$ 1,771,780
6. Airport	$73,924,984	$23,116,255
7. Other City Projects	$18,589,475	$ 0





City of Minot

Handout #5

Back Cover

Handout #5
Backcover

House APPROP
HB 1176
Testimony Handout #6
1/29/15

City of
WILLISTON
NORTH DAKOTA

P.O. Box 1306
Williston ND 58802-1306
PHONE: 701-577-8100
FAX: 701-577-8880
TDD State Relay: 711

HB 1176 — Hearing Date

House Appropriations Committee — January 29, 2015

Representative Jeff Delzer, Chairman

Chairman Delzer and House Appropriations Committee Members:

I am Howard Klug, President of the Williston City Commission.

I am standing before you today to seek your support for House Bill No. 1176. This bill will help alleviate the frustration and instability we are experiencing in Western North Dakota. HB1176 will provide a way to fund the infrastructure we need to support the ongoing efforts of a world class oil play. The Bakken Shale will continue to benefit North Dakota for at least the next 40 years.

The City of Williston has done its best to manage its unprecedented growth in a fiscally responsible manner. We are no longer able, however, to remain proactive without funding that is independent of taxing our residents. The people of Williston should not have to bear the financial burden of what's happening in our City. When this bill is approved, it will provide much needed funding and hope. Hope that our City will become whole again as we create a place where people want to live and raise their families.

I have attached a report summarizing Williston's estimated department and capital improvement needs for the next five years. I believe we are four years behind right now. I also believe we have a solid plan to catch up if the funding is in place.

I strongly urge you to approve HB1176 so Williston can become a sustainable regional center and provide many worthwhile benefits to the state. Every year that we put off infrastructure projects it places a burden on our citizens and costs the City of Williston millions of dollars. North Dakota has the ability to fix what's wrong, and this bill will help make things right.

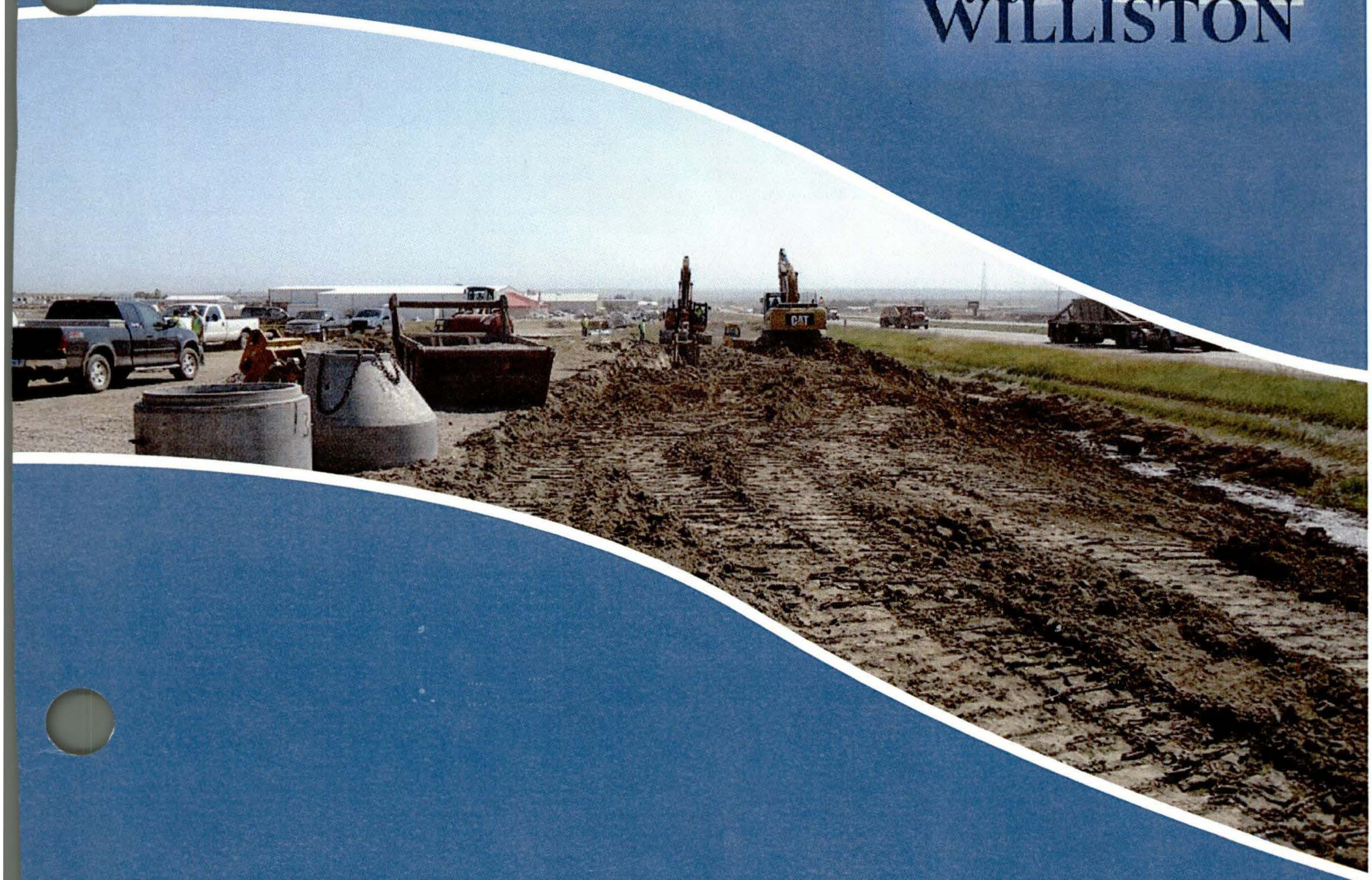
I stand ready to answer any questions you may have for me today.

Kind Regards,

Howard Klug
President of Williston City Commission

HB1176
Testimony
Handout
#6

City of
WILLISTON



WILLISTON
ENERGY RELATED GROWTH IMPACTS

FUNDING NEEDS | 2015-2017

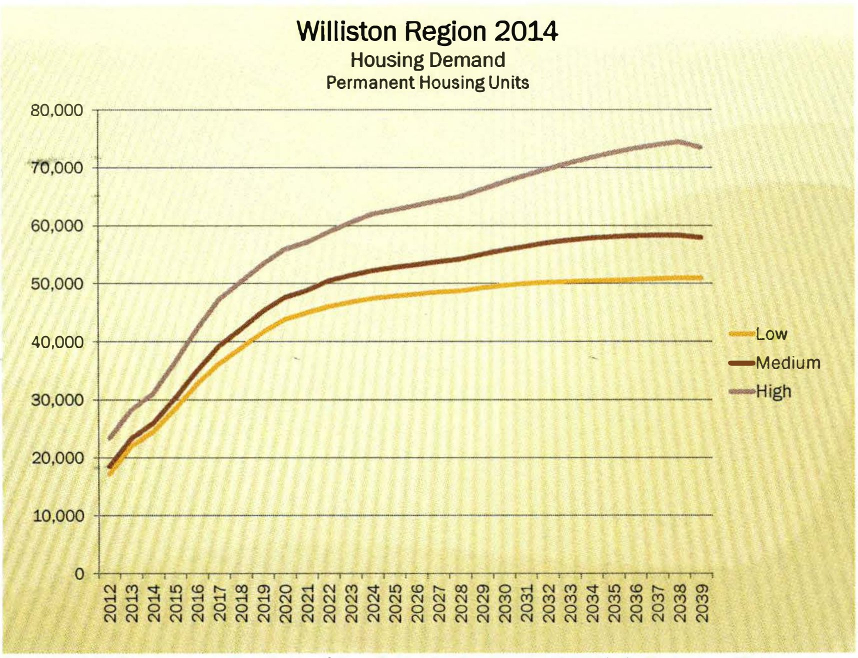
#6
Cover

JANUARY 2015

VERSION | 4

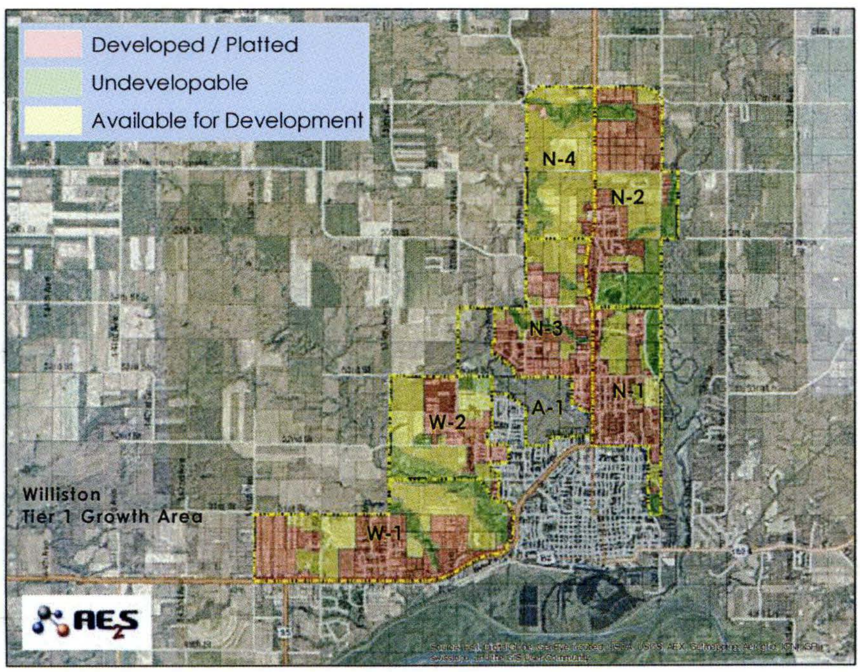
6 YEAR GROWTH PROJECTIONS

2020 GROWTH PROJECTIONS	HOUSING UNITS	POPULATION	INFRASTRUCTURE MILES	UTILITY ACCOUNTS
	+15,400	=56,300	+120	+4,000
	CURRENT NUMBERS	30,000 CURRENTLY ESTIMATED	190 MILES CURRENTLY MAINTAINED	6,000 ACCOUNTS IN 2014



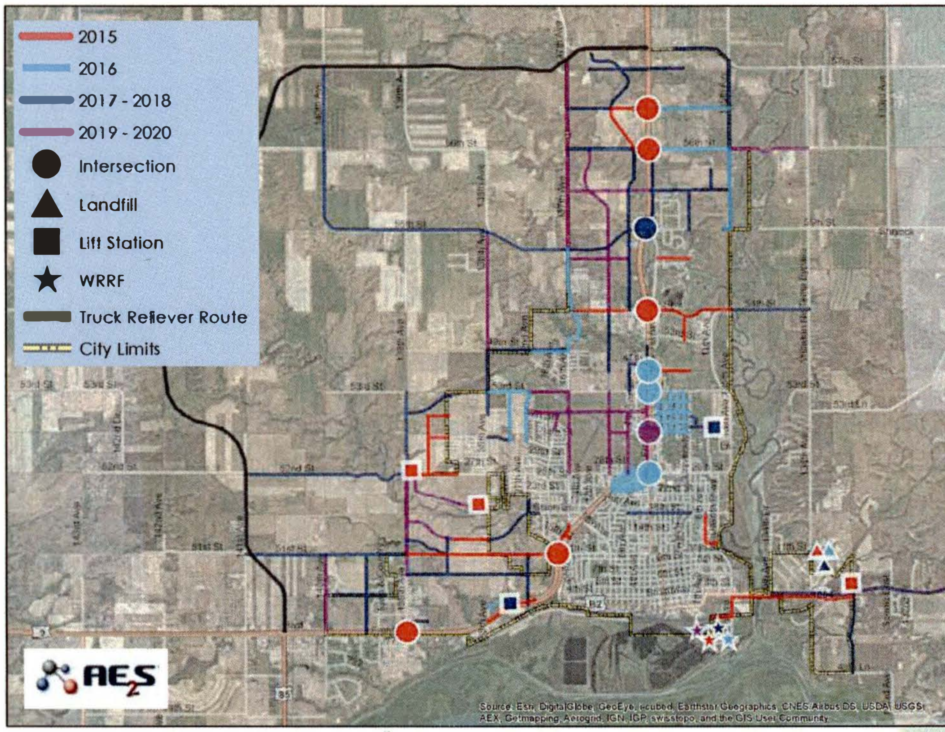
Source: NDSU Employment Housing and Population Projections – 2014 Shale Projection Webinar Series

- By 2020 the Williston Region's (Williams, McKenzie, and Divide Counties) projected demand for housing is an additional 24,190 units (Williston will accommodate 63% of this demand).
- By 2020 the Williston Region's permanent population will grow by 50,760 (City projections indicate Williston will comprise 52% of the new population growth).



- Between 2010 and 2014, the City tripled in size growing from 4,781 acres to 14,167 acres.
- Since the start of the building boom in Williston, the City has platted/ developed approximately 5,040 acres in its Tier 1 growth area. By 2020, an additional 3,900 acres will be needed for development to accommodate the growth of the community. This growth is expected to drive significant capital and operational needs for the City.

CAPITAL IMPROVEMENTS SUMMARY



- Projected Capital Improvement needs for the next six years include trunk water, wastewater, stormwater, and transportation improvements. With major staff and fleet additions projected for the City, significant vertical infrastructure needs are also anticipated for public facilities such as City Hall, Fire Stations, and Public Works.

In total, $1.04 Billion in capital needs have been identified for the City over the next 6-years.

CAPITAL IMPROVEMENTS SUMMARY | 2015-2020

Category	Biennium 2015 - 2017	Biennium 2017 - 2019	Biennium 2019 - 2021
TRANSPORTATION	$141,225,000	$213,421,600	$113,000,000
WASTEWATER	$74,937,120	$43,356,400	$9,543,520
WATER	$12,322,560	$23,609,200	$18,427,040
STORMWATER	$23,376,000	$8,386,000	$4,000,000
SOLID WASTE	$7,000,000	$8,630,000	TBD
AIRPORT	$178,351,000	$51,394,500	TBD
PUBLIC BUILDINGS	$57,165,000	$50,805,000	$6,500,000
TOTALS	**$494,376,680**	**$396,602,700**	**$151,470,560**

2015-2017 CIP NEEDS

- Unprecedented growth is driving significant increases in capital improvements to support the booming energy industry in the Williston region.
- With this growth comes significant financial impacts.
- The 2015-2017 biennium accounts for approximately one-half ($494M) of the total projected need.

6-YEAR STAFFING AND OPERATIONAL PROJECTIONS

- Williston staffing levels are estimated to grow from 198 FTEs in 2014 to 458 FTEs by 2020, an increase of 260 FTEs.
- The additional cost per year for the increase in FTEs is approximately $20.4 million annually by 2020.
- Due to increased service levels and growth in FTEs, total City fleet levels are also expected to grow from a count of 116 in 2014 to 237 by 2020.
- The total cost for additional fleet by 2020 is estimated to be $37.9 million.
- The growth in FTEs and fleet generate significant future City facility needs.
- City Hall, Police, Public Works and Fire facilities will require further study to make final determinations. Initial square footage estimates were generated to create planning level cost estimates, as shown on the Capital Improvements Summary.

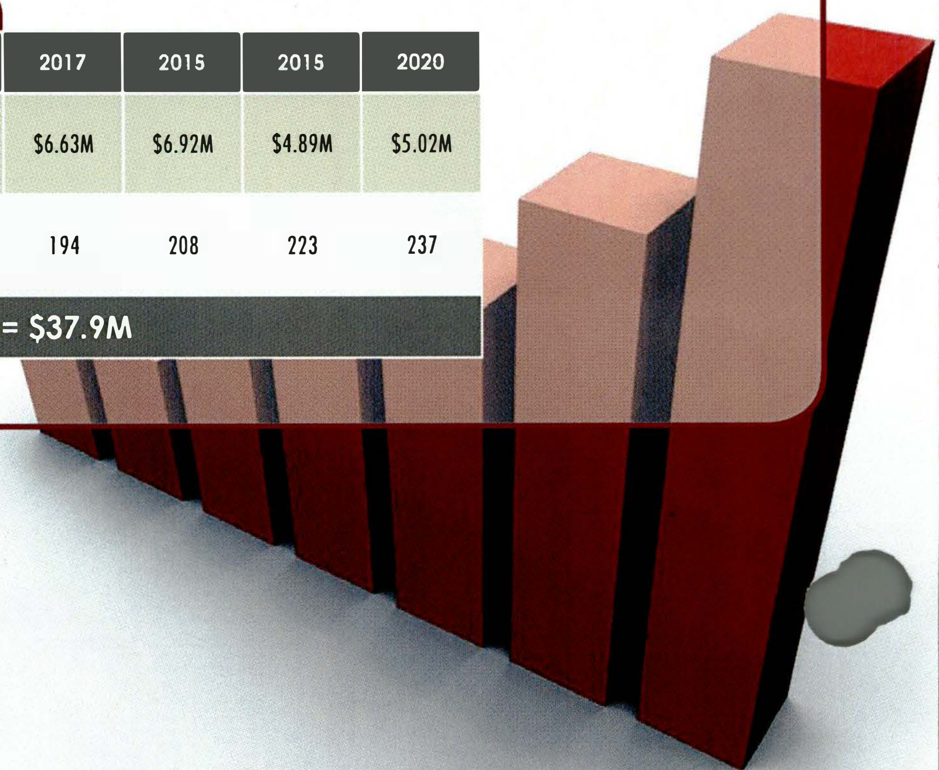
PROJECTED INCREMENTAL STAFFING COSTS | 2015-2020

	2015	2016	2017	2018	2019	2020
TOTAL ANNUAL COST PROJECTIONS FOR NEW FTE	$6.6M	$9.4M	$13.3M	$16.0M	$18.5M	$20.4M
ADDITIONAL FTE	87	37	50	31	30	25
TOTAL FTE	285	322	372	403	433	458

PROJECTED FLEET LEVELS/COSTS | 2015-2020

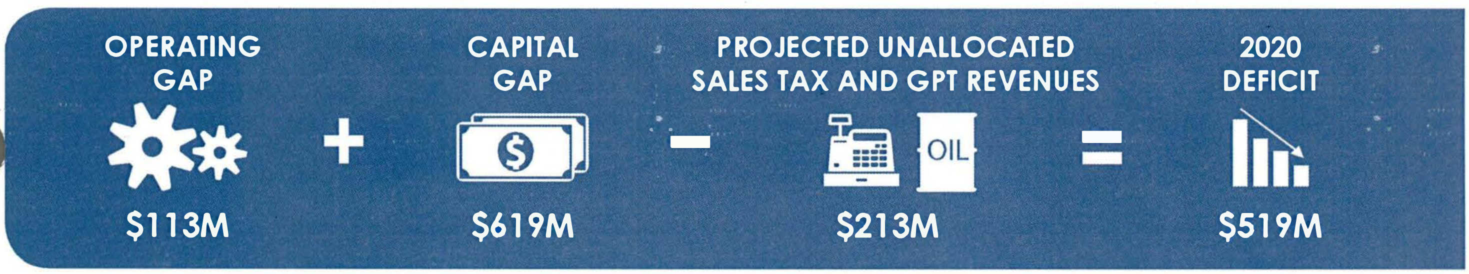
SUMMARY FLEET PROJECTIONS	2014	2015	2015	2017	2015	2015	2020
TOTAL ANNUAL **COST** PROJECTIONS FOR FLEET	-	$8.32M	$6.12M	$6.63M	$6.92M	$4.89M	$5.02M
TOTAL ANNUAL **COUNT** PROJECTIONS FOR FLEET	116	157	174	194	208	223	237

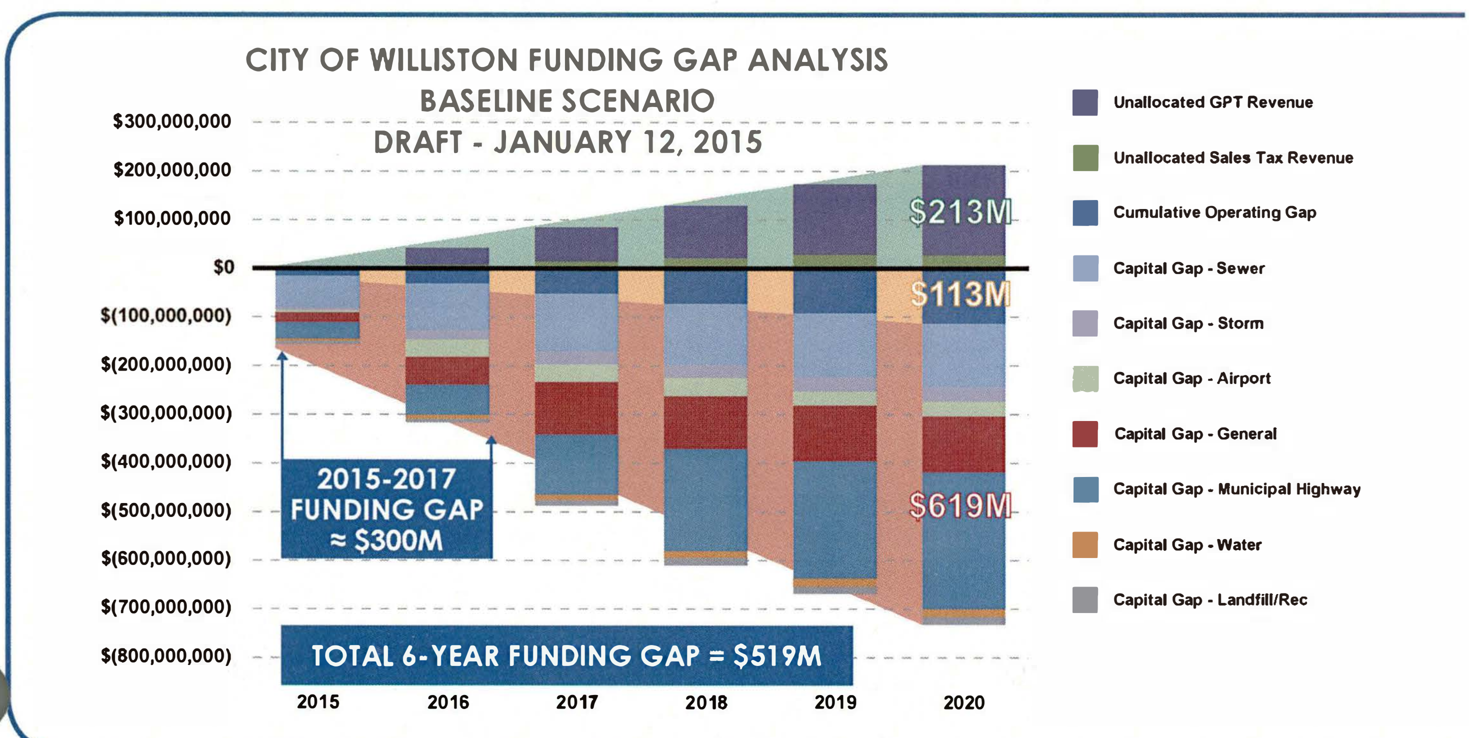
2020 FLEET NEEDS = $37.9M



FINANCIAL GAP ANALYSIS FOR 6-YEAR CIP AND OPERATIONS PROJECTIONS

- Williston understands that it cannot rely solely on the State to assist with growth related impacts. Growth drives increased local revenues in many areas including property taxes, utility fees, building permit fees, and sales tax. To demonstrate how these revenues may grow and assist with identified needs, the City compiled a comprehensive revenue and expense model to determine the funding gap the City is faced with.
- To date, nearly all gross production tax revenues directed to the City have been used for infrastructure projects and have not been used to construct facilities needed for operations.
- Considering all modeled revenue and expense projections, the gap analysis indicates that **Williston will face a deficit of approximately $519M by 2020.** This deficit includes:
  - An Operating Gap of $113M
  - A Capital Gap of $619M
  - $213M of Unallocated Sales Tax and GPT Revenues can be applied to either capital or operating expenses based on further City funding strategy development. GPT projections are based on a $50/barrel price of oil for the current biennium and $60 and $70/barrel for subsequent biennia respectively, and on the current 25% County/75% State split.





DOING OUR PART LOCALLY

Utility Rate Increases (Sewer/Refuse)

- Under current conditions, the City's utility enterprise funds represent a significant portion of the operating gap presented. To address these operational needs, the City implemented significant rate increases in 2015 for its most heavily impacted funds (Sewer and Refuse). In order to completely close this operational gap over the next 6 years, the City is expecting a **21% increase per year for the next 6 years in its Sewer Fund** and a **5% increase per year for the next 6 years in its Refuse Fund.**

Prudent Approach to Property Tax Increases

- Williston is committed to raising local property taxes to aid in meeting its growing needs. With its 2015 budget, the City Commission committed to beginning a strategy of raising property taxes up to a ceiling of 5% per year on in-place property for the foreseeable future beyond 2015.

Debt Burden for Needed Infrastructure

- Over the past few years, the City has significantly increased its debt load to fund its growing needs. To meet the City's funding shortfall in the 2013-2015 biennium, the City incurred approximately $100M in debt to fund needed projects. Looking forward, the City has received approval from the Bank of North Dakota for a $83M loan to fund critical 2015 infrastructure projects and has also secured a $125M Clean Water State Revolving Fund loan from the North Dakota Department of Health to finance its new mechanical wastewater treatment plant. In total, the **City has committed to $323M in debt to fund critical infrastructure for the years 2013-2015.** With construction of a new airport ($230M) and another $120M in capital improvements in 2016, **total City debt is expected to grow to $673M by the end of the 2015-2017 biennium.**

New Public Safety Sales Tax

- City and County voters recently approved a 1% public health and safety sales tax that is expected to generate significant local revenue to meet the police and fire needs of the City. In total, **this sales tax is expected to eliminate $76.2M of the proposed funding gap presented.** The new sales tax is in addition to a 2% sales tax already in place, with 1% dedicated to infrastructure and 1% dedicated to the Park District, bringing the **total City sales tax to 3%.**

Handout #6
Back
Cover Page

City of
WILLISTON

CITY OF WILLISTON | PO BOX 1306, WILLISTON, ND 58802

House Approps
HB 1176
Testimony Handout # 7
1/29/15

Testimony to the House Appropriations Committee
Chairman Jeff Delzer
Shane Hart, City Councilman
City of Parshall
shaneh@restel.com

House Bill 1176

Good Morning, Chairman Delzer and members of the House Appropriations Committee. My name is Shane Hart a Councilman from the City of Parshall.

The City of Parshall has experienced tremendous growth due to activity in the Bakken Oilfield. In 2008 the City of Parshall reviewed 7 building permits and in 2014 we reviewed 47 building permits. Our city has expanded from 335 acres to 2000 acres in that period of time. We currently have developers looking to build a 400 room motel, 240 apartment units and add a restaurant. Our RV Park has 114 lots and houses families in travel trailers and motorhomes. Our school enrollment has increased and the school considers all students living in RV's as homeless. We have tripled our city employment and need to hire more, but we are limited by housing. We need to build housing in order to attract the workers that our city and area employers need to hire.

This increase in building activity is going to be hampered by the City's current waste water lagoon system. It is at max capacity! Due to FAA regulations the City of Parshall is not allowed to increase the size of the current lagoon because it sits too close to the Parshall Airport. The City is in need of moving it to an acceptable location and the costs in that are over $10 million! Again, these housing and commercial projects will not happen without building a new waste water lagoon. (Refer Exhibit 1 & 1A, and Exhibit 4).

We also don't expect much slowing of this infrastructure demand, even with low oil prices. One of the most productive fields in the Bakken shares our city name: "The Parshall Field". Everything we are hearing about oil prices tells us that drilling will concentrate, not recede, from the most productive fields. With a tremendous amount of infield drilling nearby for years to come, we need your help and increased funding proposed in the change in formula to a 60/40 split between political subdivisions and the state.

In the next five years, we have identified over $35 million in capital projects tied directly to our growth needs. We need this bill to deal with our lagoon system, launch significant utility upgrades and address a number of issues with our local streets and public infrastructure. We have much do and request that you pass this bill as proposed.

Thank you for your time. I would be happy to address any questions.

City of Parshall
Box 159, Parshall, N.D. 58770-0159
Phone 862-3459

MAYOR
Kyle Christianson
AUDITOR
Kelly Woessner
CITY ATTORNEY
William Woods

COUNCIL MEMBERS
Pem Hall
Shane Hart
Tom Huus
Robert Morenski

Equal Opportunity Housing and Employment

Exhibits

- Waste Water Expansion Project – refer to cost analysis Exhibit 1 & Sewer trunk lines projection in Exhibit 1A
- Street and Utility Projects – refer to Cost Analysis Exhibit 1 & City street schedule map showing projects and years Exhibit 2
- Annexed Property for the City of Parshall – Showing growth of the City from 335 acres to 2000 acres and aerial coverage of current territory referencing Current lagoon size and location of City Airport Exhibit 3
- Building Permit Reviews – from 2008 to 2014 Exhibit 4
- Parshall Swimming Pool – Parks and recreation needs significant upgrades or complete replacement for the upcoming year to be able to be opened. Exhibit 5

Handout #7

-2-

The council does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services. Any special accommodations required, please contact our office in advance.

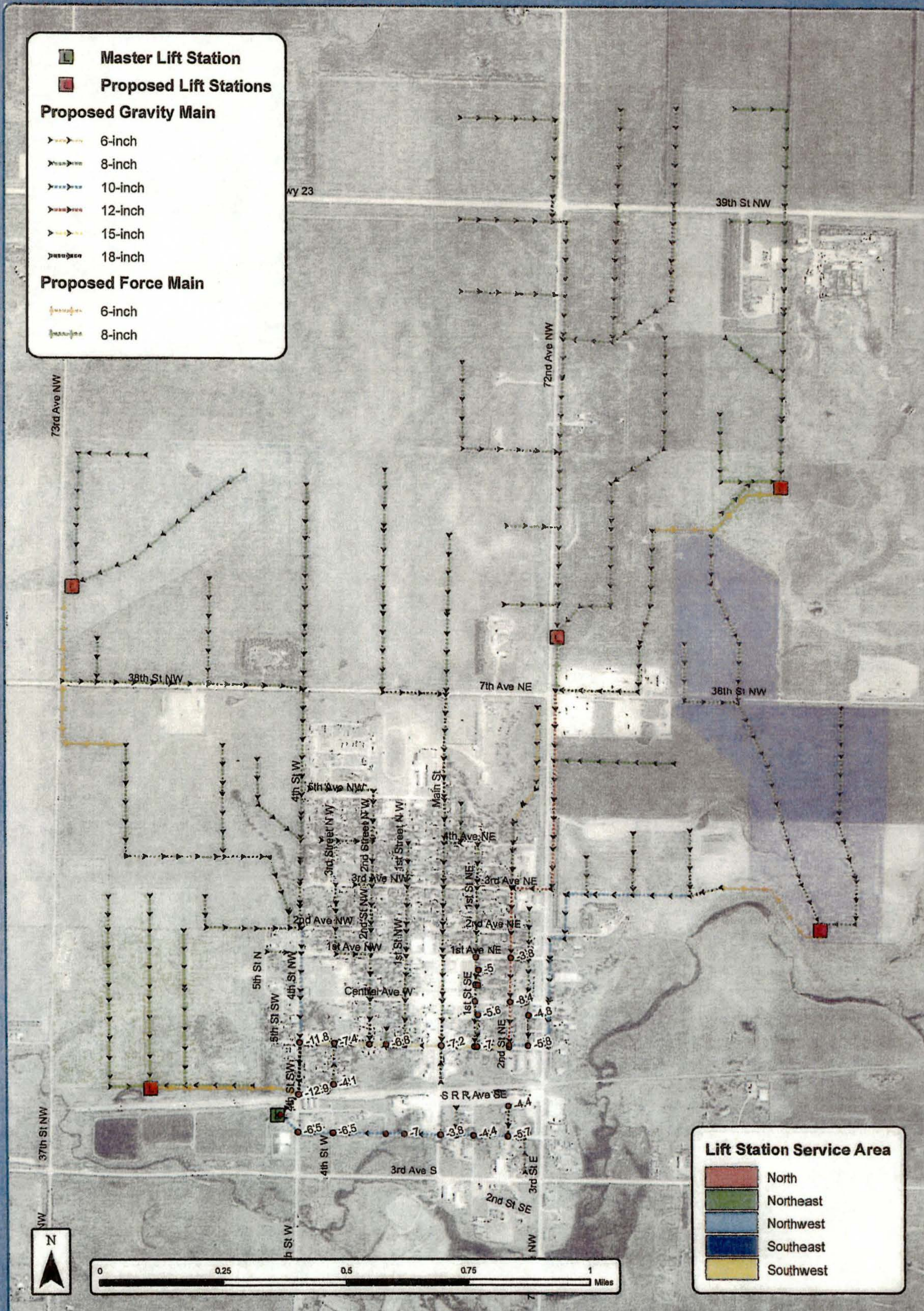
City of Parshall - 5 year Infrastructure Improvements Estimates

	Water	Waste Water	Storm Water	Transportation	Airport	Facilities	Total	
2015	$215,900	$9,947,700	$863,600	$2,590,800	$233,750	$1,791,378	$15,643,128	2015-16 Biennium
2016	$135,180	$405,540	$540,720	$1,622,160	$600,000	$4,600,000	$7,903,600	$23,546,728
2017	$95,770	$287,309	$383,078	$1,149,234	$200,000	$300,000	$2,415,390	2017-18 Biennium
2018	$257,620	$772,860	$1,030,480	$3,091,440	$130,000	$125,000	$5,407,400	$7,822,790
2019	$258,846	$3,976,538	$1,035,384	$3,106,152	$125,000	$114,200	$8,616,120	2015-2019
								$39,985,638

-3-

Exhibit #1
City of Parshall

Exhibit 1A.

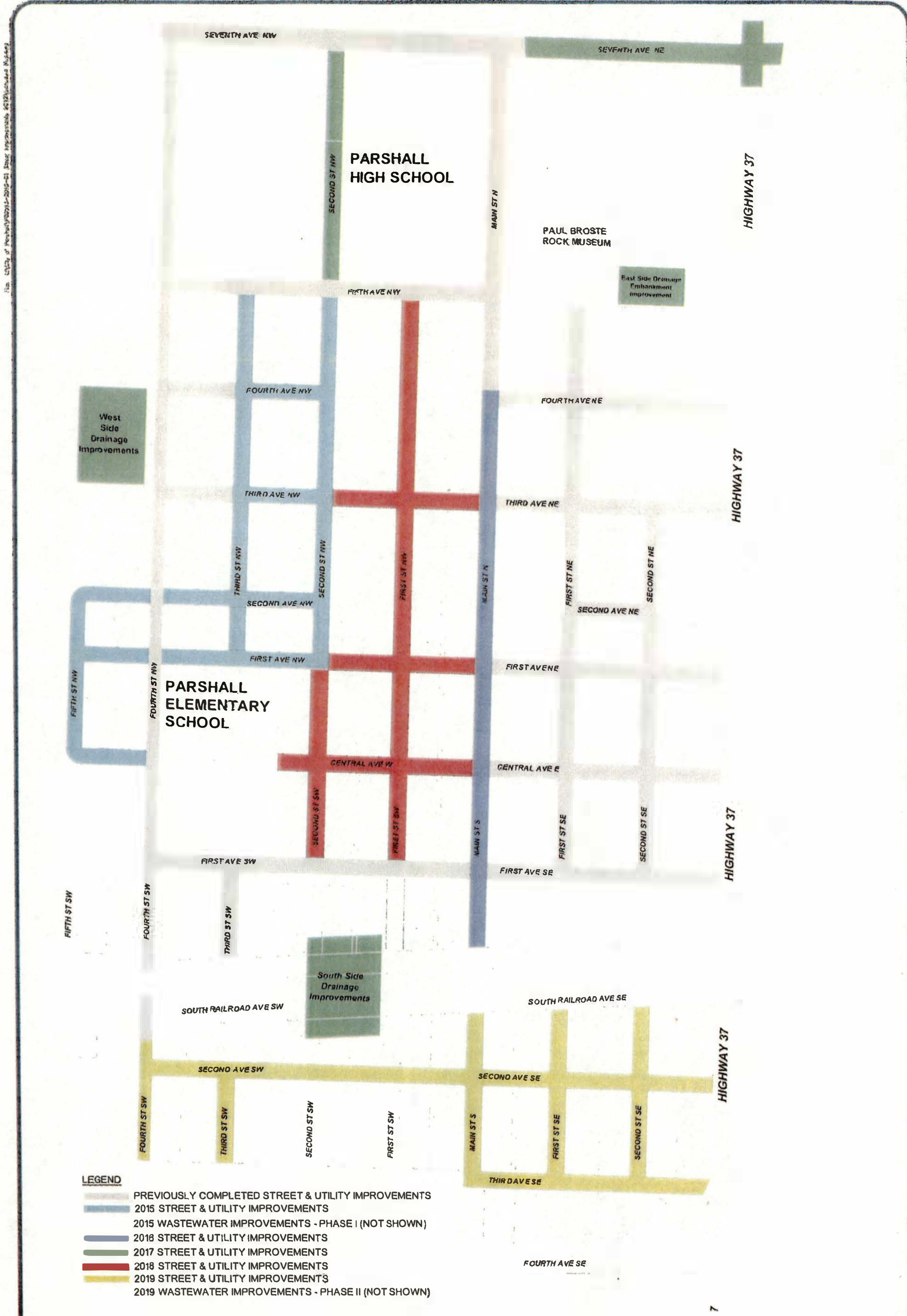


City of Parshall Wastewater Planning

PROPOSED SYSTEM IMPROVEMENTS

AES Advanced Engineering and Environmental Services, Inc.

Exhibit #2



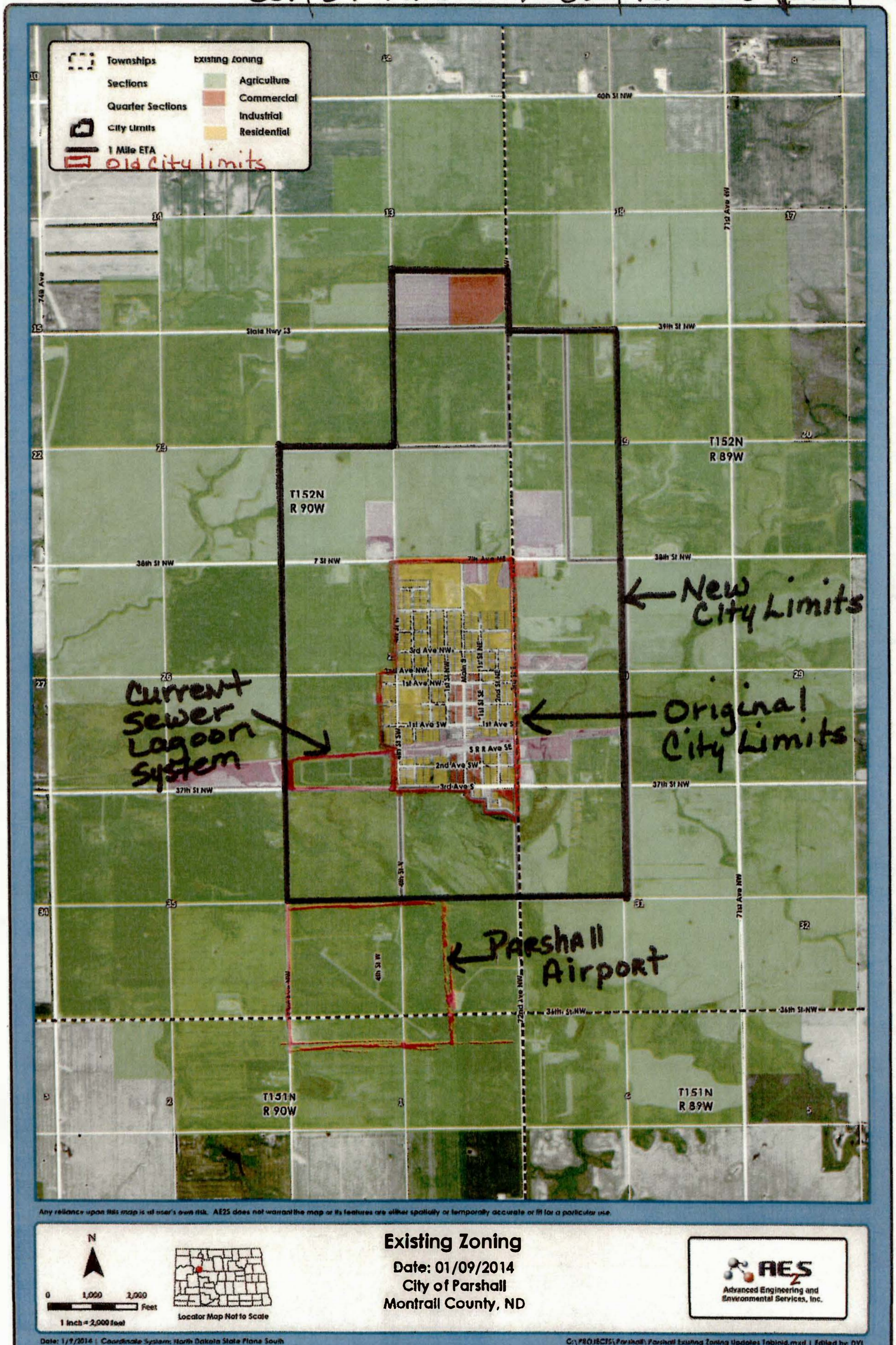
AE2S

2015 - 2019 UTILITY CIP OVERVIEW
CITY OF PARSHALL, ND

01-14-2015

Exhibit #3

City of Parshall City Limits (Original & New)



Kelly Woessner City Auditor

Exhibit 4

City of Parshall
Building Permits

YEAR	# of Permits filed
2007	4
2008	4
2009	5
2010	13
2011	21
2012	25
2013	25
2014	47

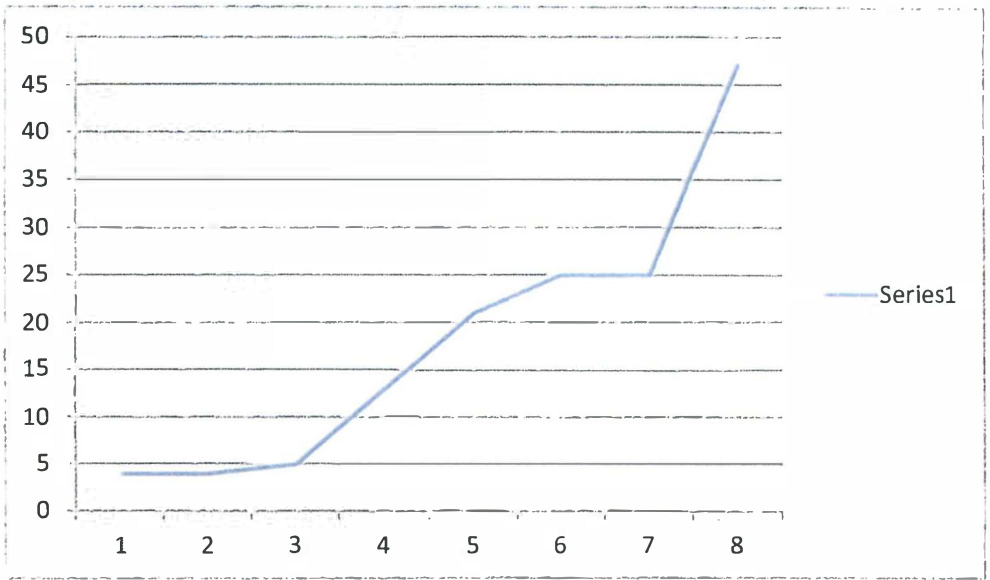


Exhibit 5

Parks + Recreation
Needs significant
upgrades.

Exhibit 5

-9-

Exhibit 5

-10-

House Approp.
HB 1176
Testimony-Handout #8
1/29/15

ENERGY RELATED Growth & Impacts

$159 MILLION IN INFRASTRUCTURE NEEDS IN THE 2015-2017 BIENNIUM

#1 Oil Producing County

- McKenzie County is the #1 oil producing county in the state; accounting for 34% of the State's oil production in October 2014 (Mountrail 2nd at 23% of oil production).
- 36% of drilling rigs in the state are located in McKenzie County.
- McKenzie County is ranked 1st in active wells, with 45% more wells than 2nd highest county (3,908 to 2,682 in Mountrail).
- In State FY14, McKenzie County oil production generated over $446 M in GPT tax revenue, 33% more than the next closest county.

Renewed Concentration & Continued Growth Resulting from Oil Production

- Recent developments in the energy markets have resulted in a concentration of energy activities in high producing areas like McKenzie County.
- As development continues, projections show Watford City nearly quadrupling available housing units.
- As a result, the City has put a renewed emphasis on constructing critical trunk infrastructure to service the growing community.

TOTAL HOUSING DEMAND		
	Watford City Existing/Planned	Watford City Projected Need*
2014	2,500	6,542
2015	4,557	7,202
2016	6,342	7,826
2017	8,119	8,308
2018	9,100	8,638
2019	9,852	8,966

*From Bangsrud/Hodur NDSU study for KLJ, using 80% of County totals

#8

Renewed Concentration & Continued Growth

- As a regional center for energy development jobs, people, and the demand for housing has been concentrated in Watford City.
- In response, Watford City has invested $34.9 Million since 2011 in key trunk infrastructure to complement the millions of dollars in infrastructure being put in place across 16 developments in the region.
- As energy production has grown, the need for infrastructure has far outpaced this investment.
- Overall, the City is facing a critical **capital need of $344 Million** over the next four biennia.

Watford City is in the top 20 percent for residential utility rates in North Dakota (communities under 5,000 people)

Debt per Capita: $15,000*

*including pending loans

Costs & Ability to Pay

- Developers and residents already pay a large share of costs associated with local infrastructure through utility rates, property taxes, upfront lot pricing, and rental rates.
- Rental rates on new construction are topping $3,000 per month for a 2 bedroom apartment and topping $4,000 per month for a 3 bedroom duplex unit.
- As the City looks to continue to build the critical transportation, utility, and public infrastructure to support growing developments throughout the city, they are left with few options and additional State funding is needed.

CATEGORY	BIENNIUM				TOTAL
	2015-2017	2017-2019	2019-2021	2021-2023	
Transportation	$71,200,000	$41,300,000	$62,100,000	$39,500,000	$ 214,100,000
Public Utilities	$77,800,000	$10,900,000	$3,900,000	$ 7,600,000	$ 100,200,000
Airport / Public Buildings	$9,600,000	$5,600,000	$12,400,000	$2,500,000	$ 30,100,000
TOTAL	**$158,600,000**	**$57,800,000**	**$78,400,000**	**$49,600,000**	**$ 344,400,000**

House Approps
HB 1176
Testimony - Handout #9
1/29/15

House Bill 1176
House Appropriations Committee
Thursday, January 29, 2013

House Bill 1176 is a bill that recognizes the impacts of North Dakota energy development and helps to cover the costs that accrue to local government with that development.

This bill, among other things, revises the definition of "hub city" to include cities like Bismarck that are experiencing impacts from oil and gas-related activities but are not located in an oil production county. The bill also recognizes the impacts to the prime production area and allocates a greater share of the proceeds to deal with these impacts. This is both necessary and appropriate.

Two years ago Bismarck recognized the magnitude of the oil impact on western North Dakota and the city agreed that those impacts needed to be addressed before Bismarck asked for assistance with its very real impacts. Last session the Legislature made a very strong effort to assist the western part of the state meet its most pressing needs.

Bismarck cannot wait any longer to ask for assistance in meeting its capital needs. Present demands are quickly outstripping the city's ability to cope. HB 1176 starts to address critical Bismarck needs while still assisting with the ongoing needs of the oil production areas of the state.

The City of Bismarck wishes to go on record requesting a "Do Pass" recommendation for House Bill 1176.

Bill Wocken
for City of Bismarck

House Approps.
HB 1176
Testimony-Handout #10
1/29/15

Testimony to the House Appropriations Committee
Chairman Jeff Delzer
Wade Enget, City Attorney
City of Stanley
wenget@nd.gov

House Bill 1176

Chairman Delzer and members of the House Appropriations Committee, my name is Wade Enget and I am here in my role as City Attorney for the City of Stanley. I live and work in Stanley and have seen first-hand, as well as advised the city on, the infrastructure challenges we have faced.

Stanley was one of 1st cities impacted by "The Boom", with oil development commencing in the Parshall Field southeast of Stanley in 2007. Since that time, the City of Stanley, while welcoming the opportunity for economic development, has also dealt with the pains of growth. We have annexed a total of 1,353 acres to accommodate that growth in the past 6 years, processing 823 building permits in that same period. Our population, 1270 in 2008, now stands at 3512 in 2015--almost tripled, and that does not include Target Logistics' approximately 400 bed facility or the folks living in two new hotels, with approximately 150 beds that are always full. We now have our third new hotel under construction. These facilities are using our water, sewer, etc. but are not considered part of our population.

In 2005-2006 we had 340 students in K-12. In 2014-2015 that number has doubled to just over 700 students. Both our grade school and high school have built on and are working on future expansions. Our city sales tax, at just over $200,000 in 2008 was $2.5 million in 2014. We currently have a 1.5% city tax with 1% to EDC & Parks and .5% to the hospital. Our city employees have increased 125% in 7 years – especially public works and law enforcement. We have built two 4-plex's for city staff.

We have been doing projects non-stop since the beginning, but cannot see an end yet. With a 304 acre annexation west of town comes a whole new area with needs for sewer, water, streets, and storm water drainage. We are working with developers that are not concerned with the price of crude right now and are going forward with their plans. A refinery project has been announced for our area as well. They are in the 2nd stage of developing a 20,000 gallon/day diesel fuel facility.

We have issued 7.4 million in special assessment bonds since 2008, which brings me to a point I wish to make today about the oil and gas distribution formula. We cannot bond against a revenue stream with an expiration date in law. Currently, that revenue stream expires on June 30, 2015. The bond markets need more than that. That is why this formula change is so important to us in the years ahead. We need a longer term approach that allows us to bond more effectively against the distribution formula. I ask that you consider that fact as you do your work on this bill.

We had Vanguard come in 2014 and do a complete assessment of every residential home and every commercial building in Stanley. Some of the older homes in town tripled in assessed value because of the market values. We had a packed public meeting because of this issue. Tax statements have gone up every year because we have to raise the assessed value to keep up with market values. We cannot put too much more on our citizens' plates. A more robust distribution formula will help us catch up with our growing needs without having to ask the residents to help fund it all.

We will use this money wisely. In 2015 alone we have $6.2 million in water, waste water, and storm water projects. We have $4.8 million lined up in transportation projects and $2.5 million in facilities. And over the next eight years, our capital improvement plan calls for more than $120 million in water, sewer, storm water, transportation, and public facility projects.

Thank you for your time today and your stewardship. I'd be happy to answer any questions.

SEVERAL FACTORS HAVE CONTRIBUTED TO THE SITUATION INCLUDING A 100% POPULATION INCREASE SINCE THE 2010 CENSUS, THE ANNEXATION OF 1,353 ACRES SINCE 2008, AND 823 BUILDING PERMITS HAVE BEEN ISSUED SINCE 2009.

IMPACT OUR COMMUNITY

FAILING & INSUFFICIENT INFRASTRUCTURE PLAGUING STANLEY

The City of Stanley functions as an integral municipality to the oil and gas industry in northwest North Dakota. This quaint community is located in the heart of the Bakken region in Mountrail County between Minot and Williston, along US Highway 2. Stanley has had the pleasure and discomfort of experiencing exponential growth since 2008. The impacts on the City are staggering and current funding sources are severely inadequate in comparison to the need.

The City has been impacted in all aspects of public service including but not limited to; public utilities, City administration facilities, transportation, hospital and emergency services, and parks and recreation. In addition, workforce challenges such as increased wages, providing non-traditional benefits like affordable housing, and expenses related to recruitment and retention of capable staff, add to the financial challenges facing the community.

Prior to the start of the oil boom in 2008, the City of Stanley experienced little to no growth and had adequate infrastructure and public services to provide for the health, welfare, and safety of the community. However, with the rapid growth over the last few years and projections of extensive continued growth, providing new infrastructure to meet the demand and maintaining the deteriorating infrastructure that wasn't constructed for the high usage currently being experienced, has become increasingly difficult. Because of the excessive demand, the City of Stanley utilizing its own resources, cannot adequately provide necessary services to its residents.

City of Stanley

In order to fully understand the impacts on the City, existing and projected needs, and anticipated local income, Stanley has embarked on a considerable amount of proactive strategic planning and analysis. From that planning, a comprehensive list of essential needs and associated cost estimates has been developed. The City's desire to address these needs includes a combination of investments in the current infrastructure and the construction of new facilities and infrastructure that will provide the services necessary to keep the community surviving. Needs include maintenance and development of adequate and safe transportation corridors, water resources that provide sufficient capacity for a safe water supply along with community fire protection, lagoon systems that address the current system which is near capacity, public facility upgrades, landfill capacity solutions, and employee housing. The investment for these essential City of Stanley needs over the next eight years totals **$120,900,000.**

#10 -1-

EXPERIENCING UNPRECEDENTED GROWTH

POPULATION GROWTH PROJECTION

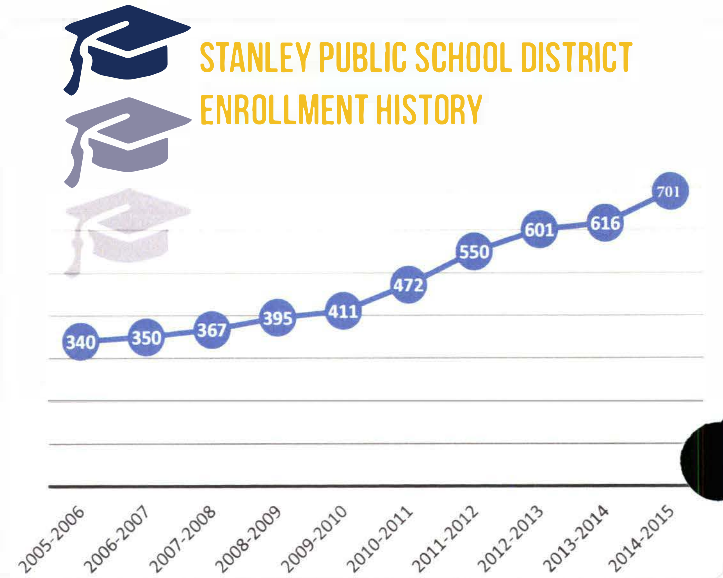
1270 IN 2008

1799 IN 2011

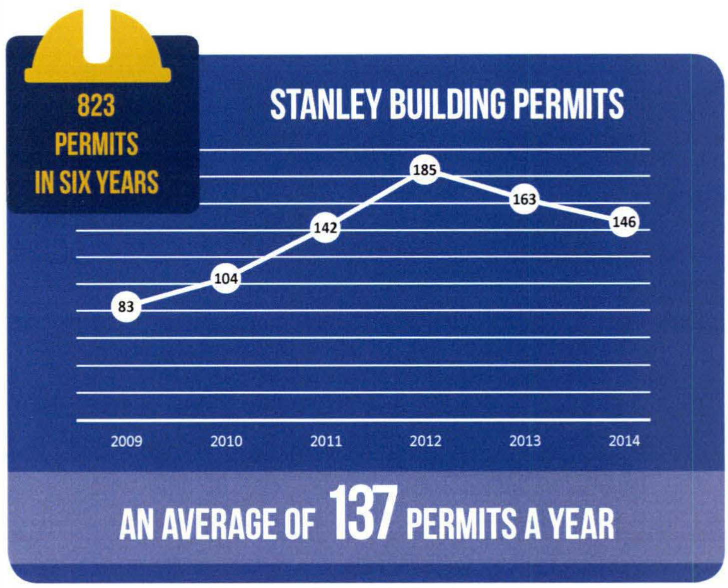
3512 IN 2015

5244 IN 2020

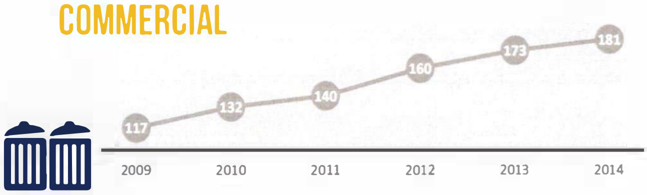
[THAT'S A LOT OF WHIRL-A-WHIPS!]



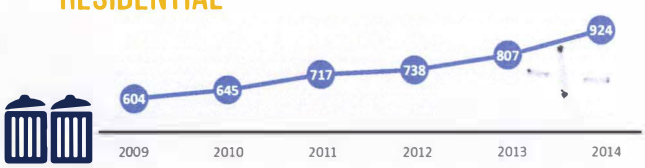
ALL OF THAT CAUSES A LOT OF THIS



COMMERCIAL



RESIDENTIAL



THE NUMBER OF CITY EMPLOYEES INCREASED 125 OVER THE PAST SEVEN YEARS, SEEING PARTICULAR GROWTH IN PUBLIC WORKS AND LAW ENFORCEMENT.

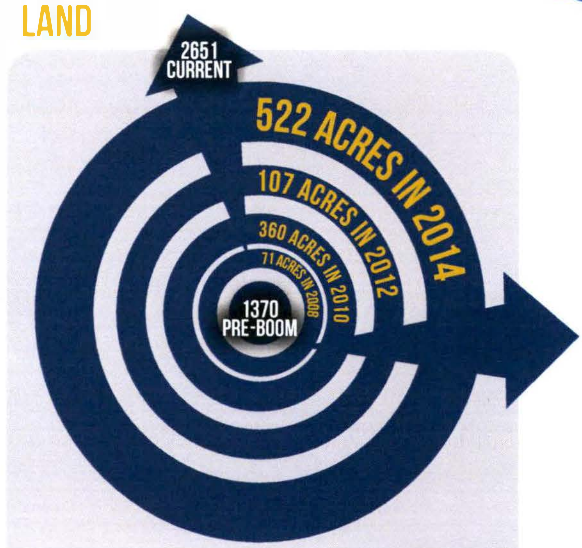
#10 -2-

CITY WATER METERS/USERS

RESIDENTIAL HAS RISEN FROM **604** IN 2009 TO **970** IN 2014

COMMERCIAL HAS RISEN FROM **117** IN 2009 TO **161** IN 2014

LAND



ANNEXATION AREA (ACRES)
AVERAGING **193** ACRES PER YEAR

1353 ACRES IN SIX YEARS

CITY SALES TAX

2008	$217,137.99
2009	$303,702.37
2010	$421,844.62
2011	$747,636.76
2012	$1,166,808.50
2013	$1,540,223.07
2014	$2,570,801.42

INCREASED BY OVER
2.3 MILLION

COMMERCIAL UTILITY RATES

	WATER	BASE RATE	SEWAGE	LAGOON FEE	ST. LIGHTS	SERVICE FEE
2007	$6/1,000G	$22.50	$1.50/1,000G OR MINIMUM $5.00	$1.50	N/A	$1.00
2008	$6/1,000G	$22.50	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	$1.00
WATER RATE INCREASED TO $7/1,000 GALLONS IN AUGUST 2008						
2009	$7/1,000G	$22.50	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	$1.00
2010	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	$1.00
2011	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	REMOVED
2012	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	N/A
2013	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	N/A
2014	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	REMOVED	N/A

RESIDENTIAL UTILITY RATES

	WATER	BASE RATE	SEWAGE	GARBAGE	LAGOON FEE	ST. LIGHTS	SERVICE FEE
2007	$6/1,000G	$17.00	$1.50/1,000G OR MINIMUM $5.00	$13.00	$1.50	N/A	$1.00
2008	$6/1,000G	$17.00	$1.50/1,000G OR MINIMUM $5.00	$13.00	$1.50	$1.50	$1.00
WATER INCREASED TO $7/1,000 GALLONS IN AUGUST 2008							
2009	$7/1,000G	$17.00	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	$1.00
2010	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	$1.00
2011	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	REMOVED
2012	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	N/A
2013	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	N/A
2014	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	REMOVED	N/A
* GARBAGE RATES INCREASED TO $24 IN SEPTEMBER 2014							

#10-3-

SPECIAL ASSESSMENT BONDS

ISSUE DATE	PURPOSE	INTEREST RATE	FINAL MATURITY	PRINCIPAL AMOUNT OUTSTANDING
2008	WATER AND SEWER	4.00-5.40%	05/01/24	400,000
2009	STREETS	2.00-4.25%	05/01/24	440,000
2010	STREETS, WATER AND SEWER	0.80-3.60%	05/01/25	1,335,000
2011	WATER AND SEWER	3.789-3.885%	03/24/40	994,193
2011	STREETS, WATER AND SEWER	0.75-3.25%	05/01/26	3,215,000
2012	REFUNDING OF 2006 ISSUE	0.85-1.65%	05/01/21	375,000
2014	STREET IMPROVEMENTS (THIS ISSUE)	2.00-3.00%	05/01/29	660,000

$7,419,193 TOTAL

WHAT WE'VE DONE.
WHAT WE STILL NEED.

2015-2017 BIENNIUM **$29,520,000**

2017-2019 BIENNIUM **$28,570,000**

FIVE YEAR CAPITAL IMPROVEMENTS PLAN

	WATER	WASTE WATER	STORM WATER	TRANSPORTATION	AIRPORT	FACILITIES	TOTAL
2015	$3,460,000	$2,100,000	$700,000	$4,800,000		$2,500,000	$13,560,000
2016	$1,160,000	$9,000,000		$4,800,000		$1,000,000	$15,960,000
2017	$1,160,000	$4,500,000		$3,300,000		$5,500,000	$14,460,000
2018	$1,160,000	$5,000,000		$3,300,000		$4,650,000	$14,110,000
2019	$1,160,000	$1,000,000		$3,300,000		$9,900,000	$15,360,000

#10 - 4

House Approps
HB 1176
Testimony - Handout #11
1/29/15

January 29, 2015
The Honorable Representative Jeff Delzer
Appropriations Committee
Re: Support for House Bill 1176

Chairman Delzer and members of the committee:

My name is Brent Bogar and I am representing the North Dakota Association of Oil and Gas Producing Counties. My role with the association is as a communications and research consultant, and I have been working with the association for the past 6 months.

I stand before the committee today to strongly support the passage of House Bill 1176 that will make changes to the Gross Production Tax distribution formula.

I would note that the change in the distribution formula for 25% to 60% for the oil and gas counties does not tell the full picture. As Representative Kempenich reviewed in his comments there are two taxes paid by the industry: a 6.5% extraction tax and the 5% GPT. The formula change only applies to the GPT. Furthermore 20% of the GPT is not impacted by the formula. So while 60% seems like a large amount, and can be misunderstood to me 60% of oil tax revenue or even of the GPT, the formula change affects 80% of the GPT which equates to 35% of the total state oil tax revenue. It should also be noted that with changing the formula it keeps the proportion of dollars the same to the local entities and the state no matter the amount of revenue.

Working with the members of the association over the past months my efforts have focused on collecting and analyzing data, along with formatting that data so that it is easy to understand. The focus of the work has been to show the impacts in the cities and counties of western North Dakota. I have included in the packet that has been handed out a number of exhibits that have been used to help show the impacts. At this time I will not go through each one, but I am available to answer questions or provide more detail if the committee would so choose.

I do concur with the previous individuals that have testified about the impacts and needs. For the counties, townships, cities and schools it is critical that they be able to receive adequate and proper funding from the GPT to support the growth. The changes to the formula of GPT distributions will provide the impacted communities the ability to plan and fund their infrastructure needs to meet the demands placed on the local municipalities. These impacts have been driven by an industry that places high demands on services such as roads, water, schools, and law enforcement.

These impacts also come at a pace the local entities have worked diligently to meet, but they are limited in their financial resources to fund the build out of the necessary infrastructure. They are looking to the state to provide the appropriate level of funding for the infrastructure investment. I say look to the state, not in a way of handouts, but in way of reminding everyone that the GPT was put in place in lieu of property tax. The industry pays the tax to the state, which in turn distributes it back to the local entities. What is being asked by the impacted communities is not a handout, it is that the proper portion of tax revenue being collected by the state is sent to the entities that are dealing with the impacts of an industry that does not pay a local tax, but instead one to the state which in turn distributes it back to the local entities.

The previous testimony has highlighted the needs, the reasons, and explained the rationale for the changes that House Bill 1176 contains. What is being asked for is a proper level of funding and investment in western North Dakota to fund the infrastructure. By investing in the infrastructure we can continue to encourage others to invest in our state with projects, jobs and new businesses that will lead to a strong and vibrant future for all of North Dakota.

I would again ask for your support and a DO PASS recommendation and stand for any questions that you may have.

January 28th, 2015

Testimony for HB1176

House of Representatives Appropriation Committee

Provided by Daryl and Reyne Dukart

House Appropriation Committee members,

We support HB 1176 for the adjustments provided within this bill are long overdue. As mineral owners of a very small proportion of minerals in two oil wells in Dunn County we see and understand what happens to the production and extraction of tax dollars withheld from each one of the wells we receive revenue from.

I will try to explain to you in a very short written statement what we see on a settlement. It will show us the total taxes withheld. In this case the wells together averaged 32.73 barrels of oil per day for the month of September, 2014. The total value of the oil sold for the month was $156,479.55 and the total extraction tax withheld was $10171.17 with $7823.98 which was withheld as production tax. With the studies we have seen the sum due to the county is an estimated 14% of the $7823.98 production tax or about $1095.35.

When you look at the gross value income produced off these marginal wells, the dollars generated and then the production tax column withheld amounts, lots of dollars are passed through these marginal wells. With the present challenges of decreased oil values and the cost to our county to maintain and keep these roads safe and drivable year around which has added additional cost to the county because of traffic use. As a County Commissioner I get to see first-hand the cost of these repairs and maintenance schedules to these roads.

We are citizens of the county yet do not use the two roads which service these two wells, my brother along with his family plus many others travel these two roads daily moving agriculture goods to markets, bus routes, and dealing with daily necessities in life. The state citizens have enjoyed the many property tax reforms, income tax breaks, and sales tax benefits which the state has been able to offer and the total savings to all state tax paying citizens is very well accepted by all. The important issue is to help the areas in this state that are impacted the greatest by this very much appreciated source of revenue.

Our county government has been at the table asking for grants, early funding for infrastructure projects, and accepting many which have helped repair and fix some infrastructure issues. Local government's from our county and small rural towns have enjoyed the prosperity, "yet so much still needs to happen" to deal with the population growth, the needed infrastructure growth of housing, water, sewer, streets, EMS, law enforcement, safer highways, and county roads for all to use. Thousands of extra people are working the area, trying to find places to live, educate their children, and become active in their communities and really focusing on making this their future home in the area for the long term. As chairman of Vision West North Dakota I do see local governments who take on the responsibility and they place these dollars into the correct coffers with limitations yet growth and adjustments are made while infrastructure continues to develop and grow at a slower pace than the actual needs are in the counties, hub cities and rural cities.

The Surge funding in SB2103 allows for things to be under construction as soon as the funds are available while HB1176 will help the counties sustain themselves moving forward. The combination of these two bills is so vital to Western North Dakota as well as the whole state. Together we are starting to shape and form a system which is caring for that cash cow our state is now so appreciative of!

We encourage a do pass on HB1176

Daryl Dukart

Board member North Dakota Oil and Gas Association of Counties

Dunn County Commissioner

Testimony to the

House Appropriations Committee

Prepared January 29, 2015

By Mark A. Johnson, CAE – Executive Director

North Dakota Association of Counties

RE: House Bill 1176 – GPT Formula Change

Chairman Delzer and members of the Senate Appropriations Committee, the North Dakota Association of Counties and the county officials that I represent, wish to go on record in solid support of this important piece of legislation.

At our most recent annual meeting, county commissioners and other officials from every corner of the state discussed, at length, the infrastructure needs of local government. Our eastern county officials understand and support the tremendous needs of the west, while our western officials acknowledge that our robust farming economy has created challenges throughout the state. At our annual convention these officials came together to provide their solid and unanimous support for this proposed legislation, as stated in the resolution included below.

We would like to recognize the tremendous work done by the Legislative sponsors of this bill in researching the needs and ultimately crafting a proposal that is reasonable, well-balanced but very significant.

The North Dakota Association of Counties urges a Do Pass recommendation on House Bill 1176.

2014-14. Oil and Gas Gross Production Tax Distribution. The communities in the oil and gas producing region continue to experience unprecedented growth and impacts from the development of oil and gas resources, and the effects of the development have extended beyond the producing counties. The financial impacts on communities have been and continue to be extensive, while the political subdivisions do not have the ability to collect property taxes from the production of oil and gas to support the infrastructure and community development needs. This Association therefore supports the efforts of the impacted counties to seek a change, for a minimum of three biennia, in the distribution of oil and gas gross production tax, so that local government receives one dollar for every four dollars of total oil and gas production tax collected, and so that the development needs today will be supported at approximately the same level that the state is investing in the Legacy Fund for the future. We further support the dedication of oil and gas impact grant funds to communities outside the primary producing counties.

January 29, 2015

HOUSE APPROPRIATIONS COMMITTEE HB 1176

CHAIRMAN DELZER AND MEMBERS OF THE COMMITTEE

For the record my name is Blake Crosby. I am the Executive Director of the North Dakota League of Cities representing the 357 cities across the State.

I am testifying in favor of HB 1176. At the business meeting at the annual conference of the North Dakota League of Cities in Minot in September of 2014; a resolution was passed supporting the change in the gross production tax formula as presented by cities in the oil and gas producing counties. There was recognition of the impact the oil boom had on cities in the oil patch and the need to provide adequate funding so they are able to address vital infrastructure needs in the upcoming biennium.

On behalf of the League, I respectfully ask for a Do Pass on HB 1176.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

GNDC
Greater North Dakota Chamber

Testimony of Jon Godfread
Greater North Dakota Chamber of Commerce
HB 1176
January 28, 2015

Mr. Chairman and members of the committee, my name is Jon Godfread, I am the Vice President of Government Affairs at the Greater North Dakota Chamber, the champions for business in North Dakota. GNDC is working on behalf of our more than 1,100 members, to build the strongest business environment in North Dakota. GNDC also represents the National Association of Manufacturers and works closely with the U.S. Chamber of Commerce. As a group we support HB 1176.

The GNDC supports this legislation that will adequately provide the necessary funding to local communities with oil impacts. This bill would change the funding formula of the Gross Production Tax, in that it would allocate 60% to the counties, and 40% to the state. This would allow more funding to stay in the areas where the oil is produced and the impacts are felt.

This position was not come to easily; we had multiple board meetings to discuss this change in the funding formula for local communities. Many questions were asked the proposal was vetted thoroughly by our board. We have members of our board from all across the state, and in the end they all agreed that this proposal was needed in order to keep the economic engine that is the Bakken moving forward.

Now is the time to make this investment in North Dakota. The oil and gas producing counties and those surrounding the impacted areas have come to legislature speaking with one voice. This plan has been in development since the middle of summer and has been vetted by those counties that have dealt with the greatest impact.

Over the past 3 session this body has addressed the needs of our oil and gas producing counties, each session having to deal with counties and communities on a case by case basis, often communities have pitted themselves against other communities in an attempt to secure more funding. HB 1176 seeks to end those battles, the legislature has asked for a unified plan, for the counties and cities to come in with a unified voice, and after months of work the end result is that unification and HB 1176.

As a business community we need adequate and well maintained infrastructure to ensure the movement of commerce and to keep our economy going. We understand that the business community has a great deal to gain from this investment, but we also understand without a large investment into infrastructure projects across our state our economy will slow, revenue will be lost, and our continued forward movement will be altered.

Thank you for allowing me to testify, we would support a DO PASS recommendation on HB 1176. I would now be happy to attempt to answer any questions.

Champions for Business

PO Box 2639
Bismarck, ND 58502
P: 701-222-0929
F: 701-222-1611

www.ndchamber.com

Testimony to the House Appropriations Committee
Chairman Jeff Delzer
Dan Uran, Mayor
City of New Town
dan.uran@sendit.nodak.edu

House Bill 1176

Good Morning, Chairman Delzer and members of the House Appropriations Committee. My name is Dan Uran, Mayor of New Town.

New Town is located right between two of the most productive oil fields in the Bakken: the Parshall field to the east and the Nesson Anticline to the west.

Included in the material we handed out you will find materials where we have provided our growth statistics along with our 5-year capital plan numbers. You will note we have identified over $60m in capital infrastructure needs in the next two biennium. We also have a specific list of projects and maps identifying where those projects will take place within our city if any of you wish to see them.

Let me talk about our growth. Traffic counts through our small town have more than doubled since 2006. Robust oil activity has substantially increased other activity as well. We now average about 118 building permits per year and we have annexed over 1000 acres to grow our town. Our school enrollment has increased from 696 student in 2010 to 878 heading into next year. In 2010, our population stood at 1925 people. We now have a town with over 3000 people and growing. A new truck reliever route around the north side of town opens up new areas for housing and commercial development.

Will any of this slow down because of a decrease in oil prices? We don't think so. We understand that the most productive oil fields around us will continue to be attractive for drilling, even with low oil prices. There is a tremendous amount of infield drilling that will take place in the years ahead. While the pace may ebb and flow, the growing demands on our infrastructure will remain strong.

We are asking that you pass HB 1167 "as is". We need these funds to get ahead and then stay ahead of the tremendous growth we have seen in our region.

During the 2015 construction season alone, the City of New Town will get started on the following infrastructure projects: over $10 million in water transmission piping, over $14 million in sanitary sewer projects, and over $2 million in street improvements and extensions. In fact, over the next two biennium, 2015-2019, we have identified over $60 million in capital infrastructure needs. We need your help making those projects happen.

Thank you for your time. I would be happy to address any questions.

Heart of Lake Sakakawea
The City of New Town

COMMUNITY NEEDS INCLUDE MAINTENANCE AND DEVELOPMENT OF ADEQUATE AND SAFE TRANSPORTATION CORRIDORS, WATER RESOURCES THAT PROVIDE SUFFICIENT CAPACITY FOR A SAFE WATER SUPPLY, COMMUNITY FACILITY UPGRADES, AND LAGOON SYSTEM UPGRADES

IMPACT NEW TOWN

NEW TOWN'S DETERIORATING AND INADEQUATE INFRASTRUCTURE NEEDS YOUR SUPPORT

The City of New Town, one of the critical cities in the heart of the oil and gas industry, located in Mountrail County on ND Hwy 23, has experienced monumental growth since 2008. Due to the extensive oil and gas development in the region, New Town has been impacted in all aspects of public service including but not limited to; public utilities, City Administration facilities, transportation, emergency services, and parks & recreation. Additionally, the community has experienced substantial challenges related to affordable housing and staffing. The City of New Town has sufficiently provided for the health, welfare and safety of its residents up until the past few years at which time the demand for critical services exponentially outnumbered the resources available. The discovery of the Bakken oil play has changed everything and providing new infrastructure and maintenance of the deteriorating infrastructure to meet the current demand has become increasingly difficult. Because of the disproportionate demand, the City of New Town can no longer single-handedly provide adequate services to residents.

In addition to the need for infrastructure upgrades and additions, New Town has experienced challenges with increasing costs of services, materials and workforce. The combination of an increasing number of projects along with substantial increases in project costs has further decreased the City's ability to fund projects for improvements.

The City has proactively been planning for its future through the development of a Capital Improvements Plan. New Town's desire is to invest in the current infrastructure, and construct new facilities and infrastructure that will provide the necessary services to adequately serve their residents. A comprehensive list of essential needs and associated costs has been developed. Community needs include maintenance and development of adequate and safe transportation corridors, water resources that provide sufficient capacity for a safe water supply, community facility upgrades, and lagoon system upgrades. The investment in these essential City of New Town needs throughout the next eight years totals **$93,020,000.**

FIVE YEAR CAPITAL IMPROVEMENTS PLAN

2015-2017 BIENNIUM $52,620,000

2017-2019 BIENNIUM $28,900,000

	WATER	WASTE WATER	STORM WATER	TRANSPORTATION	AIRPORT	FACILITIES	TOTAL
2015	$10,720,000	$14,350,000		$2,150,000			$27,220,000
2016	$7,000,000	$5,300,000		$3,100,000		$10,000,000	$25,400,000
2017	$3,500,000			$3,100,000		$7.300,000	$13,900,000
2018	$1,000,000	$1,600,000		$3,100,000		$9,300,000	$15,000,000
2019	$1,000,000	$1,600,000		$3,100,000		$5,800,000	$11,500,000

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Heart of Lake Sakakawea
The City of New Town

T IN THE MIDDLE
WITH NOWHERE TO GROW

PROJECTED POPULATION INCREASE

			+
	2010	1925	
	2011	2087	162
	2012	2249	162
	2013	2652	403
PEAK	2014	3021	369
	2015	3362	341
	2016	3681	319
	2017	3959	278
	2018	4216	257
	2019	4465	249
	2020	4708	243
	2021	4940	232
	2022	5168	228
	2023	5391	223
	2024	5578	187
	2025	5738	160
	2026	5781	43
	2027	5821	40
	2028	5878	57
	2029	5949	71
	2030	5981	32
	2031	6027	46
	2032	6085	58

THAT'S AN AVERAGE OF **189** ADDITIONAL RESIDENTS PER YEAR

TRAFFIC COUNTS
ND HIGHWAY 23 AT NEW TOWN

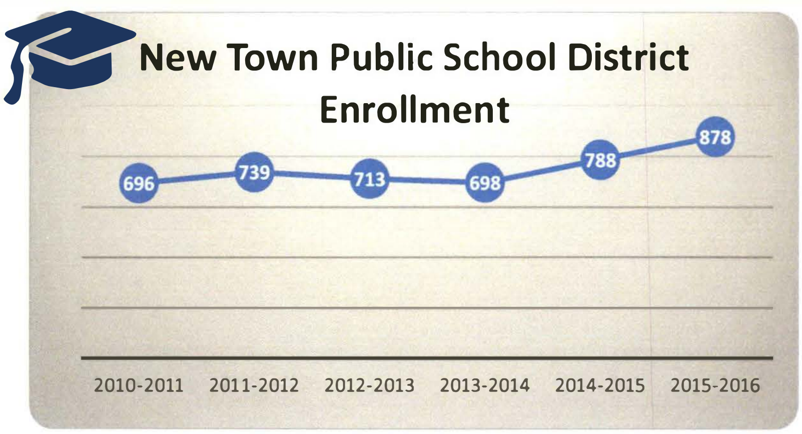
2006 - 4,500	2010 - 7,380
2007 - 5,300	2011 - 8,460
2008 - 5,490	2012 - 10,365
2009 - 6,460	2013 - 9,430

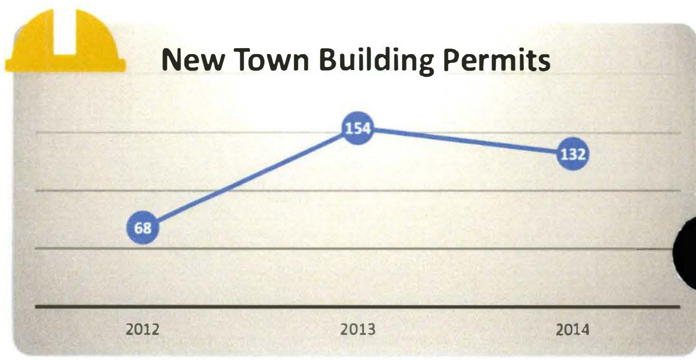
PUSHING THE LIMITS

UNPRECEDENTED POPULATION GROWTH LEADING TO INCREASED LAND AND INFRASTRUCTURE NEEDS

ANNEXATION AREA (ACRES)

AS OF JANUARY 2015 NEW TOWN HAS ADDED **OVER 1,000 ACRES** TO THE CITY AND MUST PREPARE FOR FUTURE GROWTH.





AVERAGING **118** BUILDING PERMITS EACH YEAR (2012-2014)

THE CHAMBER
www.bismarckmandan.com

Testimony
Kelvin Hullet, President
Bismarck-Mandan Chamber
HB 1176

Mr. Chairman and members of the Committee:

I am Kelvin Hullet, President of the Bismarck-Mandan Chamber. On behalf of our 1,100 members and our community, I want to express our support for HB 1176. This bill recognizes the impacts of energy development in areas outside the oil producing counties. In the 2013 legislative session, our communities recognized the incredible impacts of oil development in western North Dakota and agreed those impacts were imperative to address. Today, we ask you to move HB1176 forward and include our communities into the hub city formula and recognize the impacts occurring in nearby communities.

In the two years since the last session, our local elected officials and the business community worked to manage the rapid growth occurring within our communities. Our residents have self-imposed a property tax increase to pay for over $100 million dollars in school bonds for a new high school and three new elementary schools. When the elementary schools opened in August of 2014, each was full and the community is beginning discussion about how to address the space needs. Mandan is the sixth largest school district in North Dakota with 3,450 students. Bismarck is now the largest school district in the state with over 11,500 students, averaging 350 new students per year.

Last summer, the residents of Burleigh and Morton County joined forces and voted to approve a half-cent sales tax increase to pay for a new jail. This $70 million dollar facility was required to address the dramatic growth in the inmate population. When completed, it will house 476 inmates in 213,000 square feet in south Bismarck. This joint facility is a first for our community and represents a coordinated effort to address a need required for both counties.

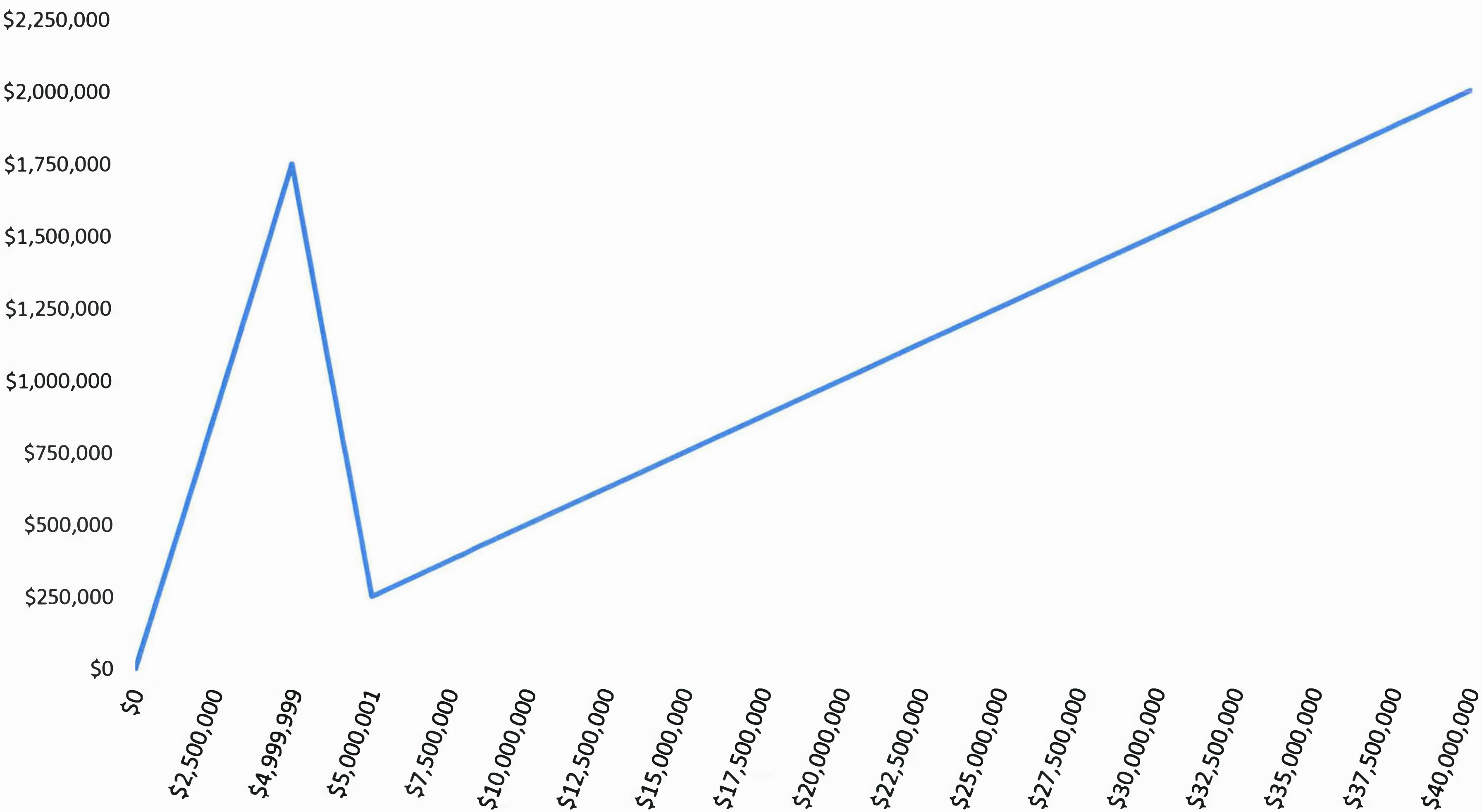
The business community is doing its part to assist in addressing the growth in the community through capital campaigns. Recently, the Chamber did a summary of the capital campaigns in process or anticipated that will be requesting business community donations. The total of all campaigns was well over $100 million dollars. This included everything from private college fundraising to the YMCA; hockey facility; humane society and social service needs such as homeless shelters. In our community, we are quickly reaching a point of donor fatigue.

#11 -10-

Our communities continue to grow and we welcome the new residents, businesses and expanded economy it brings to our state. However, our communities have reached a point that needs are outstripping the ability to meet demand. Specifically, arterial and collector roadways in Bismarck-Mandan are anticipated to cost over $300 million dollars through 2025.

Mr. Chairman and members of the Committee, thank you for the opportunity to address you on this important issue. We ask you to place a do pass on HB 1176.

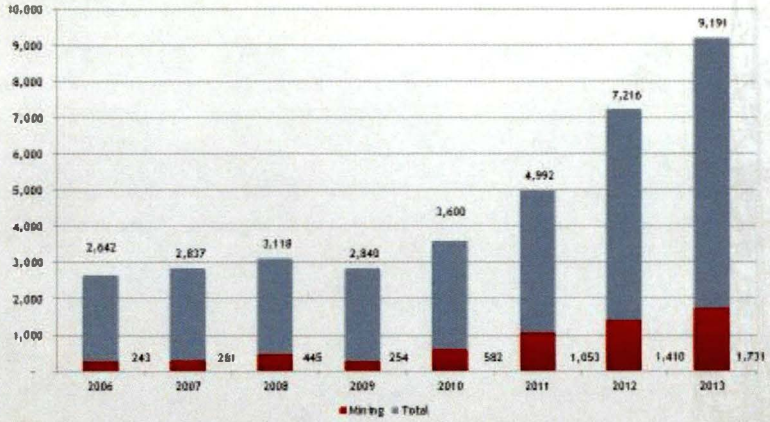
Schools Share of GPT



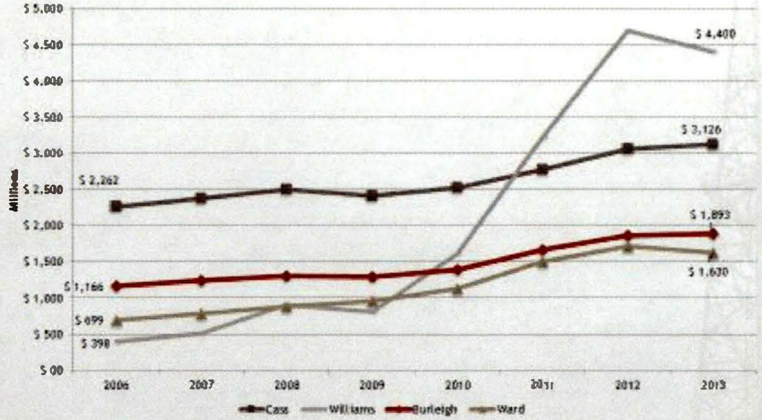
Counties Impacted by the change in formula funding for $5,000,000 or more in GPT revenue:

Billings, Bottineau, Bowman, Burke, Divide, Dunn, McKenzie, Mountrail, Stark, Williams

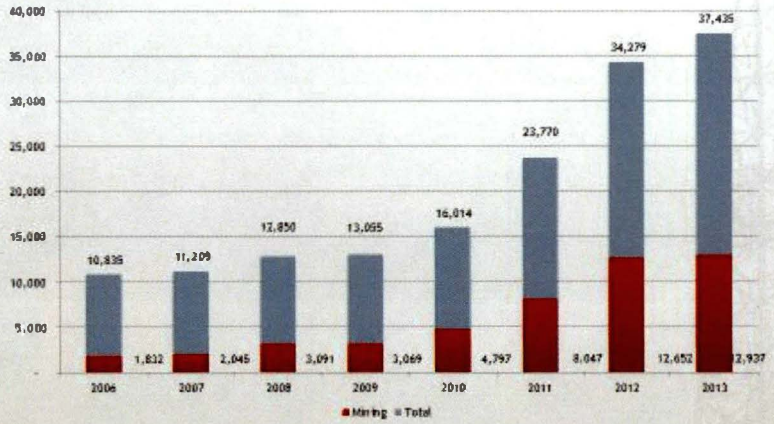
McKenzie County Employment



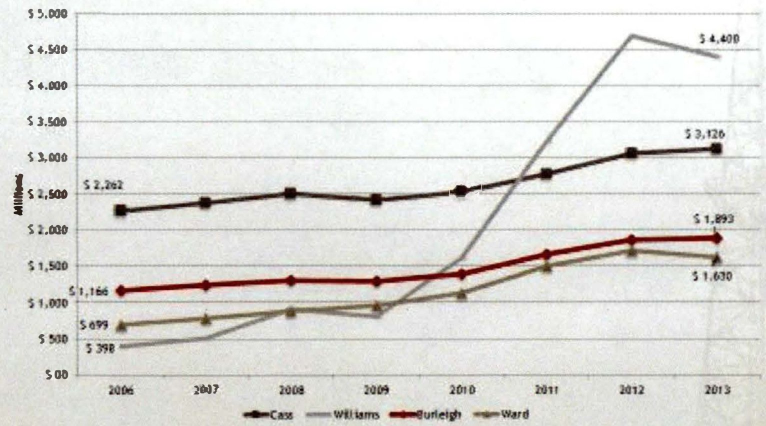
Taxable Sales By County



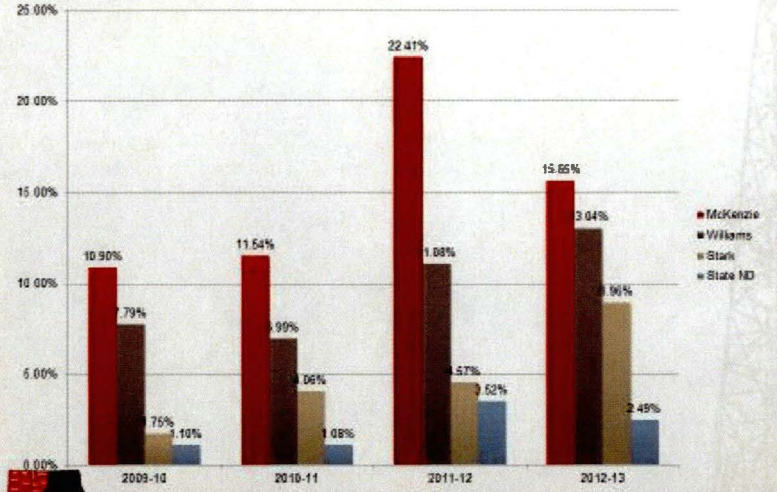
Williams County Employment



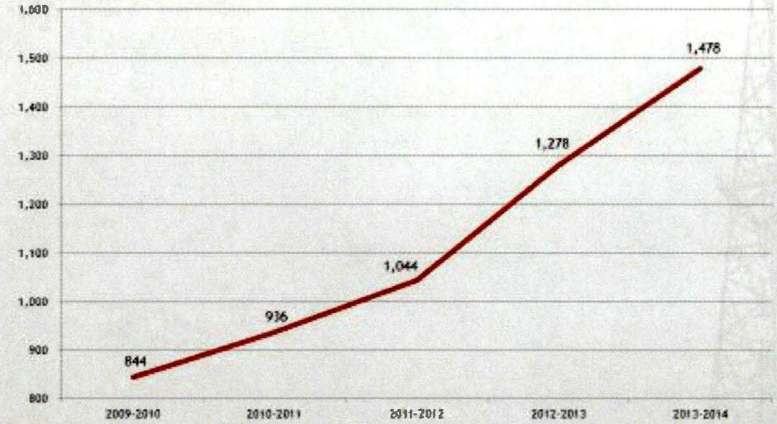
Taxable Sales By County



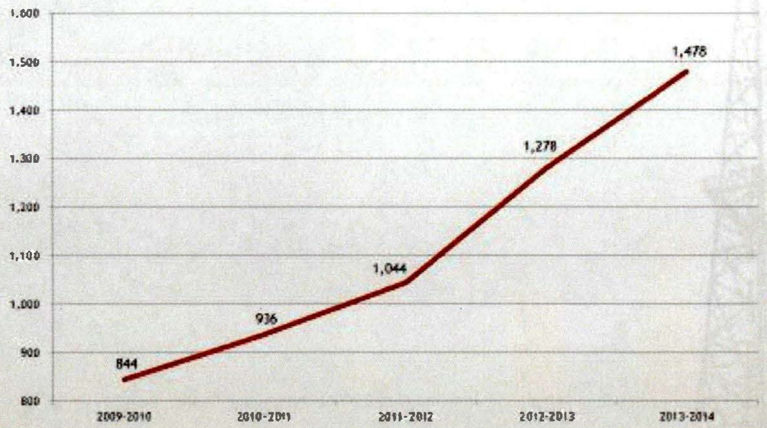
K-12 Enrollment Growth



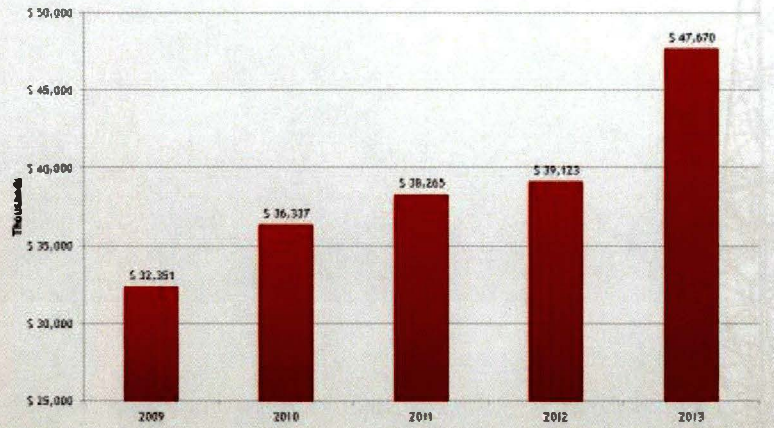
McKenzie K-12 Enrollment Growth



McKenzie K-12 Enrollment Growth



Williams County School Expenditures



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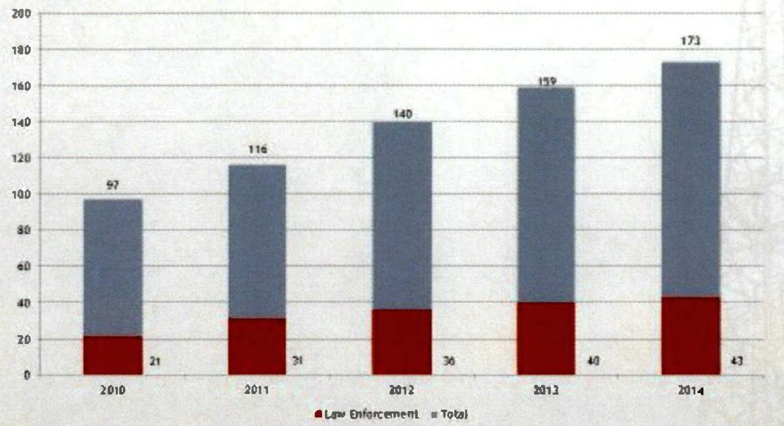
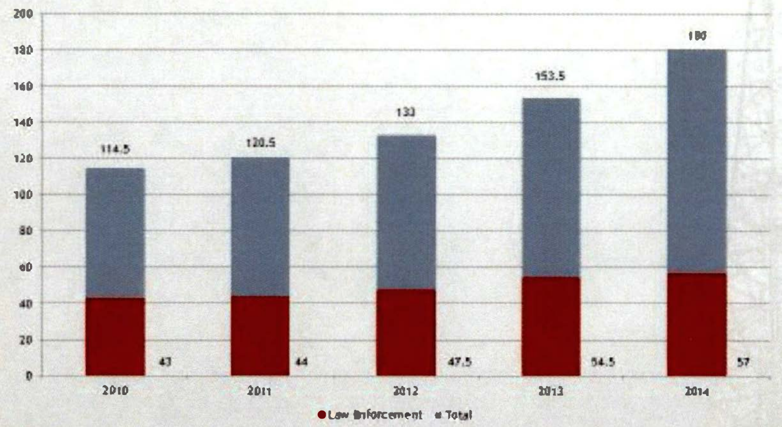
-41-

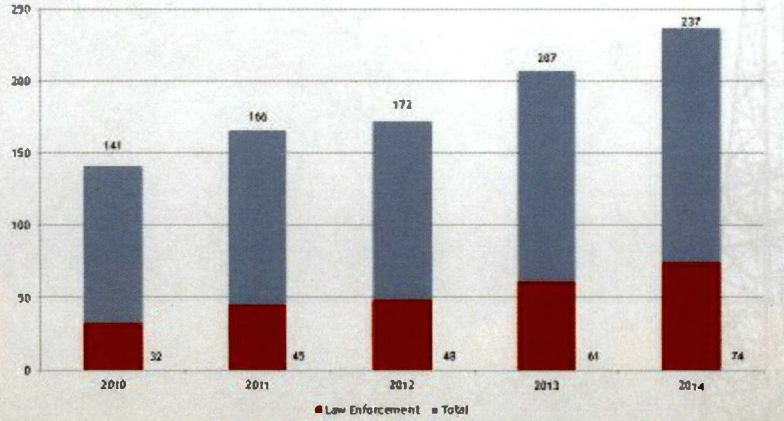
McKenzie County Staffing



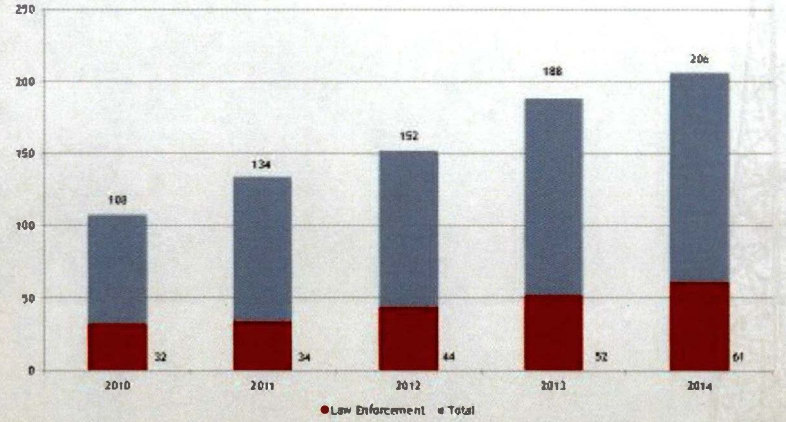
City of Dickinson Staffing



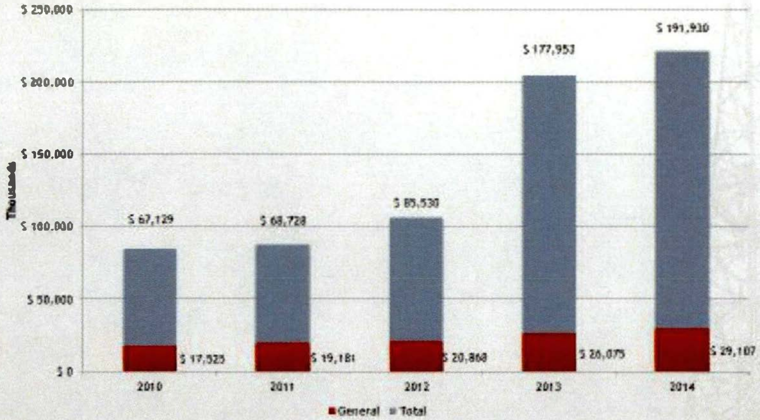
Williams County Staffing



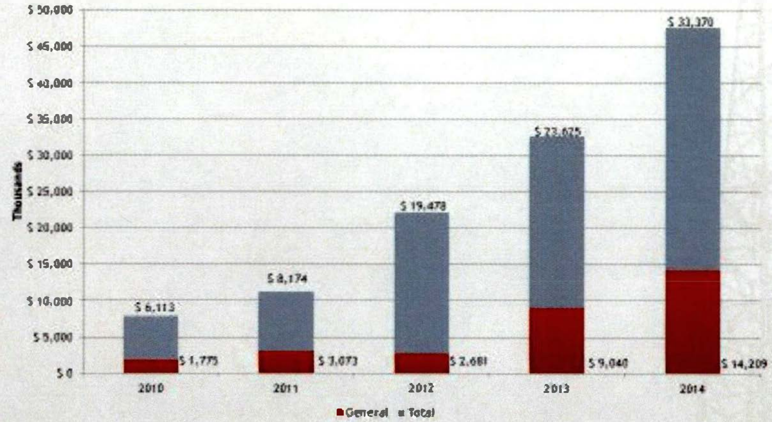
City of Williston Staffing



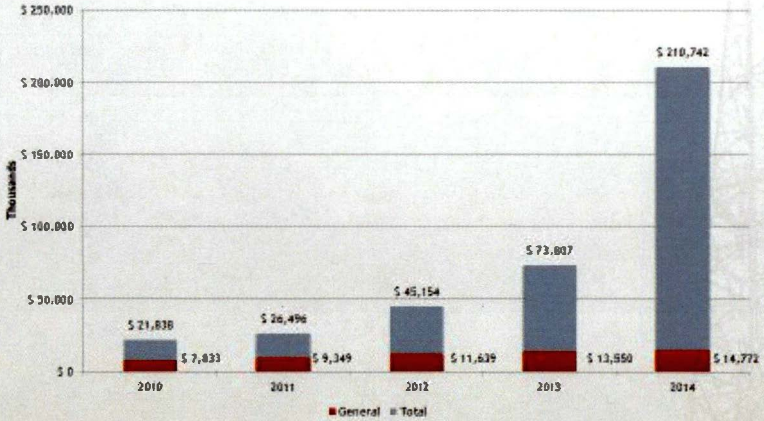
City of Minot Budget Growth



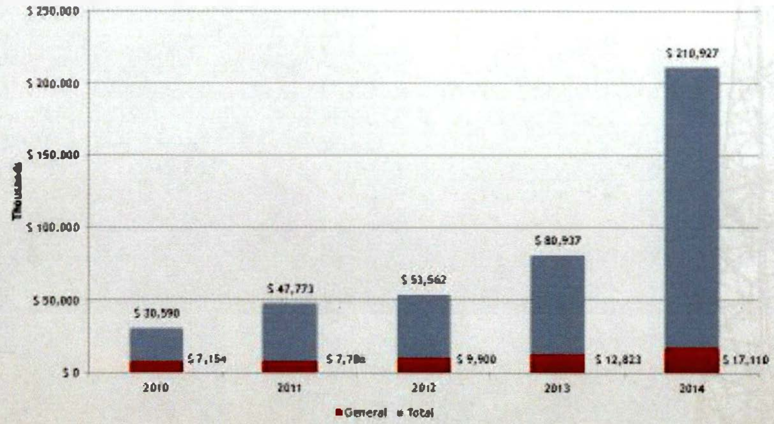
City of Watford City Budget Growth



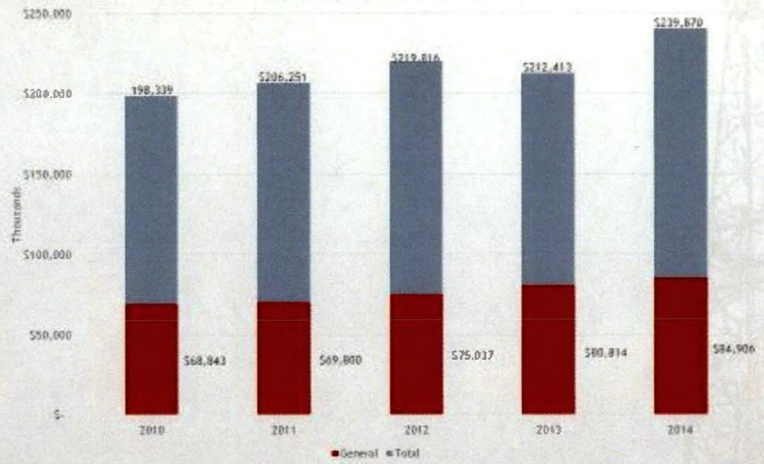
City of Dickinson Budget Growth



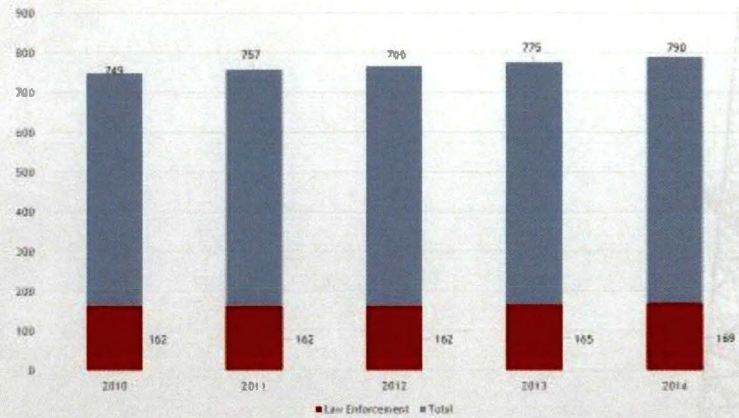
City of Williston Budget Growth



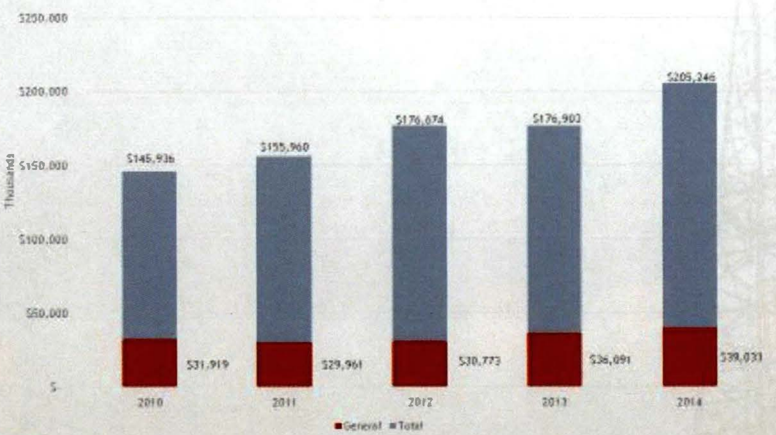
City of Fargo Budget Growth



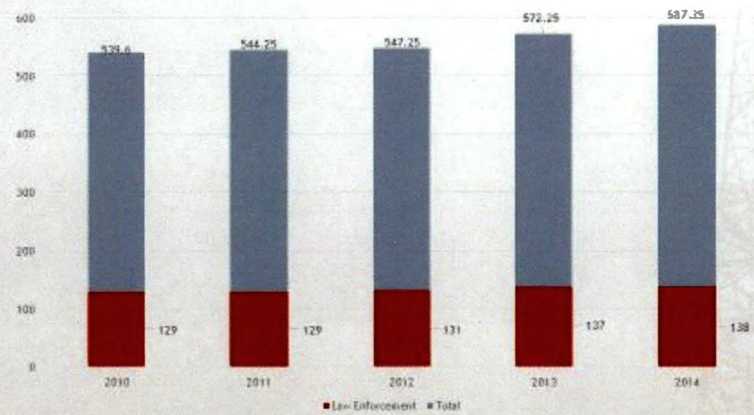
City of Fargo Staffing



City of Bismarck Budget Growth



City of Bismarck Staffing



CITY OF TIOGA

Funding Energy Related Growth

January 28, 2015

The City of TIOGA

OIL CAPITAL OF NORTH DAKOTA

AES2

#11 -17

INTRODUCTION TO THE CITY OF TIOGA

The City of Tioga has played a critical role in the history and continued success of energy development throughout the State. Since the initial discovery of oil to the more recent use of hydraulic fracturing and horizontal wells, the City has served as a center for both businesses and residents involved in growing our state's energy economy. Companies such as Hess, Continental Resources, Neset Consulting, Murex, Braun Trucking, Pinnacle, and others have established significant operations in Tioga that serve the surrounding community and the Bakken as a whole. In total, our town of nearly 3,000 people is home to 121 businesses with an additional 22 out of state businesses with active operations.

For cities such as Tioga, the distribution of oil and gas taxes plays a very important part in making sure we are able to provide key services to ongoing operations as well as ensure that new businesses can thrive and succeed for the overall benefit of the State. The drop in oil prices threatens to reduce the overall support our town can provide the energy sector through GPT revenues at the same time we have seen activity begin to concentrate in the core areas of the Bakken, like near Tioga. As Tioga and other cities throughout the region continue to facilitate growth, the change in formula distributions is integral to the success of these communities' efforts.

LITTLE CITY, BIG ENERGY

- Largest natural gas processing plant in North Dakota for more than 60 years running
- Wide ranging oilfield services based in Tioga serving North Dakota, South Dakota, Montana, and beyond
- Regional homebase to the largest leaseholder in the Bakken

165 total companies doing business in Tioga	**121** businesses based in Tioga
143 ND companies doing business in Tioga	**22** out of state companies doing business in Tioga

GROWTH

- Population has more than doubled since 2010
- Current development plans indicate continued extraordinary growth through 2020 and beyond
- City infrastructure and services will need to keep pace with the increasing demand from centerline miles, utility accounts, and overall populations

	Population	Housing Units	Utility Accounts	Infrastructure Miles
BASELINE NUMBERS >	3,000	641	840	30.00
2020 PROJECTIONS >	6,600	2,434	1,650	44.53

ANNING FOR GROWTH

- City commissioned a 6-year study to identify what investments are needed to keep pace with growth
- These investments are designed to allow the City to grow responsibly well into the future

$130.6 million in City-wide investment includes streets, water, wastewater, stormwater

	2015	2016	2017	2018	2019	2020	TOTAL
Transportation	$5.9 M	$3.4 M	$5.7 M	$7.4 M	$4.7 M	$1.2 M	$28.4 M
Water	$3.1 M	$4.7 M	$2.2 M	$1.7 M	$2.3 M	$1.0 M	$15.0 M
Wastewater	$1.6 M	$2.1 M	$2.7 M	$3.7 M	$3.7 M	$1.8 M	$15.6 M
Wastewater Treatment	$6.0 M	$4.3 M	$0	$0	$0	$0	$10.3 M
Stormwater	$2.1 M	$2.2 M	$4.8 M	$4.3 M	$3.8 M	$0	$17.1 M
General City*	$3.5 M	$12.4 M	$13.7 M	$7.2 M	$7.4 M	$0	$44.2 M
Total	$22.2 M	$29.1 M	$29.1 M	$24.3 M	$21.9 M	$4.0 M	$130.6 M

- Similarly, City operations will need to grow to keep pace
- Estimates indicate City staff will more than double from 23 in 2014 to 47 by 2020
- Increased operations will exceed $2 million annually by 2020

	2015	2016	2017	2018	2019	2020
Police	14	17	20	21	22	23
Public Works Staff	9	10	10	10	12	12
General City Staff	8	9	10	11	11	12
Total Staff (FTE)	31	36	40	42	45	47

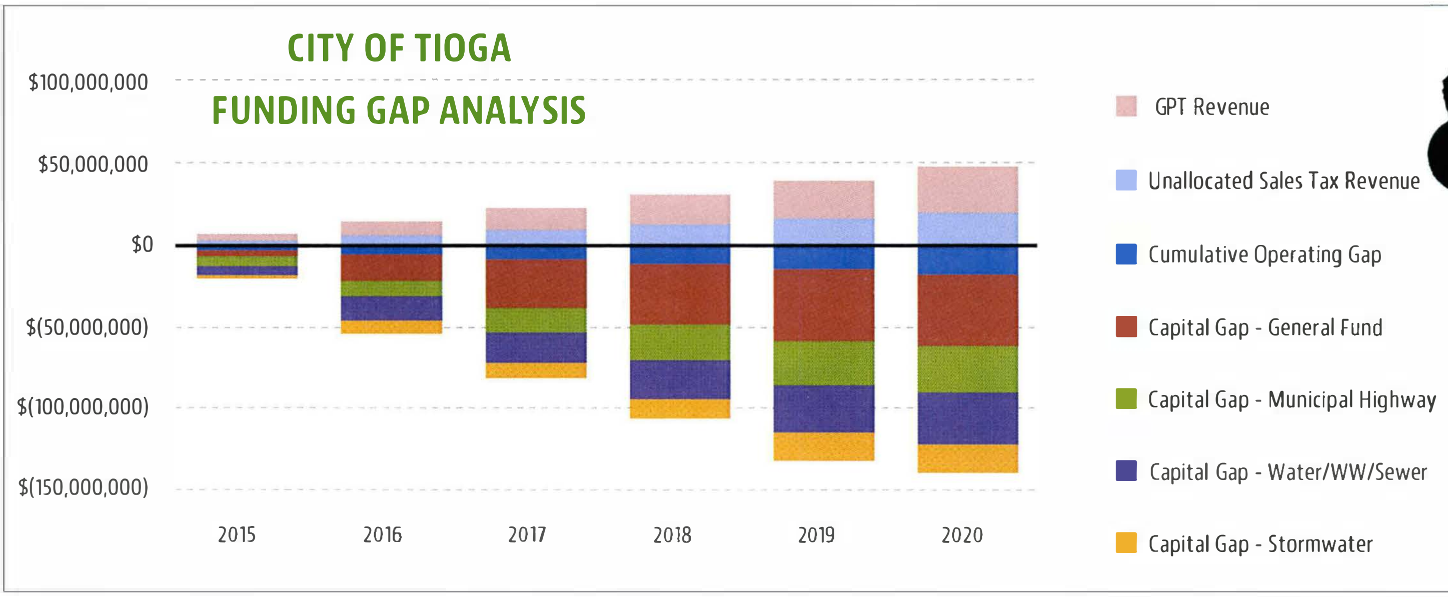
	2015	2016	2017	2018	2019	2020
Public Works Fleet	20	24	24	24	25	25
Police Fleet**	13	16	19	20	21	22
Total Fleet	33	40	43	44	46	47

- Multiple revenue streams are available to the City, but Oil and Gas Gross Production Tax distributions is the most significant
- Current formula results in $27 million in distributions, a small fraction of the $140 million total need

In total, growth related expenditures are estimated to exceed $140 million over six years

JANUARY (25/75)	$4,132,464	$4,309,287	$4,691,070	$4,774,571	$4,774,571	$4,774,571	**$27.4 M**

Operating Gap	+	Capital Gap	-	Unallocated Revenue	=	Net Gap
$17.8 M		**$121.7 M**		**$47.2 M**		**$92.3 M**



- Additional funding is needed to address the $92 million gap
- Changing the existing distribution formula to 60 percent local, 40 percent State is an integral first step to addressing the City's challenges

Changing to a 60/40 GPT distribution formula will return an addition $34 M in revenue, reducing the net gap to $58.3 M

JANUARY (60/40)	$9,179,807	$9,604,184	$10,520,463	$10,720,866	$10,720,866	$10,720,866	**$61.5 M**

Williams
COUNTY

Testimony to the
House Appropriations Committee
January 29, 2015
By the Williams County Board of County Commissioners

RE: House Bill No. 1176 – Formula Change

Mr. Chairman and committee members, the Williams County Board of County Commissioners is firmly in support of House Bill 1176. The County Commissioners and constituents are strong advocates for establishing an equitable funding source for Western North Dakota. The direct relationship between the oil industry and the impacts it has on local communities will be appropriately represented through the formula change.

We express thanks for providing Williams County with much needed funding in past sessions. We have carefully and thoughtfully spent every dollar. Results of this funding include road improvements, an in progress County Highway building, and similar infrastructure projects. We are making progress with the funds we have been given. However, there remains a need for reliable source funding commensurate with our growth.

As shown by a recently passed 1% Public Safety Sales Tax, the people of Williams County have stepped up to provide funding and solutions for the unmet needs in our communities. The growth of this area has occurred at a far faster rate than our tax payers and budgets can manage. We do need the help of the state to keep pace with the great change that is happening here.

The ability to catch up and then plan for the future is crucial right now. We support a change to the distribution of the Gross Production Tax because it is the most equitable way to provide funding for oil impacted counties. The correlation of the industry and impact is undeniable and the formula change will solve the needs this relationship creates. The self-adjusting nature of the formula will provide an automatic control on funding in both times of fast and slow growth.

The proposals in HB 1176 will provide assurance for local governments like Williams County to plan for the future. The assurance that commensurate funds will return to the county is a planning tool on its own and will allow for actions to be taken confidently and thoughtfully. Local governments agree that the flexibility from the Gross Production Tax puts the funds in the hands of those who best know the needs of the people and the solutions for fixing them.

Investing now will keep the economic engine running that's powering our great state. Together we have the opportunity to create infrastructure that will provide for communities long in the future. With maintenance and funding, the growth of the West will continue to be an asset to the entire state of North Dakota.

BOARD OF COMMISSIONERS
First District – Martin Hanson | Second District - Dan Kalil | Third District – Wayne Aberle
Fourth District - David Montgomery | Fifth District – Barry Ramberg
PO Box 2047 | 205 E. Broadway | Williston, ND 58802-2047 | Phone 701.577.4500 | Fax 701.577.4510 | www.williamsnd.com

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HB 1176 | Hearing Date

House Appropriations Committee | January 29, 2015

Honorable Representative Jeff Delzer, Chairman

Chairman Delzer and Committee,

Thank you Chairman Delzer and Committee members. I am Melissa Koch, Economic Development Director for the City of Tioga. I offer this written testimony in support of HB 1176, an appropriation bill to modify the Oil and Gas Gross Production Tax Distribution Formula to address unmet infrastructure needs throughout energy impacted communities in North Dakota.

The City of Tioga, the original oil town, is known as the small town with the large energy footprint. The City has played a critical role in the history and continued success of energy development throughout the State. Since the initial discovery of oil to the more recent use of hydraulic fracturing and horizontal wells, the City has served as a center for both businesses and residents involved in growing our state's energy economy. Companies such as Hess, Continental Resources, Neset Consulting, Murex, Braun Trucking, Pinnacle, and others have established significant operations in Tioga that serve the surrounding community and the Bakken as a whole. As a result of this development, our small town has developed a highly specialized footprint serving the oil and gas industry throughout the entire Bakken region.

In 2010, the City registered a population of 1,230 people. As energy development grew, becoming a larger portion of the State's economy, so did Tioga. Current estimates indicate the population within the City limits has nearly doubled to around 2,400 people with an additional 1,000 people directly adjacent to City limits, relying on City services. This growth has come as some of the larger players in the energy industry base their operations in our City. In total, Tioga has 165 businesses operating within the City, including 121 based within City limits, 22 from around North Dakota, and 22 from outside North Dakota.

As a specialized energy City, we are projecting this growth to continue despite the recent drop in oil prices. In fact, the recent drop in oil prices seems to be having a reverse effect on communities such as Tioga. Energy development companies are refocusing efforts within the core of the Bakken region, making increased use of established operational bases like those located within the City. Currently, the City is planning for growth through 2020 to increase population and corresponding demand on services to nearly 6,500 people. This growth represents a nearly 500 percent increase from the 2010 Census population.

Tioga has been fortunate to this point that much of the growth to date has benefitted from our existing capital infrastructure and not placed undue strain on city services. However, as this growth continues, future expansions will require new infrastructure to adequately serve developing areas. This infrastructure includes new roads, expanded water distribution networks, increased wastewater collection systems, and stormwater controls. Current projections indicate that developments on the books and projected in the near term may add up to 50 percent to our centerline street miles with

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corresponding increases in water and sewer lines. In addition, city facilities that house our staff and equipment will need to be upgraded to meet the growing demand. Our police force is expected to more than double in size to 23 full time officers and simply does not fit in a space designed to accommodate five.

In order to adequately address these growing needs, our City Commission undertook a study to identify not only the capital investments needed over the next three biennia, but the operational demands that this growth would place on the City. This study identified over $130 million in capital investments and additional $10 million in operational costs directly attributable to serving energy related growth. In total, we are expecting to more than double our full time staff count from 23 in 2014 to nearly 47 by 2020 based on the projected population growth and corresponding demand on services.

While the City has a number of revenue streams funding City operations and capital projects, the investment needed to keep up with energy related growth is beyond the means of the City alone. As a result, Oil and Gas Gross Production Tax (GPT) distributions have become critical to ensuring that the City is able to both meet existing demands and invest in the future. However, the existing distribution formula simply does not do enough to return revenues in support of the energy activity generating those revenues. Under the current distribution formula, using January's price projections, the City is projecting $27 million in GPT distributions over 6 years leaving a net infrastructure and operational funding gap of more than $92 million. That is simply a hurdle too high for the City alone. With your help, a change in the distribution formula to the 60 percent 40 percent split can generate an additional $34 million over six years in GPT to the City reducing the overall gap to $58 million in total. With this additional funding, the City will be on a better footing to tackle our challenges head-on.

On behalf of the City of Tioga, our City Commission, and our Citizens, I appreciate the opportunity to submit this testimony in support of HB 1176. Thank you for your consideration and I ask you to support a Do Pass recommendation for this change in GPT Formula critical to all of North Dakota. Please, do not hesitate to contact me with any further questions.

Melissa Koch

Economic Development Director, City of Tioga

House Approps.
HB 1176
Testimony -
Handout #12
1/29/15

Divide County School District

P.O. Box G - Crosby, North Dakota 58730-0662
701-965-6313 - FAX 701-965-6004

January 29, 2015

Testimony in Support of HB 1176 Regarding Oil & Gas Gross Production Tax Allocations

Mr. Chairman and members of the House Appropriations Committee:

Thank you for the opportunity to provide testimony in support of HB 1176. This bill is of particular importance to the Divide County School District due to the shortfall in oil and gas revenue during the 2013-14 school term and the current school term (2014-15). For the 2012-13 school budget year, Divide County School District received $1.328 million of oil and gas revenue. The 2013 legislative session revised the formula for allocation of oil and gas revenues to school districts which drastically affected Divide County Schools. As a result of that allocation revision, Divide County School District only received $698,000 in oil and gas revenue for the 2013-14 budget year, which is a loss of $630,000 in revenue, and without any forewarning. In addition to this revenue loss, the district lost $298,000 in state aid due to the state aid formula reduction of oil and gas revenue from the previous year, by 75%. Combined, the school district lost $928,000 in revenue, which had to be absorbed by operating cutbacks and fund balance reserves. In a school district with a $5 million annual budget, nearly a million dollar loss in revenue is nearly 20% of the district's total revenue. This scenario is not judged by the general public as prudent fiscal management.

For the current school budget year (2014-15), the district projects oil and gas revenue to be approximately $728,000, which is again $600,000 less than the district received in 2012-13. Once again, the district is adversely affected by the state aid formula due to the statewide equalizing minimum local tax effort of 60 mills, which is automatically calculated as collectable revenue from local tax payers. However, state statute does not allow the tax request from taxpayers to exceed the previous year's tax request by more than 12%, so the district realizes another loss of local revenue of $150,000, because it cannot collect the full 60 mills which the state aid formula assigns to the district in the state aid formula. Once again the district must absorb this combined loss of $750,000 through budget cutbacks and fund balance reserves.

It is worthy to note that Divide County School District has grown in total student population by 63% - from 226 to 369 in the past 4 years. The district increased the elementary school from one section grades to two section grades during this time period and had to increase their staff by 12 FTEs. In a short period of 2 school fiscal years, the Divide County School District has lost nearly $2 million in revenue due to the 2013 legislative action to revise the allocation formula of oil and gas revenue to school districts. During that time period the districts fund balance was reduced from 38% to a projected fund balance of 14% for June 30, 2015. It is quite obvious how quickly school district fund balances can be depleted without sufficient advance notice for school boards and administrators to prepare for fiscal accountability. My next comment might be more appropriate for another committee hearing, but I find pertinent in lieu of my explanation above to urge legislators' understanding that school district fund balances should allow for at least 3 months' operating expenses, which calculates to no less than 25%.

Thank you for your time in reviewing this testimony in support of HB 1176. Our district urges your affirmative vote on this bill.

Sincerely,

Dr. Sherlock Hirning

Dr. Sherlock Hirning, Supt.

House Approps
HB 1176
Testimony - Handout #13
1/29/15

House Appropriations Committee; Chairman Delzer
HB 1176
January 29th, 2015

For the record, my name is Dr. Steven Holen. I am the superintendent of schools for the McKenzie County Public School District #1 in Watford City; as well as the current president of the North Dakota Association of Oil and Gas Producing Counties. I am providing this testimony in strong support for HB 1176.

I have been involved with the NDAOPGC for several years as a member of the executive committee and now serving as the current president. During that timeframe, I have seen the oil and gas industry in North Dakota explode and the gross production tax formula change and adjust to the impacts and needs of the areas supporting the oil industry. The in lieu of property tax nature of the gross production tax is to serve as the local property tax leverage required to fund necessary infrastructure and address impacts created by the multi-billion dollar industry that uses our local services and workforce. The GPT formula is required to allow local political subdivisions to plan and leverage debt with its local tax base supported by the GPT allocation. The local subdivisions need the consistency of this revenue for debt service and to allow the bond market to account for this revenue as a long-term revenue source. As the infrastructure needs exploded over the last two biennium, the formula has failed to provide an equate level of funding back to the areas supporting the oil industry and providing tax revenue back to the state. During the last biennium; the percentage of revenue coming back to areas like McKenzie County has dropped to approximately 8%. This is not satisfactory nor does it allow the local subdivisions to address their needs with limited debt capacities and tax bases that do not reflect the level of activity generated by the oil and gas industry.

HB 1176 is the culmination of months of work performed by local leaders, legislators, and government officials in researching the needs of western ND and providing the capacity to fund and address long term financing of infrastructure needs. The collaboration involved in addressing the needs was tremendous and is summarized in this legislation with HB 1176. The level of funding provided in this bill was designed to bring back one of every four dollars of total taxes paid by the oil industry to the local level. That level of funding back to the areas bearing the burden and supporting the industry is realistic and practical in its application. HB 1176 also looks to address the issues related to the sunset clause that was included in HB 1358 of the 2013 session and the impact found with that clause when the local subdivisions attempted to sell bonds on the bond market. If local subdivisions are going to continue and leverage debt capacity for local infrastructure; it is vital they have the able to show lenders the capacity to service the debt over a sustained period of time. The use of sunset clauses reduces the ability of these subdivisions to leverage the required GPT revenue for debt service. HB 1176 brings the level of funding up to adequate levels and provides language to support long term debt service regarding the millions of infrastructure needs in the high impact areas.

The benefit of a system based on a percentage is it naturally adjusts with the levels of production and corresponding impacts to those areas. The protection for the state during this environment of lower oil prices is the level of funding provided in the formula is reduced in correlation to lower production levels. The formula provides a certain level of security to both the local subdivisions and the state as it will adjust with oil prices and production levels in the future.

School districts have been part of the GPT formula since its inception. School districts are a major influence on local property tax obligations for taxpayers and the GPT in lieu of tax revenue plays a major factor for school district tax bases and the lost tax revenue created by the nature of the GPT formula. School districts and their involvement in the GPT formula have fluctuated over past sessions, but an error in HB 1358 created a huge inequity in the formula. School districts in counties with more than $5 million in oil production receive 5% of the funding while school districts below $5 million receive 35%. Therefore, there is a great advantage in funding to receive slightly less than $5 million than above $5 million. HB 1176 fixes this issue by re-inserting the $1.75 million for the first $5 million, which was removed from last session's HB 1358 in conference committee.

HB 1176 also addresses a great need and inequity present regarding school district funding and the capacity to service debt for major infrastructure projects. HB 1176 allows school districts to use GPT revenue for the servicing of debt for school construction projects that meet the criteria listed in the bill. Under the current school funding structure; school construction supported by bond referendums is not equalized or part of the school equity formula. Since the GPT revenue is designed to represent a local tax base, the current structure penalizes schools for receiving this revenue to support the serving of debt for school construction by subtracting 75% of the revenue from the foundation aid program. In short, this means the oil companies tax support through the GPT formula does not reduce the local taxpayer burden at any substantial level for school construction projects. This capacity does NOT affect the school funding formula and equity, as it IS a local property tax issue that reflects individual tax bases for individual school districts. The support of this concept protects the local taxpayer from excessive obligations for school construction projects that are needed due to the workforce requirements of the oil industry.

It is time to fully endorse the required level of funding to maintain and support the industry that provides benefits to every citizen of North Dakota. The passage of HB 1176 along with SB 2103 "surge bill" will provide the lifelines needed to maintain the quality of life in western ND and provide the infrastructure needed for the lives that are directly affected by the oil and gas industry. I ask for your full support of HB 1176 in its current form for its impact on all political subdivision in western ND; and in particular, the important changes to address errors and local needs regarding the involvement of schools in the gross production tax formula.

HB 1176
2/23/15 Handout # 1

15.0329.04001
Title.

Prepared by the Legislative Council staff for
Representative Delzer
February 21, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1176

Page 1, line 1, remove "15.1-27-04.1,"

Page 1, line 1, remove the second comma

Page 1, line 2, remove "mineral revenue received by school districts and"

Page 1, line 3, after the second semicolon insert "to provide exemptions; to provide for reports to the budget section;"

Page 1, remove lines 6 through 23

Page 2, remove lines 1 through 31

Page 3, remove lines 1 through 31

Page 4, remove lines 1 through 29

Page 5, remove lines 1 through 12

Page 5, line 25, overstrike "one" and insert immediately thereafter "seven and one-half"

Page 8, line 2, remove the overstrike over "~~three hundred seventy-five~~"

Page 8, line 2, remove "five hundred"

Page 8, line 7, remove the overstrike over "~~twenty-five~~"

Page 8, line 7, remove "fifty"

Page 8, line 11, after "Allocate" insert "to each county that received more than five million dollars but less than thirty million dollars of total allocations under subsection 2 in state fiscal year 2014"

Page 8, line 11, replace "seven" with "five"

Page 8, line 12, remove "fifty"

Page 8, line 13, remove "for each"

Page 8, remove line 14

Page 8, line 15, remove "in the most recently completed state fiscal year"

Page 8, line 18, overstrike "four" and insert immediately thereafter "eight"

Page 8, line 19, overstrike "fifteen" and insert immediately thereafter "twenty"

Page 8, line 20, overstrike "thirty" and insert immediately thereafter "forty"

Page 9, line 1, replace "sixty" with "thirty"

Page 9, line 12, overstrike "the most recently completed"

Page 9, line 12, after "year" insert "2014"

Page 10, line 8, overstrike "the most recently completed"

Page 10, line 8, after "year" insert "2014"

Page 10, line 10, overstrike "Sixty" and insert immediately thereafter "Sixty-four"

Page 11, line 1, overstrike "Three" and insert immediately thereafter "Two"

Page 11, line 11, overstrike "Three" and insert immediately thereafter "Two"

Page 11, line 21, overstrike "Nine" and insert immediately thereafter "Seven"

Page 18, remove lines 6 through 31

Page 19, replace lines 1 through 31 with:

"**SECTION 4. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION.** There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $112,000,000, or so much of the sum as may be necessary, to the department of transportation for the purpose of distributions to non-oil-producing counties, for the biennium beginning July 1, 2015, and ending June 30, 2017. The distributions must be based on county major collector roadway miles as defined by the department of transportation. The distribution to each non-oil-producing county must be proportional to each non-oil-producing county's total county major collector roadway miles relative to the combined total of county major collector roadway miles of all the eligible non-oil-producing counties under this section. For purposes of this section, "non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than $5,000,000 for the period beginning September 1, 2013, and ending August 31, 2014. The amounts available under this section must be distributed on or after February 1, 2016.

1. a. Each county requesting funding under this section for county road and bridge projects shall submit the request in accordance with criteria developed by the department of transportation. The request must include a proposed plan for funding projects that rehabilitate or reconstruct paved and unpaved roads and bridges within the county which are needed to support economic activity in the state. The plan must meet the following criteria:

(1) Roadways and bridges must provide continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders.

(2) Projects must be consistent with the upper great plains transportation institute's estimated road and bridge investment needs for the years 2015 to 2034 and other planning studies.

(3) Upon completion of a major roadway construction or reconstruction project, the roadway segment must be posted at a legal load limit of 105,500 pounds [47853.995 kilograms].

(4) Design speed on the roadway must be at least 55 miles per hour [88.51 kilometers per hour], unless the department of transportation provides an exemption.

(5) Projects must comply with the American association of state highway transportation officials pavement design procedures

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2/23/15 #1

and standards developed by the department of transportation in conjunction with the local jurisdiction.

(6) Bridges must be designed to meet an HL 93 loading.

b. The department of transportation, in consultation with the county, may approve the plan or approve the plan with amendments. Upon approval of the plan, the department of transportation shall transfer to the county the approved funding for engineering and plan development costs. Upon execution of a construction contract by the county, the department of transportation shall transfer to the county the approved funding for county and township rehabilitation and reconstruction projects. Counties shall report to the department of transportation upon awarding of each contract and upon completion of each project in a manner prescribed by the department.

c. Funding provided under this section may be used for construction, engineering, and plan development costs, but may not be used for routine maintenance. Funding provided under this section may be applied to engineering, design, and construction costs incurred on related projects as of January 1, 2016. Section 54-44.1-11 does not apply to funding under this section. Any funds not spent by June 30, 2017, must be continued into the biennium beginning July 1, 2017, and ending June 30, 2019, and may be expended only for the purposes authorized by this section. The funding provided in this section is considered a one-time funding item.

2. The department of transportation shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding, including the amounts distributed to each county, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium."

Page 20, line 1, after "**FUND**" insert "**- GRANT RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION**"

Page 20, line 3, replace "$139,000,000" with "$139,626,588"

Page 20, line 6, after the period insert "The commissioner of the board of university and school lands shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided in this section, including the amounts awarded to taxing districts, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium. During the biennium beginning July 1, 2015, and ending June 30, 2017, the energy infrastructure and impact office director shall include in recommendations to the board of university and school lands on grants to eligible entities in oil and gas development impact areas:

1. $10,000,000, or so much of the sum as may be necessary, for grants to airports impacted by oil and gas development. The director of the energy infrastructure and impact office shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection, which must include cost-share requirements. Cost-share requirements must consider the availability of local funds to support the project. Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding.

2. $10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A hub city is a city that received an allocation under subdivision a of subsection 1 of section 57-51-15 in state fiscal year 2014. A hub city is eligible to receive grants from the oil and gas impact grant fund only to the extent provided for under this subsection. Of the funding provided in this subsection, a hub city may receive no more than $4,000,000.

3. $20,000,000, or so much of the sum as may be necessary, for grants to school districts impacted by oil and gas development. Grant funds may be used only for purposes relating to renovation and improvement projects. A school district is eligible to receive grants from the oil and gas impact grant fund only to the extent that the amount awarded does not bring the total amount of grants awarded from the oil and gas impact grant fund to the school district for the period beginning July 1, 2011, and ending June 30, 2017, to more than $10,000,000.

4. $500,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,084, but fewer than 1,097 according to the last official decennial federal census.

5. $200,000 or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 445, but fewer than 475 according to the last official decennial federal census.

6. $100,000 or so much of the sum as may be necessary, to each eligible city. For purposes of the this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,019, but fewer than 1,070 according to the last official decennial federal census."

Page 20, line 7, replace "2" with "1"

Page 20, line 7, replace "3" with "2"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

The schedule below compares 2015 House Bill No. 1176 as introduced [15.0329.04000] to the proposed House changes [15.0329.04001].

House Bill No. 1176	
As Introduced [15.0329.04000]	**Proposed House Changes [15.0329.04001]**
School construction loan payments • Excludes up to 80 percent of the 75 percent of a school district's oil and gas gross production tax distributions that are utilized in the calculation of state school aid payments if the distribution is used to pay eligible school construction loans or bonds.	**School construction loan payments** • No change to current law.
Hub cities and hub city school districts	**Hub cities and hub city school districts**

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2/23/15 #1

- Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.
- Increases the annual amounts allocated to hub cities under North Dakota Century Code Section 57-51-15(1) from $375,000 per percentage point of oil and gas-related employment to $500,000 per percentage point.
- Increases the annual amounts allocated to hub city school districts under Section 57-51-15(1) from $125,000 per percentage point of oil and gas-related employment to $150,000 per percentage point.

Additional school district allocation

- Allocates $1.75 million each fiscal year for each county that received $5 million or more of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.

Oil and gas impact grant fund allocations

- Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.

North Dakota outdoor heritage fund allocations

- No change to current law.

Allocations and distributions to political subdivisions

- Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.
- Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 60 percent of all revenue above $5 million.
- No change to current law.
- No change to current law.

- Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 percent to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.
- No change to current law.
- No change to current law.

Additional school district allocation

- Allocates $1.5 million each fiscal year for each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.

Oil and gas impact grant fund allocations

- Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.

North Dakota outdoor heritage fund allocations

- Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year

Allocations and distributions to political subdivisions

- Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.
- Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.
- Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:

	Current Law	Proposed Changes
County general fund	60%	64%
Cities	20%	20%
Schools	5%	5%
Townships (equal)	3%	2%
Townships (road miles)	3%	2%
Hub cities	3%	7%

Other sections • Provides funding of $120 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles. • Appropriates $139 million ($140 million allocated to the fund less approximately $1 million for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for undesignated oil impact grants.	**Other sections** • Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles. • Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows: $10 million for airports $10 million for hub cities $20 million for school districts $800,000 to certain eligible cities

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Hand out #2

15.0329.04002
Title.

Prepared by the Legislative Council staff for
Representative Onstad
February 23, 2015

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1176

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to oil and gas gross production tax allocations; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

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

57-51-15. ~~(Effective for taxable events occurring through June 30, 2015)~~ Gross production tax allocation.

The gross production tax must be allocated monthly as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:

   a. Allocate to each hub city a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to <u>annual</u> data compiled by job service North Dakota;

   b. Allocate to each hub city school district a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in the mining industry, according to <u>annual</u> data compiled by job service North Dakota;

   c. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding two hundred forty million dollars per biennium;

   d. Credit four percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;

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

   f. Allocate the remaining revenues under subsection 3.

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

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

   b. Of all annual revenue exceeding five million dollars~~, twenty-five percent is allocated to the county~~:

      (1) Fifty percent is allocated to the county; and

      (2) Twenty percent is allocated to the non-oil-producing counties allocation fund for allocation among non-oil-producing counties at the times revenues are distributed to oil-producing counties under this section.

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

4. For ~~a~~an oil-producing county that received an allocation but received less than five million dollars of allocations under subsection 2 in the most recently completed state fiscal year, revenues allocated to that county must be distributed by the state treasurer as follows:

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

   b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the state treasurer no less than quarterly to school districts within the county, excluding consideration of and allocation to any hub city school district in the county, on the average daily attendance distribution basis, as certified to the state treasurer by the county superintendent of schools.

   c. Twenty percent must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. A hub city must be omitted from apportionment under this subdivision. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

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5. For ~~a~~an oil-producing county that received five million dollars or more of allocations under subsection 2 in the most recently completed state fiscal year, revenues allocated to that county must be distributed by the state treasurer as follows:

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

   b. Five percent must be apportioned by the state treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis for kindergarten through grade twelve students residing within the county, as certified to the state treasurer by the county superintendent of schools. However, a hub city school district must be omitted from consideration and apportionment under this subdivision.

   c. Twenty percent must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. A hub city must be omitted from apportionment under this subdivision. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

   d. Three percent must be apportioned no less than quarterly by the state treasurer among the organized and unorganized townships of the county. The state treasurer shall apportion the funds available under this subdivision among townships in the proportion that township road miles in the township bear to the total township road miles in the county. The amount apportioned to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

   e. Three percent must be allocated by the state treasurer among the organized and unorganized townships in all the counties that received five million dollars or more of allocations under subsection 2 in the most recently completed state fiscal year. The amount available under this subdivision must be allocated no less than quarterly by the state treasurer in an equal amount to each eligible organized and unorganized township. The amount allocated to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

   f. Nine percent must be allocated by the state treasurer among hub cities. The amount available for allocation under this subdivision must be apportioned by the state treasurer no less than quarterly among hub cities. Sixty percent of funds available under this subdivision must be distributed to the hub city receiving the greatest percentage of allocations to hub cities under subdivision a of subsection 1 for the quarterly period, thirty percent of funds available under this subdivision must be distributed to the hub city receiving the second greatest percentage of such allocations, and ten percent of funds available under this subdivision must be distributed to the hub city receiving the third greatest percentage of such allocations.

6. For a non-oil-producing county that did not receive any allocations under subsection 2 from oil produced within that county in the most recently completed state fiscal year, revenues allocated to that county from the non-oil-producing counties allocation fund must be distributed by the state treasurer as follows:

   a. The state treasurer shall allocate the amount available for distribution from the non-oil-producing counties allocation fund among non-oil-producing counties in the proportion the population of each non-oil-producing county bears to the total population of all non-oil-producing counties.

   b. The state treasurer shall distribute fifty percent of the amount allocated to each non-oil-producing county to the county treasurer for deposit in the county general fund.

   b. The state treasurer shall distribute fifty percent of the amount allocated to each non-oil-producing county among the cities of the county in the proportion the population of each city bears to the total population of all cities in the county.

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

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

   b. The amount allocated to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.

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

~~**(Effective for taxable events occurring after June 30, 2015) Gross production tax allocation.** The gross production tax must be allocated monthly as follows:~~

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~~1.~~ ~~First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:~~

~~a.~~ ~~Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota;~~

~~b.~~ ~~Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding one hundred million dollars per biennium;~~

~~c.~~ ~~Credit four percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;~~

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

~~e.~~ ~~Allocate the remaining revenues under subsection 3.~~

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

~~a.~~ ~~The first two million dollars is allocated to the county.~~

~~b.~~ ~~Of the next one million dollars, seventy-five percent is allocated to the county.~~

~~c.~~ ~~Of the next one million dollars, fifty percent is allocated to the county.~~

~~d.~~ ~~Of the next fourteen million dollars, twenty-five percent is allocated to the county.~~

~~e.~~ ~~Of all annual revenue exceeding eighteen million dollars, ten percent is allocated to the county.~~

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

~~4.~~ ~~The amount to which each county is entitled under subsection 2 must be allocated within the county so the first five million three hundred fifty thousand dollars is allocated under subsection 5 for each fiscal year and any amount received by a county exceeding five million three hundred fifty thousand dollars is credited by the county treasurer to the county infrastructure fund and allocated under subsection 6.~~

~~5.~~ ~~a.~~ ~~Forty-five percent of all revenues allocated to any county for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b.~~ ~~Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.~~

~~The countywide allocation to school districts under this subdivision is subject to the following:~~

~~(1)~~ ~~The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.~~

~~(2)~~ ~~The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.~~

~~(3)~~ ~~The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.~~

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~~(4) The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.~~

~~(5) Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:~~

~~(a) Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.~~

~~(b) Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.~~

~~(c) Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.~~

~~c. Twenty percent of all revenues allocated to any county for allocation under this subsection must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

~~6. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 4 and 5 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsections 4 and 5 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township~~

~~roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.~~

~~c.~~ ~~Twenty percent of all revenues allocated to any county infrastructure fund under subsections 4 and 5 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

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

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

~~b.~~ ~~The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.~~

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

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2015."

Renumber accordingly

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#3

15.9550.01002

Prepared for Representative Onstad

2015-17 BIENNIUM ESTIMATED OIL AND GAS TAX ALLOCATIONS - PROPOSED CHANGES TO COUNTY ALLOCATIONS

This memorandum compares 2015-17 biennium estimated oil and gas tax allocations based on current law to the estimated allocations based on proposed changes to the county allocations in the political subdivision distribution formula reflecting the January 2015 revised revenue forecast. Under current law, counties receive 100 percent of the first $5 million of certain oil and gas gross production tax revenue formula allocations to each county and 25 percent of any amounts over $5 million. The proposed changes include the following:

- Increases the oil-producing counties' share from 25 percent to 50 percent related to oil and gas tax revenue allocations of $5 million or more; and
- Decreases the state share from 75 percent to 30 percent related to oil and gas tax revenue allocations of $5 million or more; and
- Provides an allocation of 20 percent to non-oil-producing counties related to oil and gas tax revenue allocations of $5 million or more.

2015-17 BIENNIUM ESTIMATED OIL AND GAS TAX ALLOCATIONS

The schedule below compares 2015-17 biennium estimated oil and gas tax allocations based on current law to estimated allocations based on proposed changes to the county allocations in the political subdivision distribution formula.

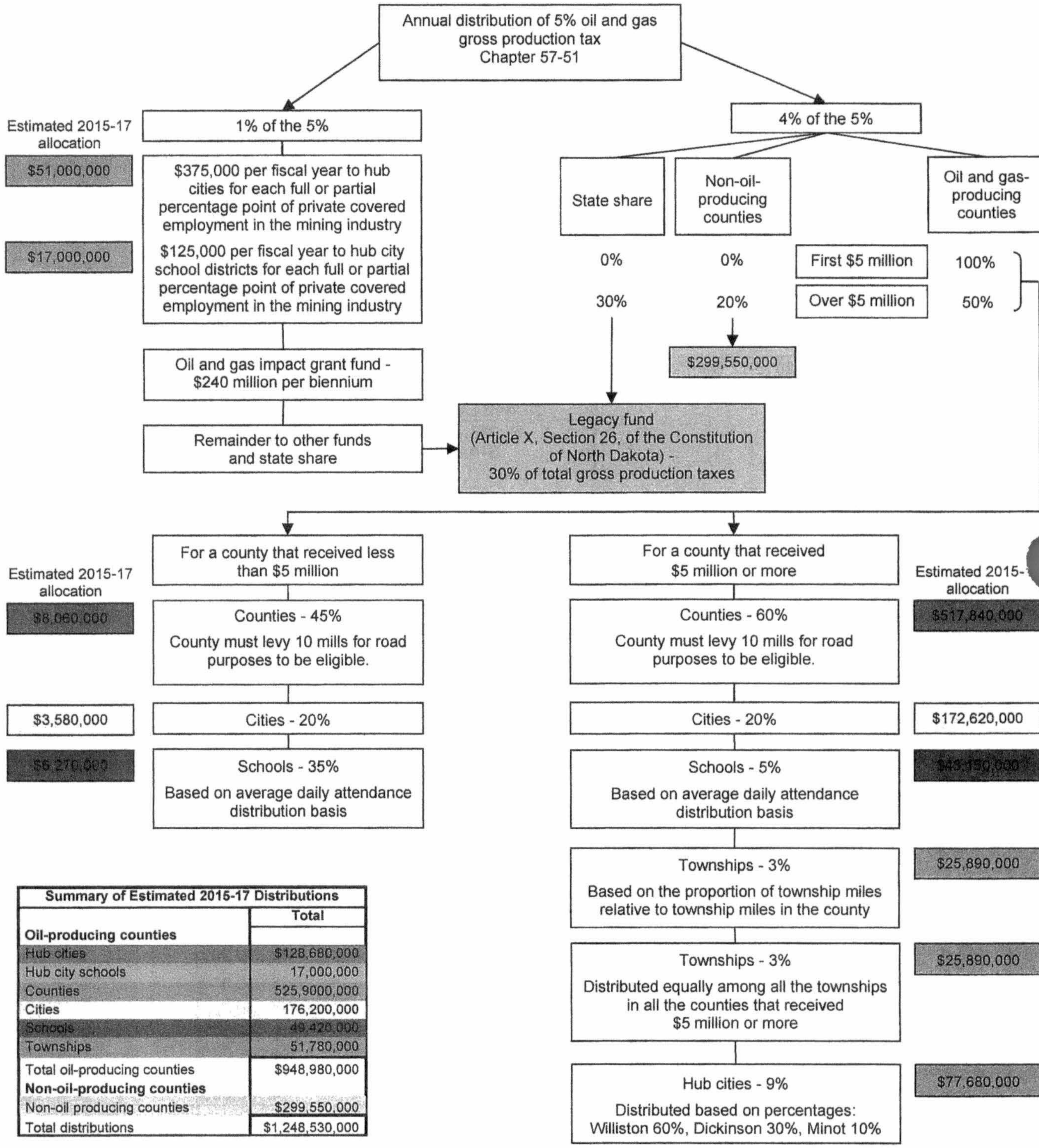
2015-17 Biennium January 2015 Revised Revenue Forecast Estimates	Current Law	Proposed Changes to County Allocations	Increase (Decrease)
Legacy fund	$1,305,400,000	$1,186,240,000	($119,160,000)
Three Affiliated Tribes	314,050,000	314,050,000	0
Non-oil-producing counties	0	299,550,000	299,550,000
Oil and gas research fund	10,000,000	10,000,000	0
Oil and gas impact grant fund	240,000,000	240,000,000	0
Political subdivisions[1]	574,530,000	948,980,000	374,450,000
Abandoned well reclamation fund	10,000,000	10,000,000	0
North Dakota heritage fund	16,720,000	16,720,000	0
Foundation aid stabilization fund	172,760,000	172,760,000	0
Common schools trust fund	172,760,000	172,760,000	0
Resources trust fund	345,520,000	345,520,000	0
General fund	300,000,000	209,770,000	(90,230,000)
Property tax relief fund	341,790,000	341,790,000	0
Strategic investment and improvements fund	442,610,000	0	(442,610,000)
State disaster fund	22,000,000	0	(22,000,000)
Total oil and gas tax revenue allocations	$4,268,140,000	$4,268,140,000	$0

[1]The amounts shown for the allocations to political subdivisions include the following:

	Employment Percentages	Current Law	Proposed Changes to County Allocations	Increase (Decrease)
Hub Cities				
Williston	40%	$56,390,000	$76,610,000	$20,220,000
Dickinson	22%	29,690,000	39,800,000	10,110,000
Minot	6%	8,900,000	12,270,000	3,370,000
Total hub cities	68%	$94,980,000	$128,680,000	$33,700,000
Hub city school districts		17,000,000	17,000,000	0
Counties		301,230,000	525,900,000	224,670,000
Cities (excluding hub cities)		101,300,000	176,200,000	74,900,000
Schools (excluding hub city school districts)		30,700,000	49,420,000	18,720,000
Townships		29,320,000	51,780,000	22,460,000
Total		$574,530,000	$948,980,000	$374,450,000

2015-17 BIENNIUM ESTIMATED DISTRIBUTIONS TO POLITICAL SUBDIVISIONS (REFLECTING PROPOSED CHANGES)

The schedule below provides information on the estimated gross production tax distribution to political subdivisions based on proposed changes to the county allocation in the political subdivision distribution formula. The amounts shown reflect the January 2015 revised revenue forecast.



Summary of Estimated 2015-17 Distributions	
	Total
Oil-producing counties	
Hub cities	$128,680,000
Hub city schools	17,000,000
Counties	525,9000,000
Cities	176,200,000
Schools	49,420,000
Townships	51,780,000
Total oil-producing counties	$948,980,000
Non-oil-producing counties	
Non-oil producing counties	$299,550,000
Total distributions	$1,248,530,000

NOTE: The amounts reflected in these schedules are preliminary estimates. **The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts** based on actual oil price and oil production.

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The schedule below provides information on the 2015-17 estimated gross production tax distributions to non-oil-producing counties based on proposed changes to the county allocation in the political subdivision distribution formula. The amounts shown reflect the January 2015 revised revenue forecast and a proposal that the funds be distributed proportionately according to each county's population to the total population of all non-oil-producing counties.

Non-Oil-Producing County Allocations Based on Proposed Distributions to Political Subdivisions		
Non-Oil-Producing Counties	**2010 Census April 1, 2010**	**Allocation**
Adams	2,343	$1,390,647
Barnes	11,066	6,568,032
Benson	6,660	3,952,928
Burleigh	81,308	48,258,954
Cass	149,778	88,898,134
Cavalier	3,993	2,369,976
Dickey	5,289	3,139,194
Eddy	2,385	1,415,575
Emmons	3,550	2,107,041
Foster	3,343	1,984,180
Grand Forks	66,861	39,684,187
Grant	2,394	1,420,917
Griggs	2,420	1,436,349
Hettinger	2,477	1,470,180
Kidder	2,435	1,445,252
LaMoure	4,139	2,456,632
Logan	1,990	1,181,130
McIntosh	2,809	1,667,233
Morton	27,471	16,304,936
Nelson	3,126	1,855,383
Oliver	1,846	1,095,661
Pembina	7,413	4,399,858
Pierce	4,357	2,586,022
Ramsey	11,451	6,796,543
Ransom	5,457	3,238,908
Richland	16,321	9,687,047
Rolette	13,937	8,272,065
Sargent	3,829	2,272,637
Sheridan	1,321	784,057
Sioux	4,153	2,464,941
Steele	1,975	1,172,227
Stutsman	21,100	12,523,539
Towner	2,246	1,333,074
Traill	8,121	4,820,079
Walsh	11,119	6,599,490
Wells	4,207	2,496,992
Total	504,690	$299,550,000

NOTE: The amounts reflected in these schedules are preliminary estimates. **The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts** based on actual oil price and oil production.

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3-30-15

HB 1176 Testimony Plan

Rep. Kempenich	Intro Bill as Prime Sponsor
Brent Bogar	Intro amendments and review bill
Steve Holen	NDAOGPC
Ron Ness	NDPC
Brent Sanford	Watford City Mayor
Kelly Woessner	Parshall City Auditor
Dennis Johnson	Dickinson Mayor
Lee Staab	Minot City Administrator
	Williston
	NDACo
Ben Schafer	School District Rep
Tim Thorsen	NDAA
Steven Kjergaard	Williston Airport Director
Sue Heidkamp	Home Health
Dan Kelly	Watford City Hospital (critical access)
Blake Crosby	League of Cities

City of WILLISTON
NORTH DAKOTA

P.O. Box 1306
Williston ND 58802-1306
PHONE: 701-577-8100
FAX: 701-577-8880
TDD State Relay: 711

HB 1176

Hearing Date
HB 1176
March 30, 2015 #2

Senate Appropriations Committee

Honorable Senator Ray Holmberg, Chairman

Chairman Holmberg and Committee,

Thank you Chairman Holmberg and Committee members. I am Brad Bekkedahl, Senator from District 1 and Finance Commissioner for the City of Williston. I am honored to provide this testimony in support of amended HB1176, the 5% oil and gas tax gross production tax "Formula Bill".

As the center of the Williston Basin and the Bakken formation, Williston has been privileged to be the hub location for over 500 oil service companies, including all 10 of the world's largest oil industry service giants. Williston also contains the vast majority of drilling contractors, fracking companies, completion tools businesses, and diversified trucking companies, along with the majority of their employee base. With this presence since 1951 and dominance in industry business locations, Williston began to feel the activity increase in 2006 from the first development in eastern Montana and the exploratory efforts beginning in North Dakota. Since this time, our community has been in perpetual catch-up mode in response to the accelerated drilling programs and industry growth. Our citizens invested in major infrastructure improvements to accommodate a population growth of 40% from our 2000 census level, but we surpassed all of that capacity by 2010. We have been the fastest growing micropolitan city in the United States for the last 4 years in a row as recently indicated by the US Census Bureau.

Relative to Williston and our current situation, this bill is critical to our community. As a City, we have always used the State funding provided for infrastructure to support the industrial, commercial, and residential development needs placed upon us by the growth of this industry so critical to North Dakota and the Country. That demand continues and due to our central location and the contraction of the drilling to the most productive and profitable areas around us, along with the dominant industry presence in our community, the current decline in oil prices is not expected to have as large an impact on us as other areas. We remain Ground Zero for Bakken development in North Dakota. Our current project list for 2015 totals $85 million and our 2016 project list is $153 million, for a 2015-2017 biennium total of $238 million. This total does not include our Airport relocation need of $178 million. Further details are available on our Capital Improvements Plan attached.

As a City, we take very seriously the considerations you have to make on these important funding issues. We also take very seriously our responsibility to participate in this phenomenal growth impressed upon us. To illustrate, I would like to discuss our debt situation and our local financial inputs to this growth. In 2011, Williston had total debt of $35 million. As of 2014, that debt had reached $323 million. It is anticipated that with our list of projects deferred due to funding limits and future projects scheduled for this biennium, that the serviceable debt for the

2.1

City of Williston will be $673 million at year end 2017. Relative to operating costs, the City has committed to increasing our property tax assessments 5%/year, local sewer rates by over 20%/year from 2015-2020, and our garbage fees by 7%/year as well. All of this is intended to help reduce our operating deficit that even with State Surge funding and formula change to 60% local/40% state is predicted to be over $200 million by the year 2020. Without the formula change this session, our estimated deficit by 2020 grows to $519 million. But, even this enormous debt level is manageable with our local funding options and oil gross production tax future receipts. While it means committing future revenues to today's needs, we feel fortunate to do so in dealing with our current impacts, lessening the long term risk to our residents as we grow the industry with the State. We also have the highest local Sales tax rate in the State at 3% to support this growth. Our first penny of local tax is for infrastructure, and is fully committed until its current expiration date of June 30, 2020 to payments for our 2013-2015 capital improvements bond issue of $100 million. We also have a second penny that our local citizens approved as a quality of life improvement tax to build our Park District Recreation Center. This world class facility has never had any State funding or Oil tax proceeds in its construction or financing. Our third penny of local sales tax was just approved by a County wide vote that dedicates 50% of its funding to County and small city Public Safety issues, and 50% of that tax to the City of Williston for Police, Fire, and Emergency Services funding. As a City we are currently in the process of staffing a full time Fire department, and constructing and equipping three new fire substations in our growth areas, as well as continuing to grow our police force and ambulance service personnel. I can assure you that we have used all of our resources, including bonding that requires using future revenues to pay back new debt for current infrastructure improvements, to respond to the needs placed upon us.

On behalf of the Williston City Commission and our Citizens, I appreciate the opportunity to speak in support of HB 1176 before you today. Thank you for your attention and consideration and I ask you to support a Do Pass recommendation for this amended oil and gas tax gross production tax "Formula Bill". I would be happy to stand for any questions at this time.

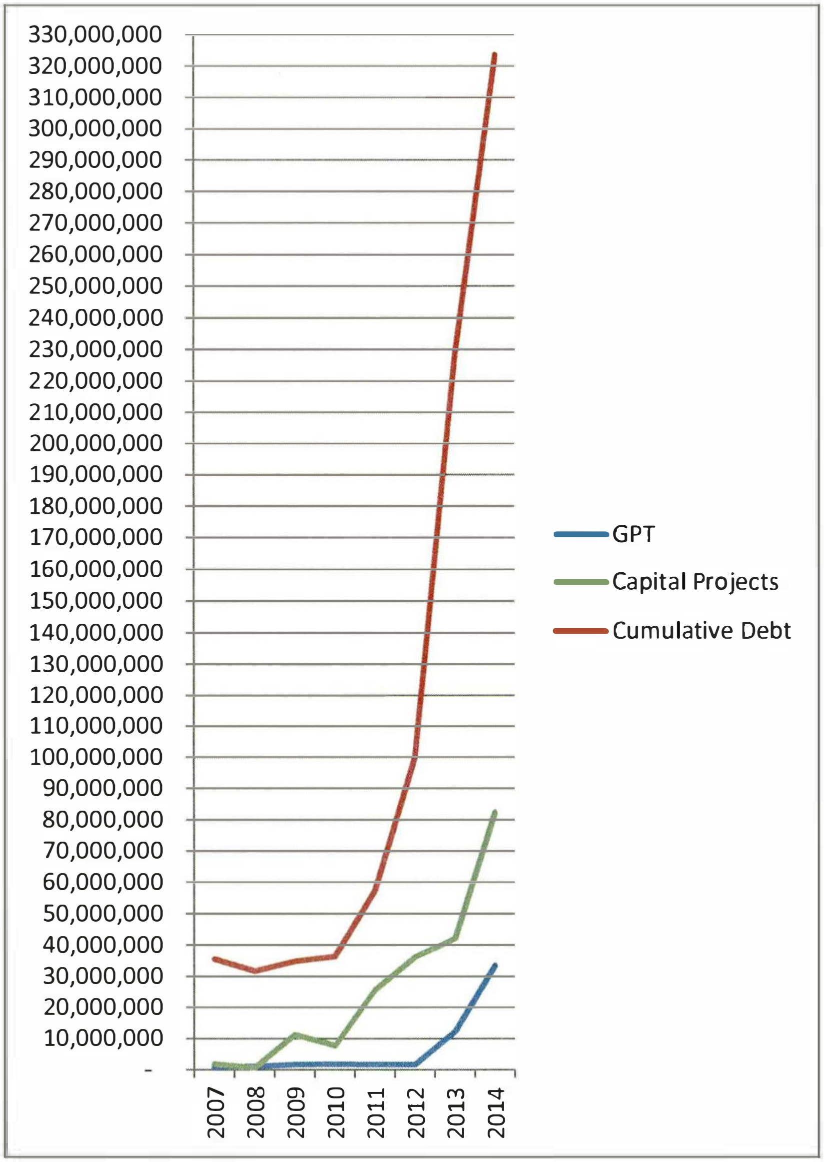
Brad Bekkedahl

Finance Commissioner, City of Williston

Senator, District 1

2.2

Year	GPT	Capital Projects	Cumulative Debt
2007	765,597	1,739,553	35,530,014
2008	989,612	579,183	31,652,210
2009	1,586,284	11,181,814	34,856,357
2010	1,671,796	7,706,888	36,343,765
2011	1,611,121	25,653,827	57,348,815
2012	1,553,271	36,107,798	99,940,000
2013	12,269,444	42,009,008	228,165,000
2014	33,533,563	82,340,647	323,600,000



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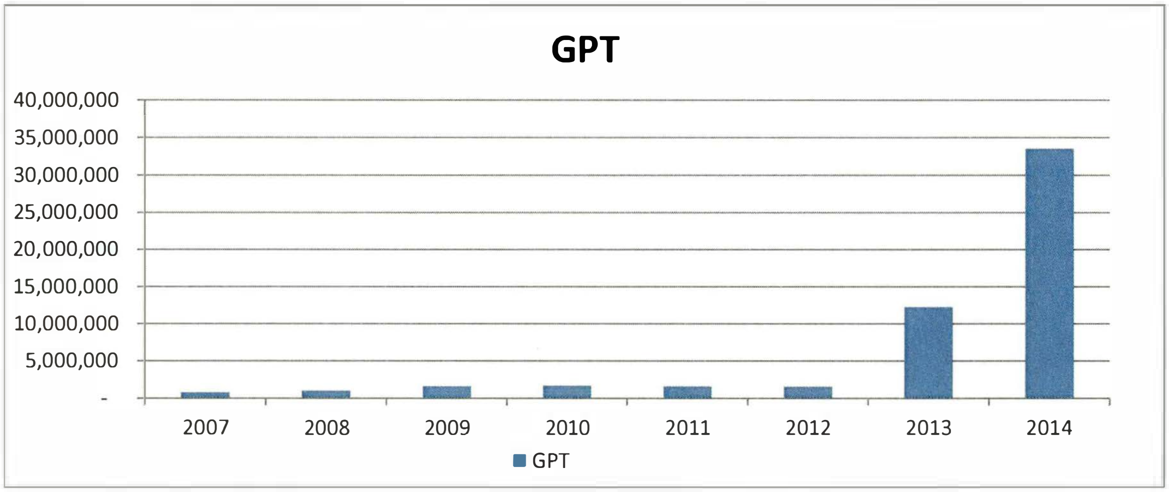
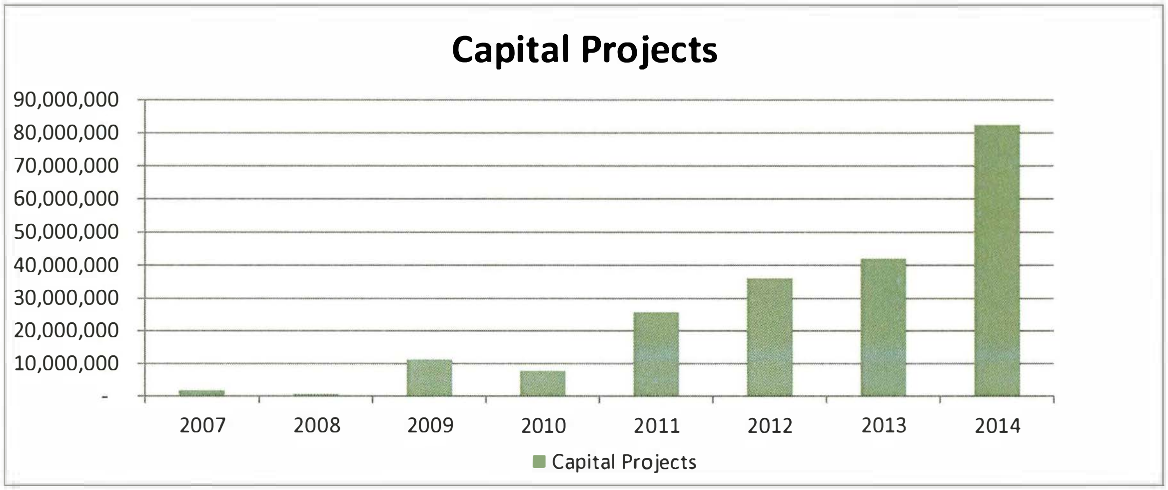
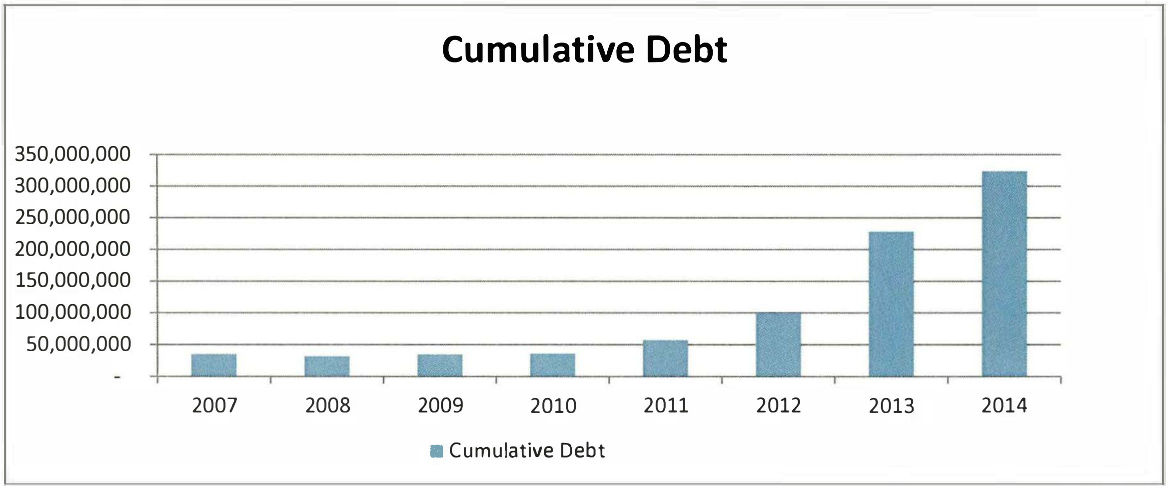
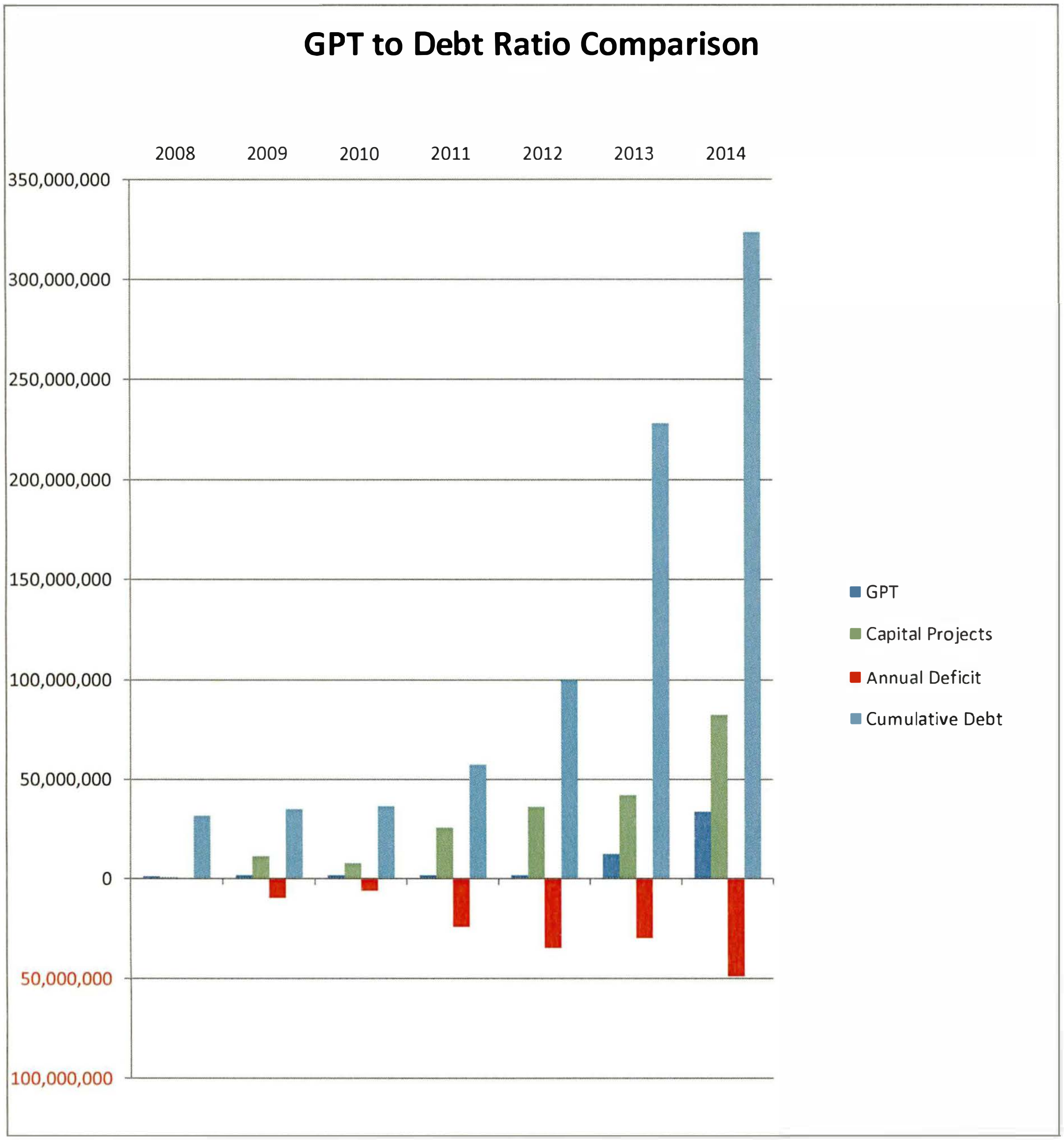






2.4

Year	GPT	Capital Projects	Annual Deficit	Cumulative Debt
2008	989,612	579,183	410,429	31,652,210
2009	1,586,284	11,181,814	9,595,530	34,856,357
2010	1,671,796	7,706,888	6,035,092	36,343,765
2011	1,611,121	25,653,827	24,042,706	57,348,815
2012	1,553,271	36,107,798	34,554,527	99,940,000
2013	12,269,444	42,009,008	29,739,564	228,165,000
2014	33,533,563	82,340,647	48,807,084	323,600,000



2.5

Year	GPT	Capital Projects	Cumulative Debt
2008	989,612	579,183	31,652,210
2009	1,586,284	11,181,814	34,856,357
2010	1,671,796	7,706,888	36,343,765
2011	1,611,121	25,653,827	57,348,815
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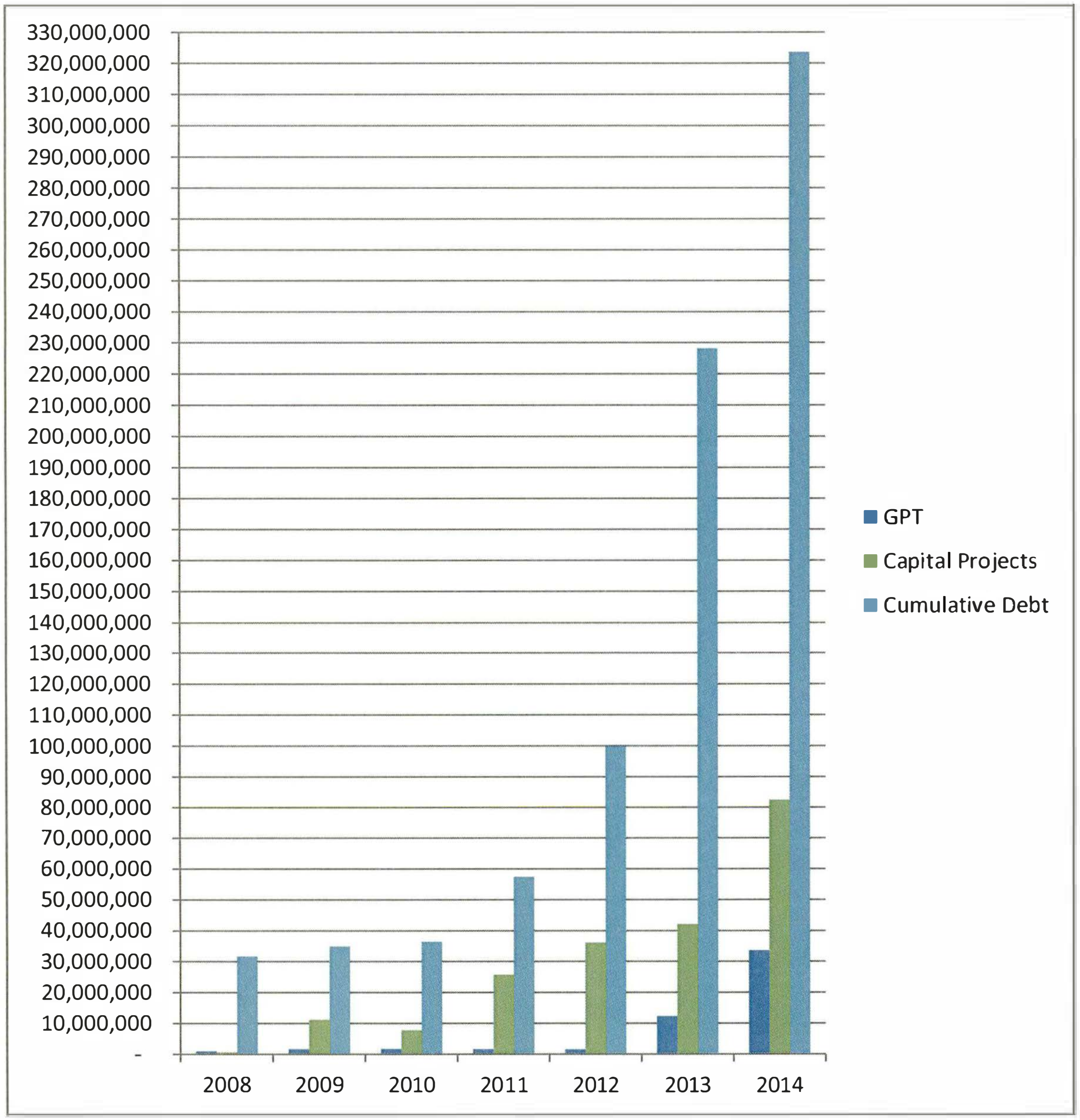
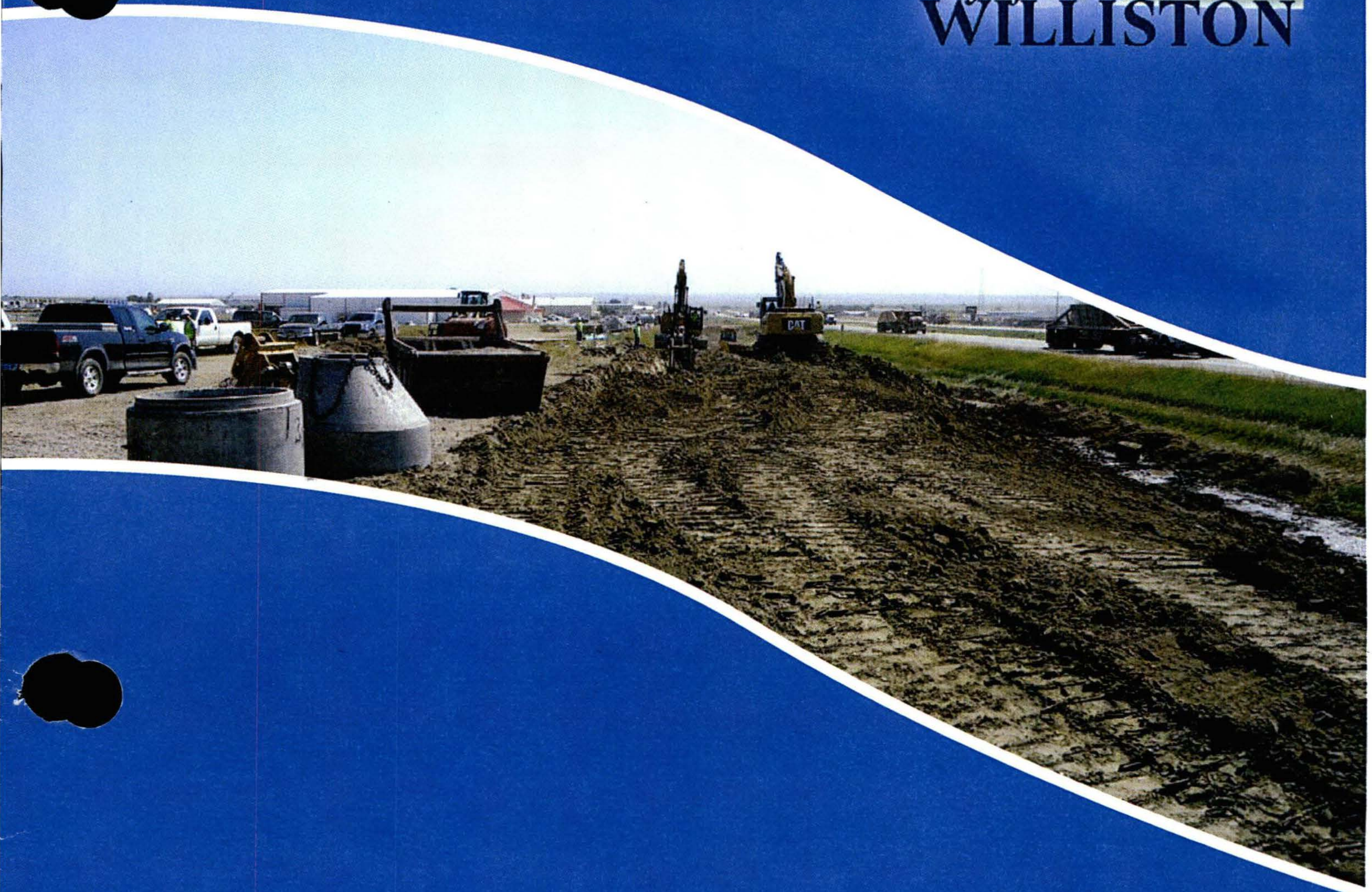


2.6

City of WILLISTON



WILLISTON
ENERGY RELATED GROWTH IMPACTS

FUNDING NEEDS | 2015-2017

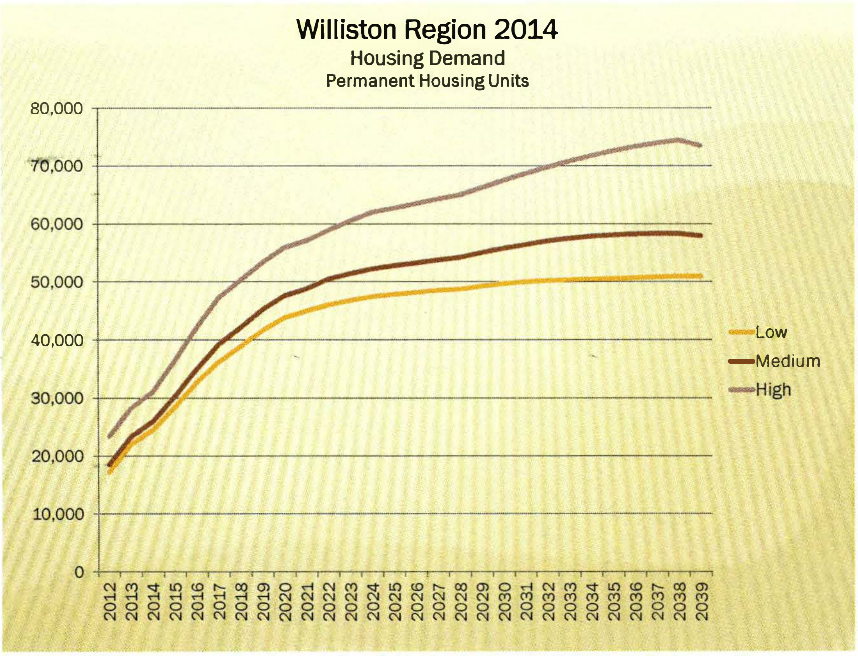
JANUARY 2015

VERSION | 4

6 YEAR GROWTH PROJECTIONS

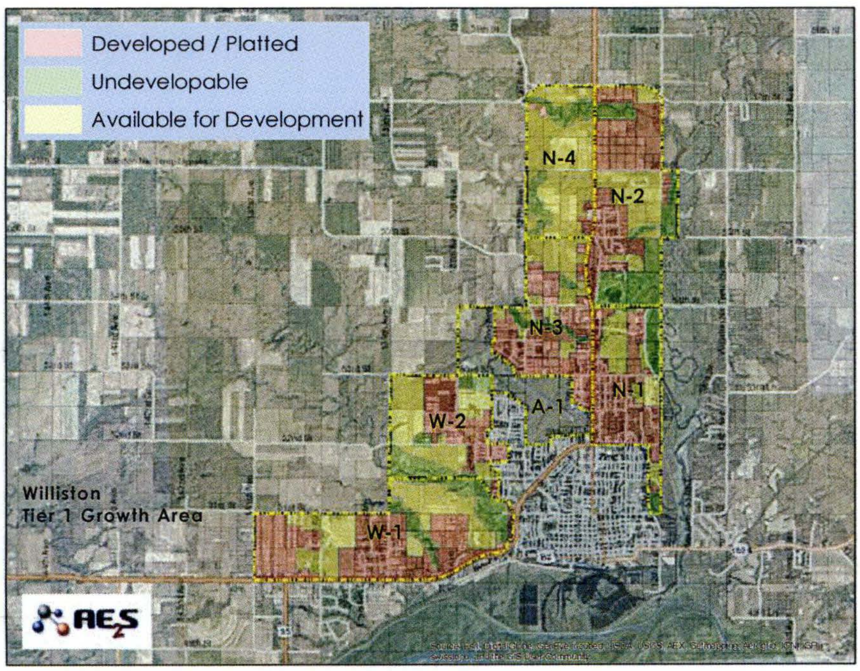
2020 GROWTH PROJECTIONS

	HOUSING UNITS	POPULATION	INFRASTRUCTURE MILES	UTILITY ACCOUNTS
2020 GROWTH PROJECTIONS	+15,400	=56,300	+120	+4,000
CURRENT NUMBERS		30,000 CURRENTLY ESTIMATED	190 MILES CURRENTLY MAINTAINED	6,000 ACCOUNTS IN 2014



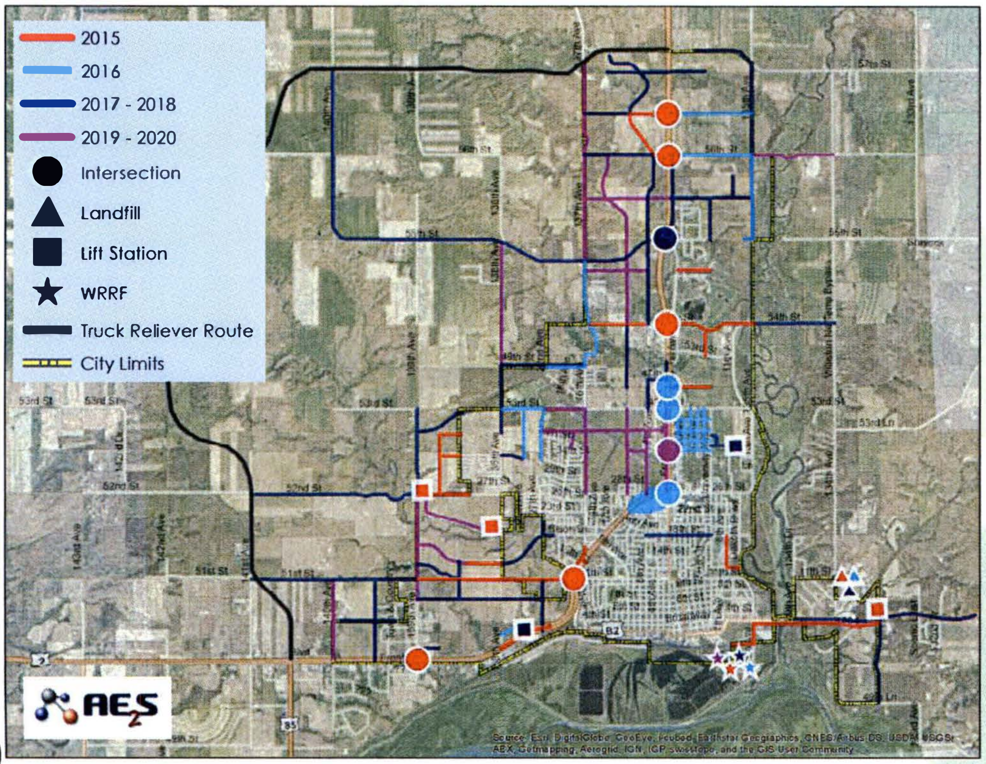
Source: NDSU Employment Housing and Population Projections – 2014 Shale Projection Webinar Series

- By 2020 the Williston Region's (Williams, McKenzie, and Divide Counties) projected demand for housing is an additional 24,190 units (Williston will accommodate 63% of this demand).
- By 2020 the Williston Region's permanent population will grow by 50,760 (City projections indicate Williston will comprise 52% of the new population growth).



- Between 2010 and 2014, the City tripled in size growing from 4,781 acres to 14,167 acres.
- Since the start of the building boom in Williston, the City has platted/developed approximately 5,040 acres in its Tier 1 growth area. By 2020, an additional 3,900 acres will be needed for development to accommodate the growth of the community. This growth is expected to drive significant capital and operational needs for the City.

CAPITAL IMPROVEMENTS SUMMARY



- Projected Capital Improvement needs for the next six years include trunk water, wastewater, stormwater, and transportation improvements. With major staff and fleet additions projected for the City, significant vertical infrastructure needs are also anticipated for public facilities such as City Hall, Fire Stations, and Public Works.

In total, $1.04 Billion in capital needs have been identified for the City over the next 6-years.

CAPITAL IMPROVEMENTS SUMMARY | 2015-2020

Category	Biennium		
	2015 - 2017	2017 - 2019	2019 - 2021
TRANSPORTATION	$141,225,000	$213,421,600	$113,000,000
WASTEWATER	$74,937,120	$43,356,400	$9,543,520
WATER	$12,322,560	$23,609,200	$18,427,040
STORMWATER	$23,376,000	$8,386,000	$4,000,000
SOLID WASTE	$7,000,000	$8,630,000	TBD
AIRPORT	$178,351,000	$51,394,500	TBD
PUBLIC BUILDINGS	$57,165,000	$50,805,000	$6,500,000
TOTALS	**$494,376,680**	**$396,602,700**	**$151,470,560**
	2015-2017 CIP NEEDS		

- Unprecedented growth is driving significant increases in capital improvements to support the booming energy industry in the Williston region.
- With this growth comes significant financial impacts.
- The 2015-2017 biennium accounts for approximately one-half ($494M) of the total projected need.

6-YEAR STAFFING AND OPERATIONAL PROJECTIONS

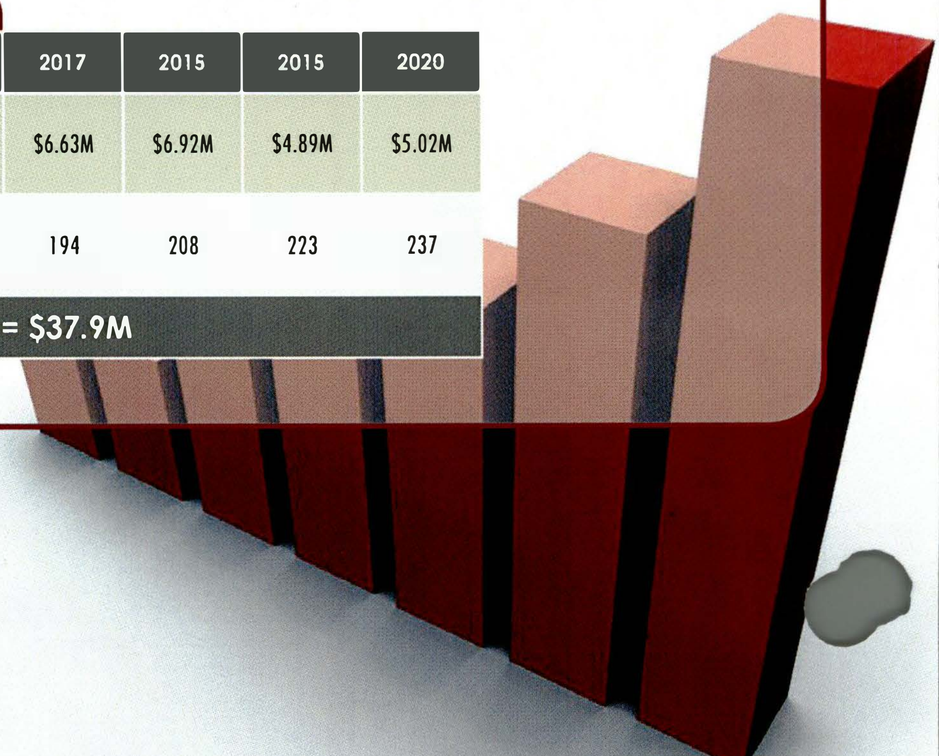
- Williston staffing levels are estimated to grow from 198 FTEs in 2014 to 458 FTEs by 2020, an increase of 260 FTEs.
- The additional cost per year for the increase in FTEs is approximately $20.4 million annually by 2020.
- Due to increased service levels and growth in FTEs, total City fleet levels are also expected to grow from a count of 116 in 2014 to 237 by 2020.
- The total cost for additional fleet by 2020 is estimated to be $37.9 million.
- The growth in FTEs and fleet generate significant future City facility needs.
- City Hall, Police, Public Works and Fire facilities will require further study to make final determinations. Initial square footage estimates were generated to create planning level cost estimates, as shown on the Capital Improvements Summary.

PROJECTED INCREMENTAL STAFFING COSTS | 2015-2020

	2015	2016	2017	2018	2019	2020
TOTAL ANNUAL COST PROJECTIONS FOR NEW FTE	$6.6M	$9.4M	$13.3M	$16.0M	$18.5M	$20.4M
ADDITIONAL FTE	87	37	50	31	30	25
TOTAL FTE	285	322	372	403	433	458

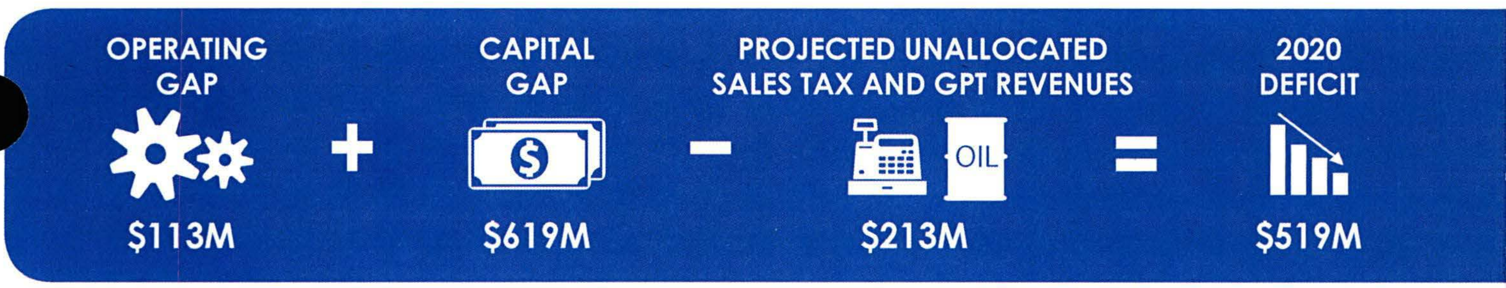
PROJECTED FLEET LEVELS/COSTS | 2015-2020

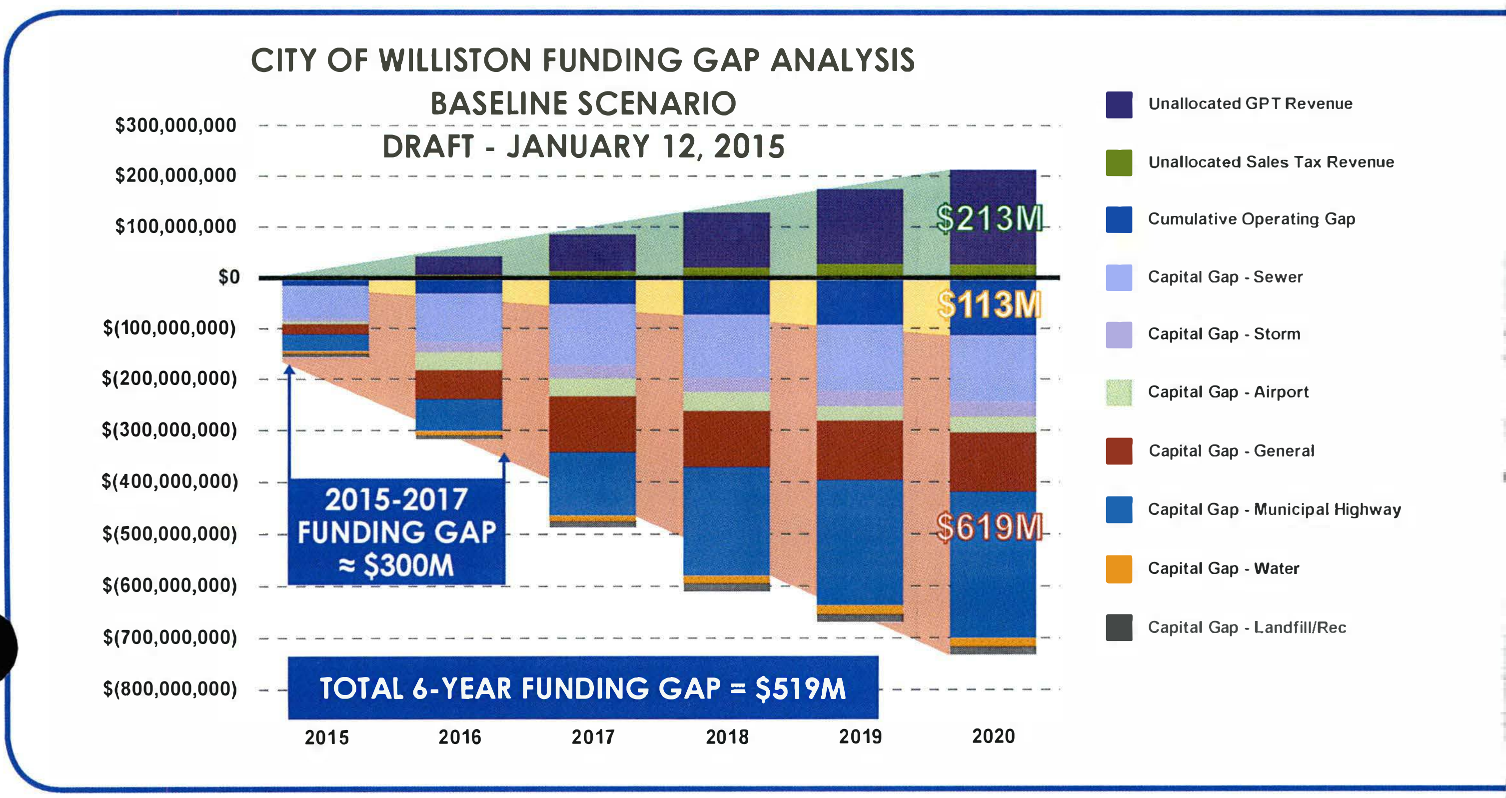
SUMMARY FLEET PROJECTIONS	2014	2015	2015	2017	2015	2015	2020
TOTAL ANNUAL **COST** PROJECTIONS FOR FLEET	-	$8.32M	$6.12M	$6.63M	$6.92M	$4.89M	$5.02M
TOTAL ANNUAL **COUNT** PROJECTIONS FOR FLEET	116	157	174	194	208	223	237
2020 FLEET NEEDS = $37.9M							



FINANCIAL GAP ANALYSIS FOR 6-YEAR CIP AND OPERATIONS PROJECTIONS

- Williston understands that it cannot rely solely on the State to assist with growth related impacts. Growth drives increased local revenues in many areas including property taxes, utility fees, building permit fees, and sales tax. To demonstrate how these revenues may grow and assist with identified needs, the City compiled a comprehensive revenue and expense model to determine the funding gap the City is faced with.
- To date, nearly all gross production tax revenues directed to the City have been used for infrastructure projects and have not been used to construct facilities needed for operations.
- Considering all modeled revenue and expense projections, the gap analysis indicates that Williston will face a deficit of approximately $519M by 2020. This deficit includes:
  - An Operating Gap of $113M
  - A Capital Gap of $619M
  - $213M of Unallocated Sales Tax and GPT Revenues can be applied to either capital or operating expenses based on further City funding strategy development. GPT projections are based on a $50/barrel price of oil for the current biennium and $60 and $70/barrel for subsequent biennia respectively, and on the current 25% County/75% State split.





DOING OUR PART LOCALLY

Utility Rate Increases (Sewer/Refuse)

- Under current conditions, the City's utility enterprise funds represent a significant portion of the operating gap presented. To address these operational needs, the City implemented significant rate increases in 2015 for its most heavily impacted funds (Sewer and Refuse). In order to completely close this operational gap over the next 6 years, the City is expecting a **21% increase per year for the next 6 years in its Sewer Fund** and a **5% increase per year for the next 6 years in its Refuse Fund.**

Prudent Approach to Property Tax Increases

- Williston is committed to raising local property taxes to aid in meeting its growing needs. With its 2015 budget, the City Commission committed to beginning a strategy of raising property taxes up to a ceiling of 5% per year on in-place property for the foreseeable future beyond 2015.

Debt Burden for Needed Infrastructure

- Over the past few years, the City has significantly increased its debt load to fund its growing needs. To meet the City's funding shortfall in the 2013-2015 biennium, the City incurred approximately $100M in debt to fund needed projects. Looking forward, the City has received approval from the Bank of North Dakota for a $83M loan to fund critical 2015 infrastructure projects and has also secured a $125M Clean Water State Revolving Fund loan from the North Dakota Department of Health to finance its new mechanical wastewater treatment plant. In total, the **City has committed to $323M in debt to fund critical infrastructure for the years 2013-2015.** With construction of a new airport ($230M) and another $120M in capital improvements in 2016, **total City debt is expected to grow to $673M by the end of the 2015-2017 biennium.**

New Public Safety Sales Tax

- City and County voters recently approved a 1% public health and safety sales tax that is expected to generate significant local revenue to meet the police and fire needs of the City. In total, **this sales tax is expected to eliminate $76.2M of the proposed funding gap presented.** The new sales tax is in addition to a 2% sales tax already in place, with 1% dedicated to infrastructure and 1% dedicated to the Park District, bringing the **total City sales tax to 3%.**

City of
WILLISTON

CITY OF WILLISTON | PO BOX 1306, WILLISTON, ND 58802

HB 1176 #3 3-30-15

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS - PROPOSED CHANGES TO ENGROSSED HOUSE BILL NO. 1176

The schedule below compares the House Version of Engrossed House Bill No. 1176 [15.0329.05000] to the proposed Senate Version [15.0329.05003].

<table>
<tr><th colspan="2">House Bill No. 1176</th></tr>
<tr><th>House Version [15.0329.05000]</th><th>Proposed Senate Version [15.0329.05003]</th></tr>
<tr><td>Hub cities and hub city school districts
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.</td><td>Hub cities and hub city school districts
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 10 percent, and clarifies that the hub cities' allocation percentages be updated annually.</td></tr>
<tr><td>Additional school district allocation
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.</td><td>Additional school district allocation
• Allocates $1.5 million each fiscal year to each county that received more than $5 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.</td></tr>
<tr><td>Oil and gas impact grant fund allocations
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.</td><td>Oil and gas impact grant fund allocations
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)</td></tr>
<tr><td>North Dakota outdoor heritage fund allocations
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.</td><td>North Dakota outdoor heritage fund allocations
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)</td></tr>
<tr><td>Allocations and distributions to political subdivisions
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.
• Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.
• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.
• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.
• Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:
<table>
<tr><th></th><th>Current Law</th><th>Proposed Changes</th></tr>
<tr><td>County general fund</td><td>60%</td><td>64%</td></tr>
<tr><td>Cities</td><td>20%</td><td>20%</td></tr>
<tr><td>Schools</td><td>5%</td><td>5%</td></tr>
<tr><td>Townships (equal)</td><td>3%</td><td>2%</td></tr>
<tr><td>Townships (road miles)</td><td>3%</td><td>2%</td></tr>
<tr><td>Hub cities</td><td>9%</td><td>7%</td></tr>
</table></td><td>Allocations and distributions to political subdivisions
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)
• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)
• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)
• Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:
<table>
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</table></td></tr>
</table>

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House Version [15.0329.05000]	Proposed Senate Version [15.0329.05003]
Other sections	**Other sections**
• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.	• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.
• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows:	• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.8 million is undesignated and $130.8 million is designated as follows:
$10 million for airports	$48 million for airports
$10 million for hub cities	$30 million for school districts
$20 million for school districts	$10 million for law enforcement agencies
$800,000 to certain eligible cities	$10 million for critical access hospitals
	$8 million for certain eligible counties
	$6 million for emergency medical services providers
	$5 million for eligible political subdivisions
	$4 million for nursing homes and hospice programs
	$3 million for fire protection districts
	$2 million for providers serving individuals with developmental disabilities
	$2 million for domestic violence sexual assault organizations
	$2 million local district health units
	$800,000 to certain eligible cities

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS

The schedule below provides a comparison of 2015-17 biennium estimated oil tax allocations based on current law to estimated allocations based on the provisions of House Bill No. 1176. The 2015-17 biennium estimated oil tax allocations are based on the March 2015 revised revenue forecast, which reflects **oil prices increasing from $41.97 to $52.56 per barrel and average daily oil production of 1.1 million barrels per day during the 2015-17 biennium**. The amounts shown reflect allocations for August 2015 through July 2017 and are based on current law for the allocation of the state's share of oil and gas tax revenue. The employment percentages shown for the hub cities reflect data provided by Job Service North Dakota.

2015-17 Biennium January 2015 Revised Revenue Forecast Estimates			
		House Bill No. 1176	
	Current Law	House Version [15.0329.05000]	Proposed Senate Version [15.0329.05003]
Legacy fund	$990,300,000	$965,610,000	$965,550,000
Three Affiliated Tribes	262,640,000	262,640,000	262,640,000
Oil and gas research fund	10,000,000	10,000,000	10,000,000
Oil and gas impact grant fund	240,000,000	140,000,000	140,000,000
Political subdivisions[1]	497,830,000	629,360,000	632,230,000
Abandoned well reclamation fund	10,000,000	10,000,000	10,000,000
North Dakota heritage fund	13,750,000	27,500,000	27,500,000
Foundation aid stabilization fund	131,180,000	131,180,000	131,180,000
Common schools trust fund	131,180,000	131,180,000	131,180,000
Resources trust fund	262,370,000	262,370,000	262,370,000
General fund	300,000,000	300,000,000	300,000,000
Property tax relief sustainability fund	341,790,000	341,790,000	341,790,000
Strategic investment and improvements fund	185,350,000	164,760,000	161,950,000
State disaster fund	22,000,000	22,000,000	22,000,000
Total oil and gas tax revenue allocations	$3,398,390,000	$3,398,390,000	$3,398,390,000

3.2

[1]The amounts shown for the allocations to political subdivisions include the following:

	Employment Percentages				House Bill No. 1176	
		House Bill No. 1176				
	Current Law	House Version	Proposed Senate Changes	Current Law	House Version [15.0329.05000]	Proposed Senate Version [15.0329.05003]
Hub Cities						
Williston	40	64	64	$52,410,000	$67,370,000	$72,940,000
Dickinson	22	39	39	27,710,000	38,780,000	41,570,000
Minot	6	12	12	8,240,000	12,170,000	13,090,000
Mandan		9			6,470,000	
Total hub cities	68	124	115	$88,360,000	$124,790,000	$127,600,000
Hub city school districts				17,000,000	30,420,000	28,260,000
Counties				255,690,000	310,600,000	292,050,000
Cities (excluding hub cities)				85,960,000	98,090,000	98,090,000
Schools (excluding hub city school districts)				25,910,000	46,190,000	57,690,000
Townships				24,910,000	19,270,000	28,540,000
Total				$497,830,000	$629,360,000	$632,230,000

NOTE: The amounts reflected in this schedule are preliminary estimates. **The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts** based on actual oil price and oil production.

3.3

HB 1176
3-30-15 #4

Senate Appropriations Committee; Chairman Holmberg
HB 1176
March 30th, 2015

Good morning Chairman Holmberg and members of the Senate Appropriations committee. For the record, my name is Steve Holen. I am the current president of the North Dakota Association of Oil and Gas Producing Counties as well as the superintendent of schools for McKenzie County Public School District #1 in Watford City. On behalf of the NDAOGPC, I am here to testify in support of HB 1176 and the amendments proposed earlier in this hearing.

The support for this legislation is based on improvements provided in the removal of the sunset clause and the increase from 25% to 30%; however, it also provides some challenges for the association and is difficult in many respects. The association has invested much time and effort the last two years to better understand the needs of our members and the necessary changes to the GPT formula to support the long-term financing of major infrastructure projects in our counties, cities, schools, and townships. The initial proposal of a 60% share to the local subdivisions was designed to meet the needs of western ND and allow for the local governments to finance their projects identified through various levels of comprehensive planning. HB 1176 will not meet the needs of our members and many necessary projects will be put on hold due to lack of funding options. This has the potential to put western ND political subdivisions further behind as our areas continue to grow with the prospect of higher oil prices looming in the upcoming years - this oil will be developed at some point. The needs of our areas are not going away or "slowing down" at this time. The opportunity to "catch up" as many hoped this lull in oil prices would provide may not be optimized, as the funding levels do not allow the necessary projects to be initiated and completed.

However, the association understands the impact of oil prices on the state budget and the need to adjust the prospect of increased gross production tax revisions this session. Due to the nature of a percentage formula; the local subdivisions also feel the impact of lower prices with reduced revenue from oil and gas; we understand the impacts of lower oil prices on critical funding and planning processes. We share that responsibility and understand the need to adjust and make difficult decisions. It is with that in mind, the NDAOGPC supports this legislation in its current form and proposed amendments. Our members will continue to explore ways to fund projects and catch up with needed infrastructure; we simply can't put everything on hold and leave projects as "unfunded" as the needs continue to grow in the large producing counties. HB 1176 as amended, is necessary to help our members at this time and to remain optimistic for further support in the future as the industry and oil prices fully rebound.

The association understands the need to fund aspects of property tax relief and other important statewide initiatives through oil and gas revenue. This period of low oil prices should be a reminder to everyone of the importance this industry plays in North Dakota and the financial benefits provided to all its citizens. This industry needs to be promoted and provided the local infrastructure to support oil development and sustain the work force associated with the industry. The association asks as the state fills its buckets to understand the important bucket that allows this industry to exist includes the local counties, cities, and schools in the oil producing areas and the in lieu local tax base that is to be provided back in the form of the gross production tax formula.

The North Dakota Association of Oil and Gas Producing Counties mission statement reads it is the trusted and unified voice for the betterment of the citizens of North Dakota and the membership of the NDAOGPC. The association wants to work together with the legislature, especially in times of reduced revenue and the cycle of which is the oil industry regarding prices. It is with this mindset the association supports HB 1176 with the amendments presented today. All amendments, including those involving school districts in western ND, are extremely important and must be included in this legislation. The amendments regarding the funding of schools is important this session to correct errors and inequities present with the current K-12 funding mechanisms involving construction and local property taxes. The cost of school construction in western ND must be addressed with oil revenue and ensure local tax bases are appropriately supported with GPT revenue and not penalized due to the nature of the tax formula.

Thank you for your time and consideration this morning. The association appreciates the help and cooperation of the legislative assembly this session and previous sessions; we hope to maintain a collaborative effort as North Dakota continues its evolution as a major oil producing state.

I would stand for any questions at this time.

Dr. Steven Holen
President - North Dakota Association of Oil and Gas Producing Counties

HB 1176
3-30-15

#5

Watford City Testimony – HB 1176
Critical Infrastructure Project Status – 2015-2017
Update of January Presentation to Senate Appropriations

• Transportation Projects	$71M
– Less: Surge Funds	-$32M
• ***Shortfall***	***$39M***
• Water/Sewer Projects	$78M
– Less: SRF Loans	-$50M
– Less: EIIO carryover	-$6M
• ***Shortfall***	***$22M***

5.1

Watford City Testimony – HB 1176 Senate Appropriations
Effect of GPT Reduction

Intended Use of Gross Production Tax – with 40/60

Budgeted GPT **$18.0M**

- Police/Fire Budget -$2.0M
- SRF Loans -$2.5M
- Fox Hills SID Bonds -$ -0- *
- Bank of ND Loan -$6.5M

* Assuming lots sell and specials are covered

Left for Other Needs =$7.0M

- Share of County LEC/New Public Works Shop -$5.5M
- Existing Streets/Mains -$1.5M

Remainder =$ -0-

Revised Gross Production Tax Uses – with Local 30%

Revised GPT **$11.0M**

- Police/Fire Budget -$2.0M
- SRF Loans -$2.5M
- Fox Hills SID Bonds -$ -0- *
- Bank of ND Loan -$6.5M

* Assuming lots sell and specials are covered

Left for Other Needs =$0.0M

- Share of County LEC/New Public Works Shop ?????
- Existing Streets/Mains ?????

Remainder =$ -0-

5.2

HB 1176
3-30-15
#6

Testimony to the Senate Appropriations Committee
Chairman Ray Holmberg
Kelly Woessner, Audtior
City of Parshall
cityauditor@restel.com

House Bill 1176

Good Morning, Chairman Homberg and members of the Senate Appropriations Committee. My name is Kelly Woessner, auditor for the the City of Parshall. I am here today at the request of the Parshall City Council.

The City of Parshall has experienced tremendous growth due to activity in the Bakken Oilfield. In 2008 the City of Parshall reviewed 7 building permits and in 2014 we reviewed 47 building permits (Exhibit 1). Our city has expanded from 335 acres to 2000 acres in that period of time (Exhibit 2). We currently have developers looking to build a 400 room motel, 240 apartment units and add a restaurant. Our RV Park has 114 lots and houses families in travel trailers and motorhomes. Our school enrollment has increased and the school considers all students living in RV's as homeless. We have tripled our city employment and need to hire more, but we are limited by housing. We need to build housing in order to attract the workers that our city and area employers need to hire.

This increase in building activity is going to be hampered by the City's current waste water lagoon system. It is at max capacity! Due to FAA regulations the City of Parshall is not allowed to increase the size of the current lagoon because it sits too close to the Parshall Airport. The City is in need of moving it to an acceptable location and the costs in that are over $10 million (Exhibit 3 & 3A)! Again, these housing and commercial projects will not happen without building a new waste water lagoon.

We also don't expect much slowing of this infrastructure demand, even with low oil prices. One of the most productive fields in the Bakken shares our city name: "The Parshall Field". We have heard and are seeing that drilling activity is concentrating in the most productive fields. With a tremendous amount of infield drilling nearby for years to come, we need your help. Increasing the ratio of funding from 25/75 split to something greater is very necessary to allow us to have funds delivered to our city on a much more timely basis.

In the next five years, we have identified over $35 million in capital projects tied directly to our growth needs (Exhibit 3, 3A, & 4). We need this bill to deal with our lagoon system, launch significant utility upgrades and address a number of issues with our local streets and public infrastructure in the years ahead. We have much to do and request that you pass this bill as well as consider other means to increase the flow of funds to communities like ours through the formula.

Thank you for your time. I would be happy to address any questions.

City of Parshall

Box 159, Parshall, N.D. 58770-0159
Phone 862-3459

MAYOR
Kyle Christianson
AUDITOR
Kelly Woessner
CITY ATTORNEY
William Woods

COUNCIL MEMBERS
Pem Hall
Shane Hart
Tom Huus
Robert Morenski

Equal Opportunity Housing and Employment

Exhibits

- Building Permit Reviews – from 2008 to 2014 Exhibit 1
- Annexed Property for the City of Parshall – Showing growth of the City from 335 acres to 2000 acres and aerial coverage of current territory referencing Current lagoon size and location of City Airport Exhibit 2
- Waste Water Expansion Project – refer to cost analysis Exhibit 3 & Sewer trunk lines projection in Exhibit 3A
- Street and Utility Projects – refer to Cost Analysis Exhibit 3 & City street schedule map showing projects and years Exhibit 4

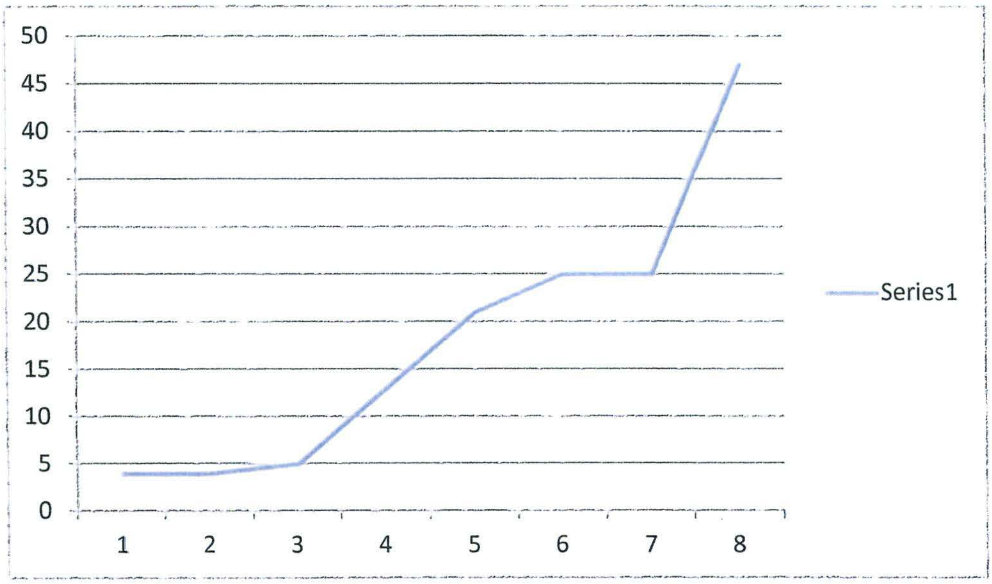
6.2

The council does not discriminate on the basis of race, color, national origin, sex, religion, age or disability in employment or the provision of services. Any special accommodations required, please contact our office in advance.

Exhibit 1

City of Parshall
Building Permits

YEAR	# of Permits filed
2007	4
2008	4
2009	5
2010	13
2011	21
2012	25
2013	25
2014	47



6.3

01-14-2015

Exhibit #2

City of Parshall City Limits (Original + New)

Any reliance upon this map is at user's own risk. AE2S does not warrant the map or its features are either spatially or temporally accurate or fit for a particular use.

N

0 1,000 2,000 Feet

1 inch = 2,000 feet

Locator Map Not to Scale

Existing Zoning

Date: 01/09/2014

City of Parshall

Montrail County, ND

AE2S Advanced Engineering and Environmental Services, Inc.

6.4

Date: 1/9/2014 | Coordinate System: North Dakota State Plane South

G:\PROJECTS\Parshall\Parshall Existing Zoning Updates Tabloid.mxd | Edited by: DYL

Kelly Woessner City Auditor

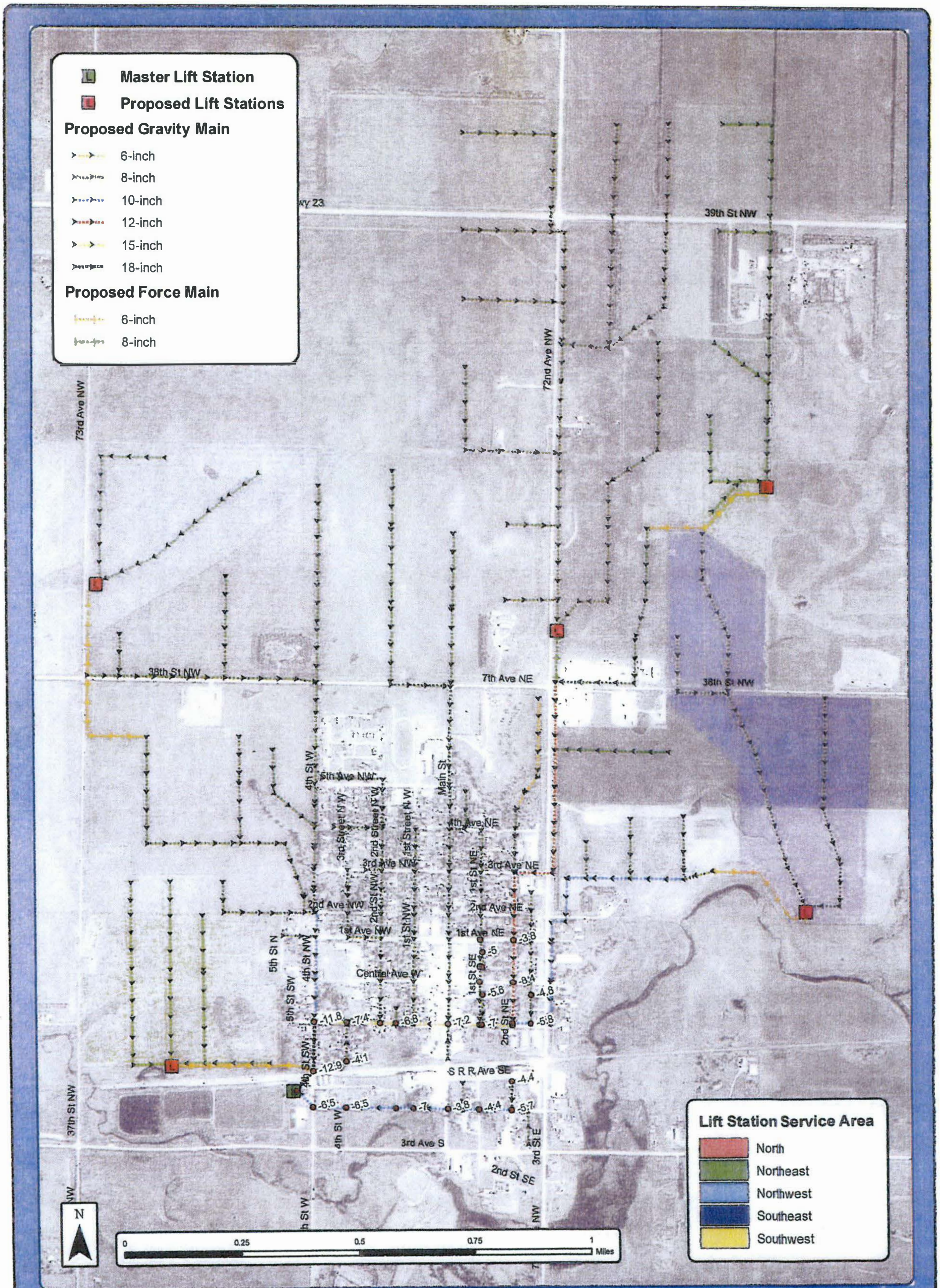
City of Parshall - 5 year Infrastructure Improvements Estimates

	Water	Waste Water	Storm Water	Transportation	Airport	Facilities	Total	
2015	$215,900	$9,947,700	$863,600	$2,590,800	$233,750	$1,791,378	$15,643,128	2015-16 Biennium
2016	$135,180	$405,540	$540,720	$1,622,160	$600,000	$4,600,000	$7,903,600	$23,546,728
2017	$95,770	$287,309	$383,078	$1,149,234	$200,000	$300,000	$2,415,390	2017-18 Biennium
2018	$257,620	$772,860	$1,030,480	$3,091,440	$130,000	$125,000	$5,407,400	$7,822,790
2019	$258,846	$3,976,538	$1,035,384	$3,106,152	$125,000	$114,200	$8,616,120	2015-2019
								$39,985,638

City of Parshall
Exhibit 3

6.5

Exhibit 3A.

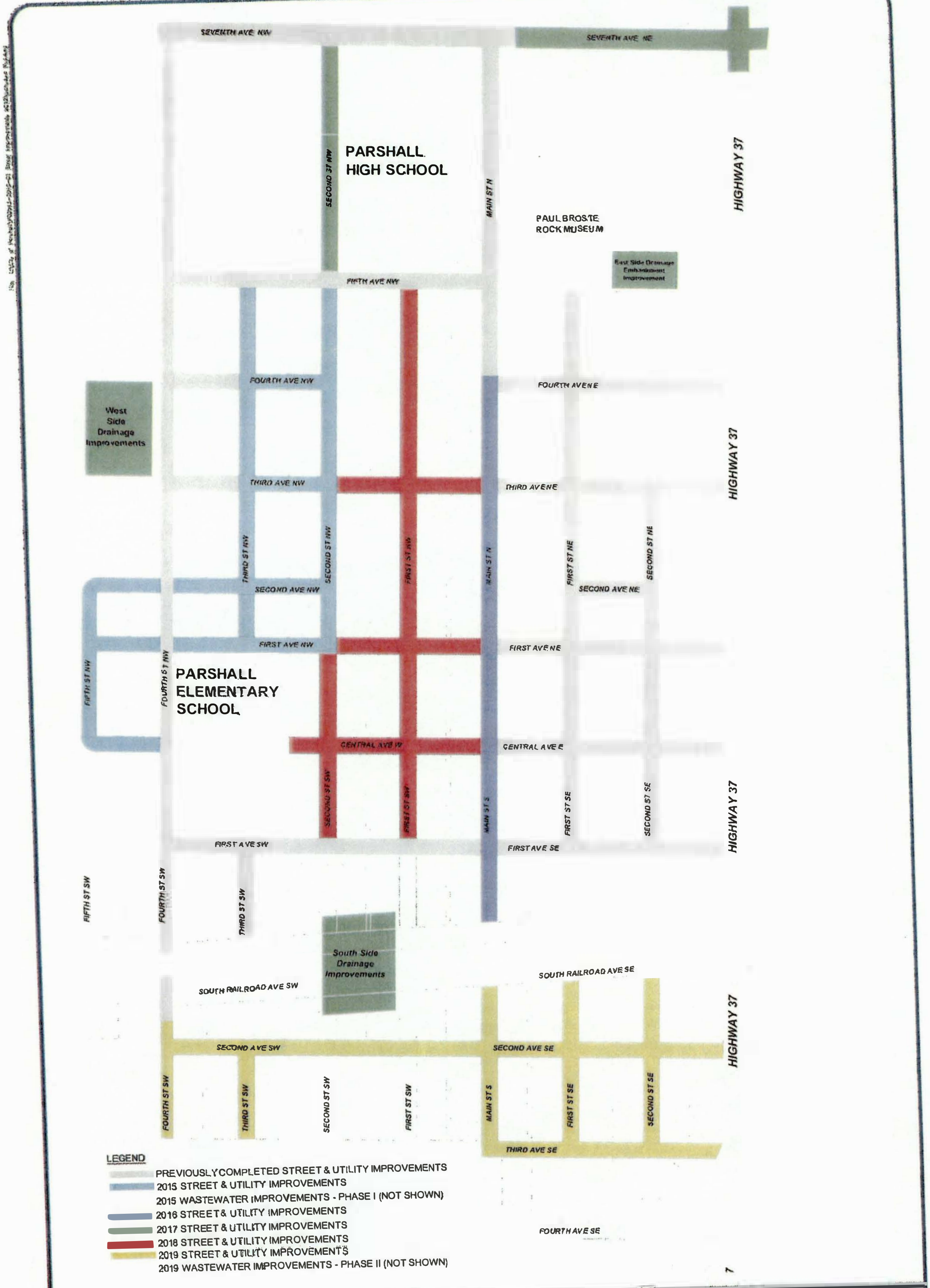


City of Parshall Wastewater Planning

PROPOSED SYSTEM IMPROVEMENTS

AES
Advanced Engineering and Environmental Services, Inc.

Exhibit #7



AE2S

2015 - 2019 UTILITY CIP OVERVIEW
CITY OF PARSHALL, ND

NORTH

200 0 200 400
Scale in Feet

6.7

HB 1176
3-30-15
#7

North Dakota Senate Appropriation Committee
House Bill No. 1176
March 30, 2015

Mr. Chairman and members of the committee, my name is Dennis Johnson. I serve as President of the Dickinson City Commission. I am here today to speak to House Bill No. 1176 also referred to as the Formula Bill.

First, I would like to thank this Committee for their support of Senate Bill number 2103. It is very much needed and appreciated by the City of Dickinson.

A sound Formula Bill is important because it is the vehicle that provides adequate on-going oil impact funding to the oil hub cities. It is appropriate State Policy to encourage development in the oil hub cities. <u>North Dakota's oil hub cities have the scale to accommodate rapid population growth in a responsible manner.</u>

Oil hub cities have planning and zoning boards along with managers, planners, engineers, building inspectors, and public works specialist.

Oil hub cities have the public safety organizations and equipment to better cope with the law enforcement and environmental issues brought by rapid population growth. They have fire and police departments.

Oil hub cities have much of the public physical infrastructure in place that can accommodate rapid growth or be expanded to manage population growth. They have the water and waste water treatment facilities and the related infrastructure. They have the landfills.

Oil hub cities have the essential community services such as housing, medical, educational, transportation, and recreational required by the energy industry.

If oil hub cities do not receive adequate oil impact funds they are left with two choices;

1. Take on significant debt to construct public infrastructure; or
2. Restrict development

Neither of these two choices, in my opinion are good public policy.

I believe State policy should guide and encourage the oil hub cities to expand in a responsible manner and accommodate the rapid oil impact population growth. This can best be accomplished by providing the oil hub cities the funds necessary to construct and manage their growing infrastructure needs.

I encourage the Committee to restore the $500,000 for each full or partial percentage point of employment engaged in oil and gas related employment and the nine (9%) percent distribution to the oil hub cities.

HB 1176 #8

Testimony to the Senate Appropriations Committee
Chairman Ray Holmberg
Prepared by Lee Staab, City Manager
City of Minot
cmgr@minotnd.org

HOUSE BILL NO. 1176

Chairman Holmberg, Committee members, my name is Lee Staab and I am the City Manager for the City of Minot. I am representing the City of Minot to encourage funding of HB 1176.

First I would like to thank you for the surge funding that was approved by this legislative body. It has allowed the city to put several infrastructure projects out to bid and to move forward with infrastructure capacity increases.

The City of Minot has previously provided you with a brochure titled "Growth and Energy Impacts" for the City of Minot. This document details how the City of Minot is being impacted by growth due to oil and gas development in North Dakota.

The City's capital improvement plan identifies over eight hundred million ($800 M) in necessary improvements over the **next five years**.[1]

[1] This includes one-hundred eighty four million ($184 M) for flood control projects.

8.1

The City's footprint has increased eighty-two (82) percent since 2006. With this increase has come enormous demand for water, sewer, and street infrastructure, which supports the energy industry by providing infrastructure for housing, and both energy related and support businesses.

The City has and continues to provide water on a regional basis to surrounding communities and water districts, including: Burlington, West River, Berthold, Mohall, Sherwood, North Prairie Rural Water, and North Central Rural Water Consortium. Each of these entities have seen tremendous growth related to the development of oil and gas in North Dakota. In order to continue to accommodate the growth in Minot, and the surrounding communities, we estimate the city will invest over Eighty-Two Million ($82 M) in water related infrastructure in the next five (5) years. The ability to provide infrastructure for permanent housing for Minot and the impacted communities will provide a more stable workforce and better environment for all residents.

As both the geographic size and the population grow in Minot, the demands on the waste water system continue to increase. In addition,

8.2

the City accepts significant amounts of waste water from western North Dakota. The City has treated its waste water through lagoons and a wetlands system; however, due to the increased demands, the current system can no longer be considered adequate. The increased volume of waste water from the City and the region is forcing the construction of a mechanical waste water treatment facility. The City is estimating approximately One Hundred Twenty Million ($120 M) in needed waste water infrastructure in the next five (5) years. This is on top of what the City has put in the ground since 2011, which has caused the City of Minot to have the highest utility rates for all cities with a population over 5,000 in North Dakota.[2]

Storm water management has become one of the more serious issues facing the City. The Puppy Dog Coulee provides drainage for thousands of acres of land before flowing into Minot and passing through a large housing development located just west of Dakota Square Mall. The current capacity of this system is under-rated based on the growth in southwest Minot. Between the storm water management needs

[2] Based on AE_2S 2014 Annual North Central Utility Rate Study.

8.3

of downtown Minot and the Puppy Dog Coulee, the City is estimating expenditures of over Twenty-Four Million ($24 M) for storm water management in the next five (5) years.

In addition to demands on the City's utilities over the past five (5) years, traffic counts at major intersections have increased as much as seventy percent (70%). This is not unique to Minot. If a survey was taken of all towns from the Minot metro area west, I bet all the communities have seen a significant increase in the traffic in their communities. Major roadway improvements are necessary for access to a new hospital planned on 37th Avenue Southwest. The City must replace the Oak Park Bridge and both the north and south bridges on Broadway. Overall the City plans on Two Hundred Seventy-Four Million ($274 M) in road construction, repairs, and upgrades during in the next five (5) years.

During the last biennium the Legislature allotted Sixty Million ($60 M) for airports in North Dakota. The Minot International Airport (MOT) was a recipient of approximately Twenty-Three Million ($23 M) from the Sixty Million ($60 M), which facilitated the start of a new

8.4

airport terminal and apron work at Minot International. However, looking into at the airports five (5) year capital improvements plan another Fifty Million ($50 M) is necessary to fully complete the overall terminal project. The impact is not only to Minot. Looking at the November Boardings from the North Dakota Aeronautics Commission the boardings continue to increase year-over-year for all the western cities.

Minot, like other energy impacted cities, is struggling to keep up with its own facilities. The City is building a new fire station in southeast Minot; however, with continued growth, a fire station in northwest Minot is warranted. Also, City Hall will soon need to build or move to another facility. Currently City Hall shares space with the police department. The police department has grown due to increased personnel necessary due to the increase in crime and has run out of space to house basic administrative services and the detectives division.

Our landfill also needs to expand, but due to exorbitant land prices, the City cannot afford land to expand the landfill and will need to look

8.5

for other alternatives. Again, the City's landfill is a regional landfill taking waste from surrounding communities.

An aspect of the growth that all the communities are experiencing is the inflated cost of building materials and labor. The City recently bid a project for downtown Minot and the bid came in almost thirty (30) percent higher than the engineering estimate. This happens time-after-time. Adjustments are made to estimates to account for the increase cost of business in the energy region, but it never seems to be sufficient. Financial support is necessary for the communities in the energy-impacted area to ensure communities have the ability to provide for basic needs for the citizens.

In closing, the brochure provides the details of the City's infrastructure needs. As you review the Growth and Energy Impacts you will see the impact oil and gas development has and is having on the City of Minot. The impact is not isolated to any one city, but is impacting an entire region. Therefore, I encourage you to PASS HB 1176.

I would also like to express the City of Minot's appreciation for the funding received during the last biennium.[3] Thank you for your time to listen to Minot's concerns on this bill.

[3] Page 12 of the brochure provides a brief summary of oil impact funding for funds received during the last biennium.

8.7

City of Minot

Meeting challenges head-on

They called us "The Magic City" because in 1886 a tent city at the end of a railroad turned in to a town almost overnight. It's hard to imagine what those original founders would think now. At the end of 2017, Minot is estimated to have increased in population to nearly 58,000 people. That's almost three times as much as [illegible]opulation increased between 1960 and 2000. To say this has put a [illegible]n on infrastructure is an understatement, but the City and its residents have taken on a large portion of the oil impact burden in the form of property taxes and utility fees. $34.8 Million in Oil Impact Funds from the 2013-2015 Biennium covered roughly 1/3 of the projects that were necessary to sustain this incredible growth.

Oil Impact Fund Expenditure 2013-2015

	Project Cost	Oil Impact Funds	Source
SW Sewer Improvements	$ 6,400,900	$ 5,000,000	HUB City Grant
Sanitary Lift Station Upgrades	$ 11,949,916	$ 2,250,000	Employment Mining
Puppy Dog Sewer Phase IV	$ 4,133,684	$ 1,008,711	Production Tax
Sewer Relocates BNSF	$ 1,670,861	$ 1,670,861	Production Tax
30th Ave Sewer & Lift Station	$ 6,024,911	$ 1,771,780	Employment Mining
Airport			
Terminal Apron/Taxiway D	$ 16,464,312	$ 826,065	Airport Impact Grant
Terminal	$ 49,390,157	$ 20,100,000	Airport Impact Grant
Perimeter Road	$ 8,070,515	$ 2,190,190	Airport Impact Grant
	$104,105,256	**$34,817,607**	

Minot Is Stepping Up With Local Funding

Property Taxes

Minot property tax payers, both residential and commercial, pay the highest rates among the HUB Cities*.

	Residential	Commercial
Fargo	$1,612	$1,791
Bismarck	$1,291	$1,434
Minot	**$1,236**	**$1,370**
Dickinson	$1,166	$1,295
Williston	$ 918	$1,020

*2014 Fargo Assessor's Office Survey. Per $125,000 value and include the 12% legislative property tax credit.

Outstanding Debt - $81,959,335 Includes bonds issued in November, 2014

General Obligation -	$15,255,000	Refunding Improvement	$23,100,000
Water and Sewer -	$24,389,335	Airport Revenue Bonds -	$19,215,000

Utility Costs

Utility customers in Minot pay more for water and sewer than any other community* in the state.

Average residential users of 6000 gallons per month will see rates increase to $86.57 in 2015.

*AE2S Annual Survey - 2004 and 2014

Debt Per Capita

Does not include special assessments or overlapping debt

Minot's Capital Improvement Plan

The City of Minot strongly supports surge funding for hub cities in early 2015.
More than $172 million is urgently needed in 2015 for infrastructure projects that can be directly tied to the growth of the area due to energy related activity. In addition, the city faced with costs for the initial phases of flood control, which amount to $9 Million in 2015.

Energy Related Growth Needs

2015 - $172,153,755
2016 - $ 71,585,000
2017 - $169,815,590
2018 - $ 83,579,866
2019 - $132,903,665

Flood Control

City of Minot	Souris River Joint Board
$80,500,000	$147,500,000

Total

$228,000,000

The City of Minot has committed to paying for the local share from border to border. Phases I-III are scheduled to take place between 2015 and 2018 as outlined below. Construction on the Maple Diversion will begin in 2019 at a cost of $104,000,000.

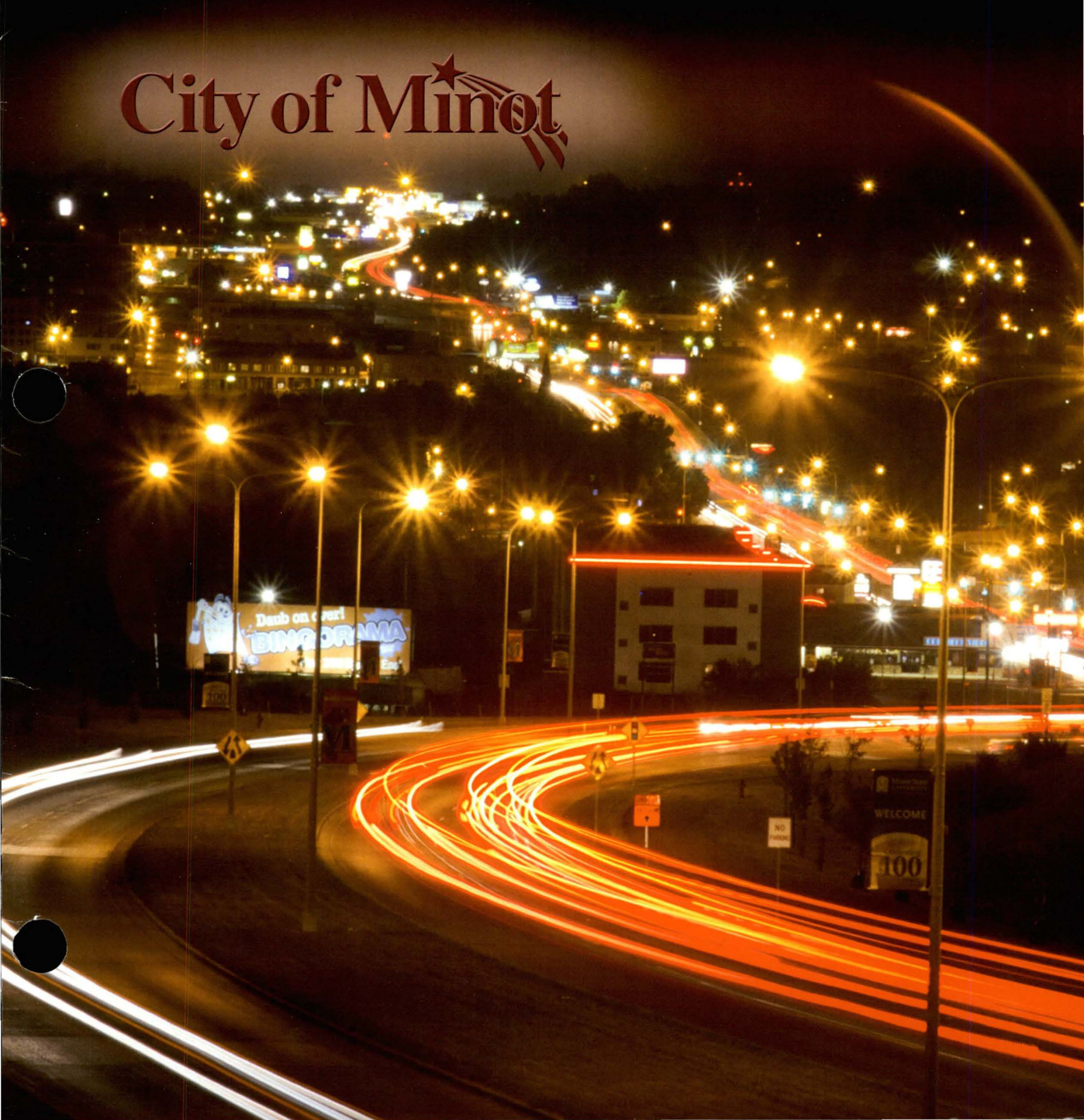
The City of Minot has identified public safety and infrastructure related projects amounting to over $800 million through 2019.

Year	Water	Waste Water	Storm Water	Transportation	Airport	Facilitie	Flood Control	Total
2015	$ 54,470,859	$ 36,803,829	$ 8,860,599	$ 45,675,114	$ 16,279,995	$ 10,063,359	$ 9,000,000	$ 181,153,755
2016	$ 15,100,000	$ 10,750,000	$ 8,000,000	$ 22,810,000	$ 13,525,000	$ 1,400,000	$ 9,000,000	$ 80,585,000
2017	$ 8,555,000	$ 25,500,000	$ 1,720,318	$ 127,802,442	$ 5,550,000	$ 687,830	$ 32,500,000	$ 202,315,590
2018	$ 2,300,000	$ 25,100,000	$ 3,335,508	$ 42,694,358	$ 9,500,000	$ 650,000	$ 30,000,000	$ 113,579,866
2019	$ 2,300,000	$ 22,000,000	$ 3,000,000	$ 35,703,665	$ 4,900,000	$ 65,000,000	$ 104,000,000	$ 236,903,665
Total	$ 82,725,859	$ 120,153,829	$ 24,916,425	$ 274,685,579	$ 49,754,995	$ 77,801,189	$ 184,500,000	$ 814,537,876

2015-2016 Calendar Year	**$261,738,755**
2017-2018 Calendar Year	**$315,895,456**
2019 Calendar Year	**$236,903,665**

Capital Improvement Project & Flood Control Projection
2015-2019
$814,537,876

GROWTH AND ENERGY IMPACTS
2015 North Dakota Legislature



City of Minot

GROWTH AND ENERGY IMPACTS

2015 North Dakota Legislature

Table of Contents

City of Minot

Mayor:	Chuck Barney
City Manager:	Lee Staab
Finance Director:	Cindy Hemphill
Asst. City Attorney:	Shane Goettle
Public Works Director:	Dan Jonasson
City Engineer:	Lance Meyer
Assessor:	Kevin Ternes
Police Chief:	Jason Olson
Fire Chief:	C.J. Craven

City of Minot

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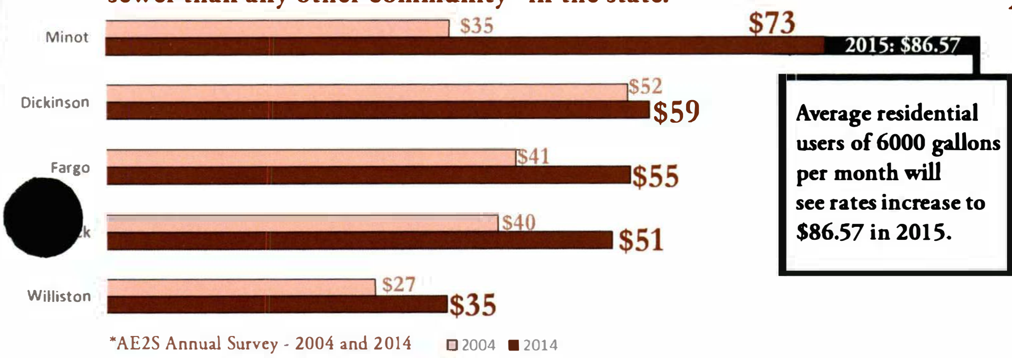
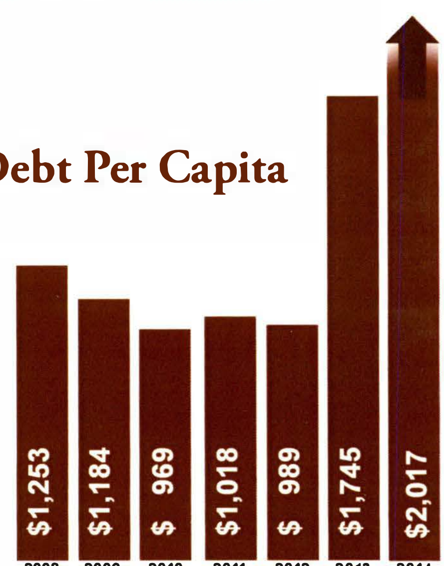


*AE2S Annual Survey - 2004 and 2014

Debt Per Capita



Does not include special assessments or overlapping debt

Minot's Capital Improvement Plan

The City of Minot strongly supports surge funding for hub cities in early 2015.
More than $172 million is urgently needed in 2015 for infrastructure projects that can be directly tied to the growth of the area due to energy related activity. In addition, the city is faced with costs for the initial phases of flood control, which amount to $9 Million in 2015.

Energy Related Growth Needs

2015 - $172,153,755
2016 - $ 71,585,000
2017 - $169,815,590
2018 - $ 83,579,866
2019 - $132,903,665

Flood Control

City of Minot	Souris River Joint Board
$80,500,000	$147,500,000

Total
$228,000,000

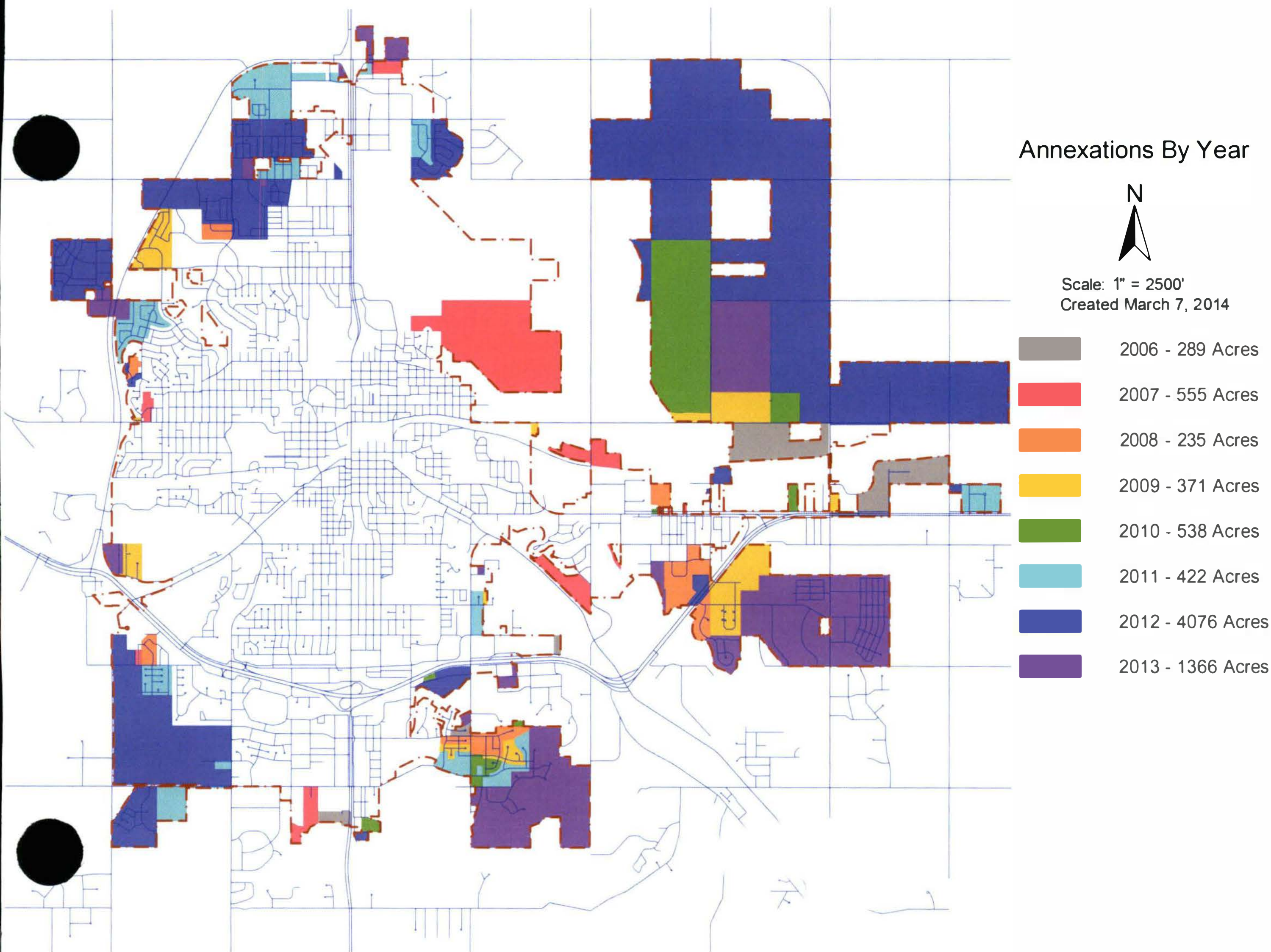
The City of Minot has committed to paying for the local share from border to border. Phases I-III are scheduled to take place between 2015 and 2018 as outlined below. Construction on the Maple Diversion will begin in 2019 at a cost of $104,000,000.

The City of Minot has identified public safety and infrastructure related projects amounting to over $800 million through 2019.

Year	Water	Waste Water	Storm Water	Transportation	Airport	Facilities	Flood Control	Total
2015	$ 54,470,859	$ 36,803,829	$ 8,860,599	$ 45,675,114	$ 16,279,995	$ 10,063,359	$ 9,000,000	$ 181,153,755
2016	$ 15,100,000	$ 10,750,000	$ 8,000,000	$ 22,810,000	$ 13,525,000	$ 1,400,000	$ 9,000,000	$ 80,585,000
2017	$ 8,555,000	$ 25,500,000	$ 1,720,318	$ 127,802,442	$ 5,550,000	$ 687,830	$ 32,500,000	$ 202,315,590
2018	$ 2,300,000	$ 25,100,000	$ 3,335,508	$ 42,694,358	$ 9,500,000	$ 650,000	$ 30,000,000	$ 113,579,866
2019	$ 2,300,000	$ 22,000,000	$ 3,000,000	$ 35,703,665	$ 4,900,000	$ 65,000,000	$ 104,000,000	$ 236,903,665
Total	$ 82,725,859	$ 120,153,829	$ 24,916,425	$ 274,685,579	$ 49,754,995	$ 77,801,189	$ 184,500,000	$ 814,537,876

2015-2016 Calendar Year	**$261,738,755**
2017-2018 Calendar Year	**$315,895,456**
2019 Calendar Year	**$236,903,665**

Capital Improvement Project & Flood Control Projection
2015-2019
$814,537,876



Footprint
2006: 9,600 Acres
2014: 17,510 Acres

Population Increase
1960-2010: 6,597
2010-2017: 18,962*
*Estimated total service population - Source: Impact Assessment Group / Nancy Hodur, PhD

Regional Population*
2012 Estimated: 56,236
2017 Projected: 79,291
*Estimated and projected total service population for Minot, Surrey, Burlington and Surrounding Townships
Source: Impact Assessment Group / Nancy Hodur, PhD

Airport
2009 - 3 Flights Per Day & 68,000 Passengers
2013 - 12 Flights Per Day & 222,083 Passengers

Traffic
2010 – 20,910 Vehicles Per Day
2013 – 33,029 Vehicles Per Day
Counts taken at the South Broadway / 28th Avenue SW Intersection

Visitors
2010 – 1,800 Hotel Rooms
2013 – 3,096 Hotel Rooms

School Enrollment
2007-2008 K-12: 6,097
2017-2018 K-12: 8,240
Minot Public Schools Enrollment Growth Projections

Building Permits
2010: $99.8 Million
2011 - present: Over $900 Million

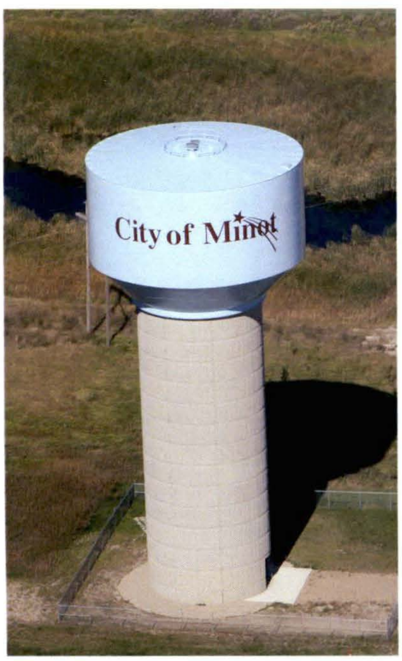
In order to accommodate for the massive influx of residents to the Minot area, the city will be investing **$66,570,859** in water related infrastructure from 2015 through 2016. The City of Minot supplies water not only to our own community, but to several outlying communities in northwest North Dakota including those in the oil and gas producing counties.

Supplying Water to the Region

The primary way for the city to pay for these needed improvements is through utility bonding. As a result, The City of Minot has the highest utility rates in the entire state of North Dakota. This funding source is causing an excessive burden on the residents of Minot who already pay more than double the amounts of citizens in other energy producing cities.

Water

Downtown Minot Infrastructure Improvements	$ 3,018,931
North East Transmission Project	$ 5,250,000
16th Avenue SE Water Main Up-sizing	$ 750,000
Northeast Water Tower	$ 2,500,000
South System Distribution Improvements	$ 1,000,000
Up-sizing Costs - Developer Payment	$ 200,000
27th Street NE Water Line	$ 200,000
55th Street NE Water Main	$ 3,600,000
Water Treatment Plant Hazard Mitigation Grant Project	$30,551,928
Water Treatment Plant Update	$20,000,000
Southwest Water Tower	$ 2,500,000



The City of Minot strongly supports hub city allocations. The funding will enable the City to move forward with necessary water, sewer, transportation and other essential infrastructure needs.

Engineer's rendering of a planned sewer lift station in Minot. This is one of four new lift stations needed to support Minot's expanding waste water system. Due to rapid growth over the past four years, the city has gone from having twenty six sanitary lift stations to now having forty five.

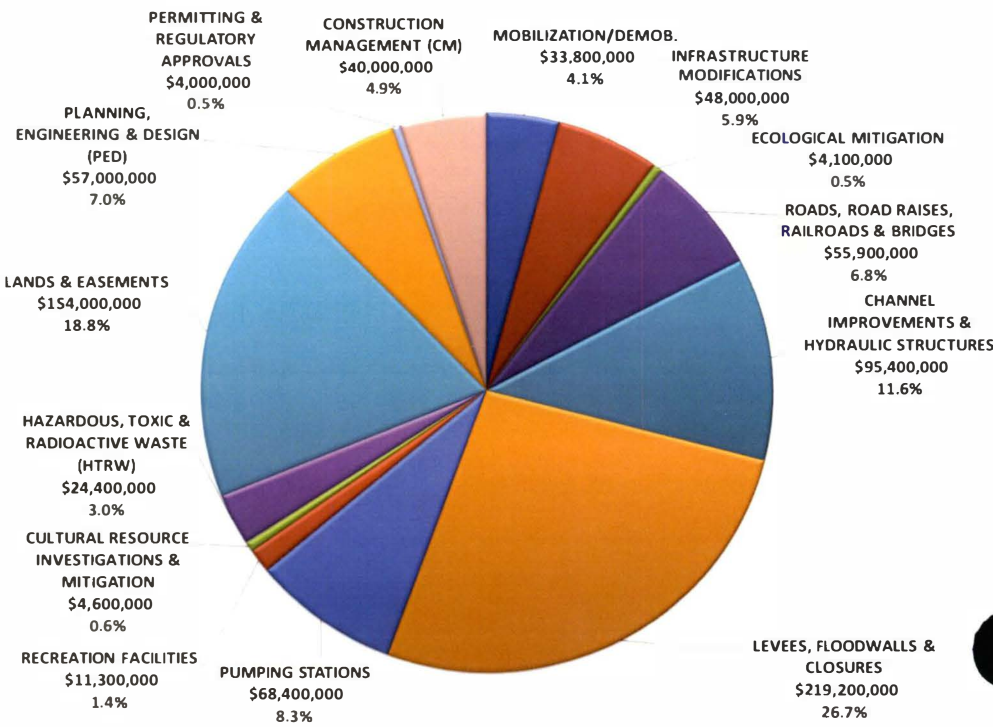
Downtown Minot Infrastructure Upgrade	$ 1,753,829
North Minot Sanitary Sewer Improvements	$26,800,000
55th Crossing Lift Station	$ 1,300,000
Puppy Dog Sewer Improvements	$ 5,950,000
Aeration Ponds & Blower Building Upgrades	$ 1,000,000
Puppy Dog Sewer Lift Station	$ 6,000,000
Lagoon Transfer Piping Upgrade	$ 4,750,000

Just as increased growth has created a burden on the drinking water needs of Minot, the waste water system is equally taxed. Minot is in the middle of major expansions and upgrades to several sewer systems, and the increased volume of waste water from the city and region is now forcing the construction of a mechanical waste water treatment facility. The City of Minot faces **$47,553,829** in needed waste water infrastructure in 2015 and 2016.

Minot's existing waste water treatment facility was constructed in the 1960s. Currently, the system treats in excess of 53,000 users, and is close to exceeding its capacity. The new mechanical facility will be constructed in phases through 2019, and will cost approximately $77 Million.

In addition to dealing with the tremendous amount of energy impacted growth, Minot is still recovering from one of the worst disasters in the State's history. While residents and the city continue to rebuild and recover, we also struggle to mitigate future events. The Mouse River Protection Plan will take at least a decade to complete, and will cost nearly $1 Billion.

Temporary levees protected the City of Minot water treatment plant during the 2011 flood. Construction of permanent flood protection for this critical piece of regional infrastructure will begin in 2015.



Costs of the Mouse River Protection Plan from Burlington to Velva amount to $820 million, but the City of Minot has committed to paying the local share from border to border.

Above: An engineer's rendering of a proposed floodwall.

e right: Timeline for completion of the Minot area, estimated through 2025.

	Projected Time Frame (Fiscal Year)	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	2014-2017 [2]												
	2014-2023												
N – 4th Avenue NE Floodwalls	2014-2016												
CP Rail Bridge	2014-2019												
Hwy 83 Bypass Bridge	2015-2018												
Hwy 2 Bypass Bridge	2015-2018												
Maple Diversion	2015-2019												
N – Forest Road	2017-2018												
N – Napa Valley	2018-2019												
Burdick Expressway Bridge	2018-2020												
N – Rodeo Road	2019-2020												
N – Roosevelt Park	2019-2020												
S – Roosevelt Park (Zoo)	2020-2022												
27th Street Diversion	2020-2023												
N – Valker Road	2023-2024												
S – Valker Road	2023-2024												
S – Downtown Floodwalls	2023-2025												
S – Keller	2024-2025												
S – Leites Brekke	2024-2025												

Over the past 5 years, traffic counts at major intersections throughout the City of Minot have increased between 20 and 70 percent. In other areas throughout the country, annual traffic increases of approximately 2 percent are common. Unprecedented increases in additional cars and trucks on city roads significantly shortens the lifespan of this critical infrastructure.

Transportation

The City of Minot is faced with **$68,485,114** in critical transportation improvements in 2015 and 2016, and seeks as much legislative and NDDOT support as possible within the biennium for construction, repair and upgrades.

Downtown Minot Street Replacement and Repair	$16,073,241
Oak Park Bridge Replacement	$ 1,000,000
Traffic Signal Replacement	$ 550,000
Perkett Area School Sidewalks	$ 247,051
Street Light Replacements	$ 200,000
Street Lighting District - Downtown	$ 2,054,374
21st. Avenue NW (30th Street to 83 Bypass)	$ 2,500,000
Broadway Bridge Replacement Design Engineering	$ 600,000
16th Street / 31st. Avenue SW Intersection Mod Design/Construction	$ 700,000
37th Avenue SW Design and Reconstruction	$16,000,000
36th Avenue NW Design and Reconstruction	$ 5,100,000
Paving Districts 486, 487, 493 and 494	$ 9,828,098
Flood Inundation Road Repairs	$ 9,661,118
14th and 16th Avenues and 48th Street SE Street Improvements	$ 2,761,232
Broadway and 16th Avenue SW Intersection Improvement	$ 10,000
Burdick Expressway Preliminary Engineering	$ 200,000
30th Avenue NW Reconstruction Design	$ 400,000
Shared Use Path Construction	$ 300,000
8th Street NW 36th Avenue to 42nd Avenue Design	$ 300,000

As the City of Minot continues to grow, storm water management has become one of the more serious issues facing our community. The Puppy Dog Coulee provides drainage for thousands of acres of land before flowing in to Minot, and passing through a large housing development located just west of Dakota Square Mall. It's been particularly problematic, causing flooding for the homeowners in lower lying areas in the past, and now is in need of urgent fixes as development has continued in the area. Existing culverts designed to handle water from a 100 year storm event are aging, and new hydrology shows that as development has increased in southwest Minot, the existing capacity is under-rated.

Storm Water District 119 - Downtown	$8,460,599
Puppy Dog Coulee Storm Sewer Replacement - Design	$ 400,000
Puppy Dog Coulee Storm Sewer Replacement	$8,000,000

Storm Water

In downtown Minot, a major project is set to take place over the next three years that will replace a storm water system that ranges in age from 75 to 100 years. This massive project also includes water, waste water, streets, sidewalks, street lighting and more.

The new terminal at the Minot International Airport is well on the way to being one of the finest aviation facilities in the upper midwest. The City of Minot would like to thank the State for its support in helping us begin construction on what will be viewed as the Gateway to the Bakken. We ask for continued support of terminal construction and future upgrades to areas within the general aviation section of the Minot International Airport.

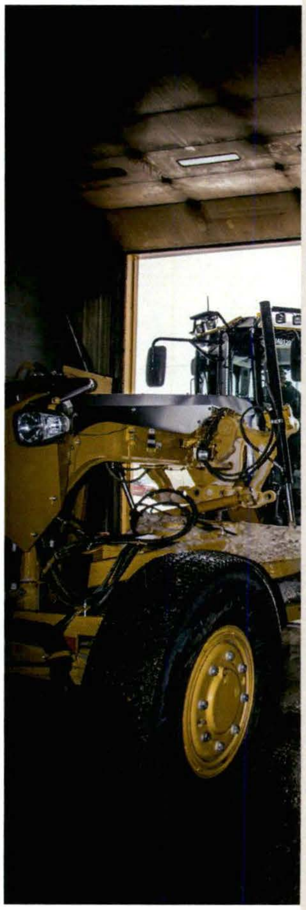
The Governor's Budget request includes $50 Million targeted to oil-impacted airports to address growth challenges. The City of Minot is seeking funds from this allocation in order to help complete the nearly $30 million in projects slated for 2015 and 2016 at the Minot International Airport.

Main Terminal Construction	$6,803,995
Main Terminal Apron - Phase II	$4,841,000
Access Road and Parking Lot Phase II	$3,485,000
Jet Bridges - Phase II	$ 800,0[illegible]
Storm Water Pond - Design	$ 350,[illegible]
Parking Lot - Phase III	$1,500,000
Cargo and General Aviation Apron	$4,000,000
Rental Car Quick Turn Around Design	$ 300,000
Storm Water Pond Construction	$3,650,000
LED Airfield Sign Upgrades	$ 75,000
Demolish and Replace T-Hangars	$4,000,000

Below: A comparison of the original architectural rendering, and a photo of construction as of December 1st, 2014.

Airport

For the past half decade, the City of Minot sat on a footprint of just over 9,000 acres. Since 2006, that acreage has nearly doubled to 17,510 acres. While it may not be as visible as other areas in Western North Dakota, the growth in Minot can certainly be attributed to the expansion of the energy industry. And as the City grows, so does the need to add and update facilities. Public safety standards must be met with the utmost importance. The City of Minot is presently building one new fire station, and will be acquiring land in the next biennium for another. With the need to expand the Minot Police Department, we must look at the option of a new City Hall in the near future since the two currently reside in the same building.

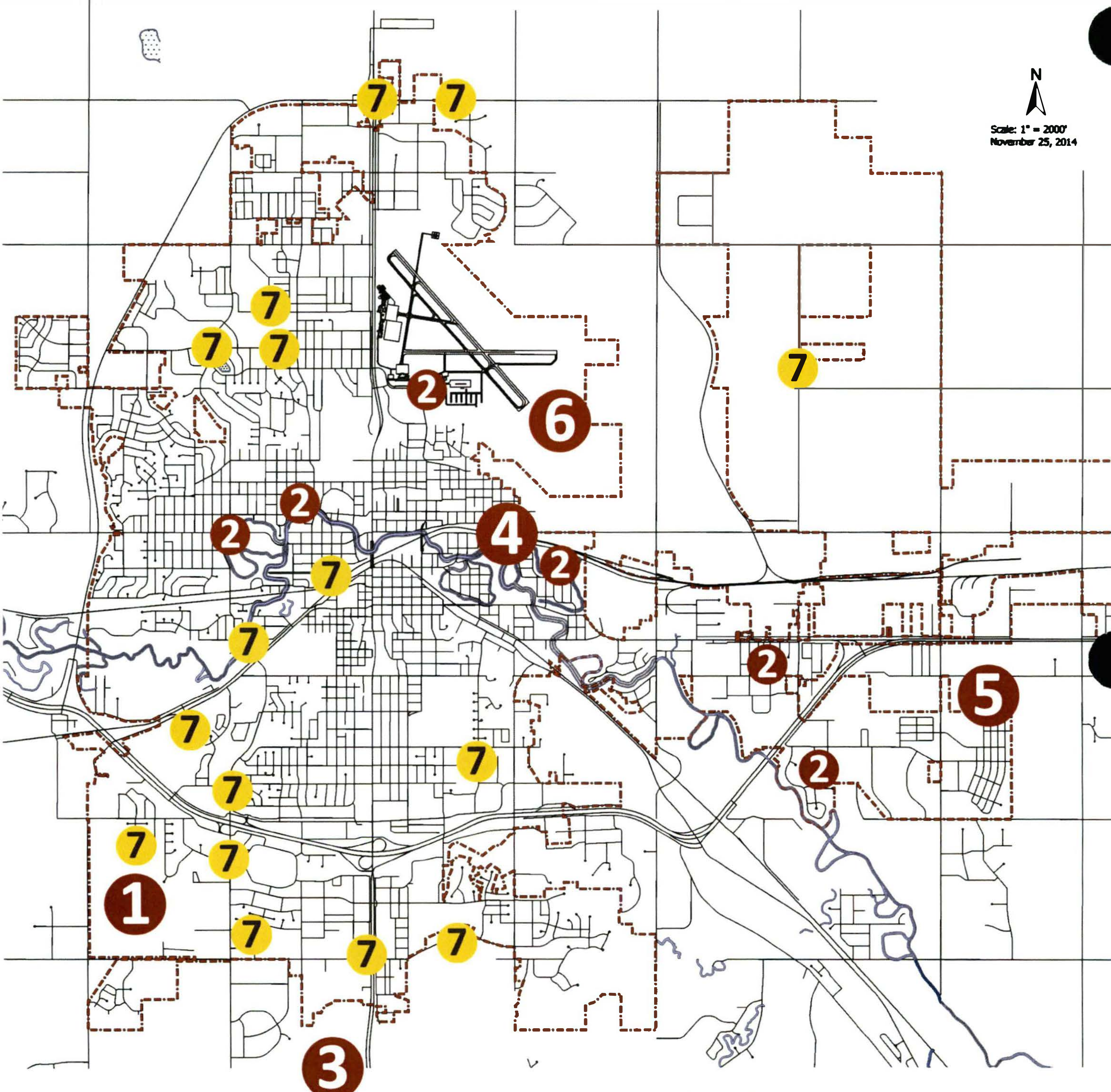


Landfill Land Purchase	$3,748,359
Fire Station 2 Remodel	$ 150,000
Northwest Fire Station - Year 1 and 2 of 4	$1,300,000
City Hall | Auditorium Retaining Wall Reconstruction	$2,000,000
Equipment Storage and Shop Maintenance Building Expansion	$ 750,000
Public Works Building Expansion	$1,500,000
Sertoma Complex Pavement Reconstruction	$1,265,000
Replace 2002 Quintuple Ladder Truck (MFD) - Year 2 of 2	$ 450,000
Land for South Fire Station	$ 300,000

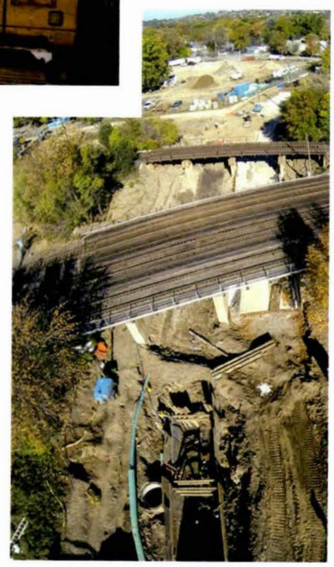
Facilities

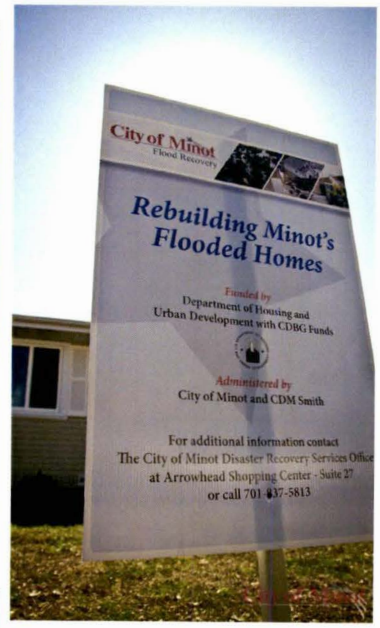
The City of Minot landfill is a regional landfill that takes inert and municipal solid waste (MSW) from all over northwestern North Dakota. As such, the expected life of the landfill has been cut dramatically in the past 5 years. Annual MSW tonnage has tripled from an average of 30,000 tons per year to over 90,000 expected by the end of 2014. What was an expected 25 years of life left in 2010, is now estimated to be 10 years. And since the process of permitting a new landfill takes at least 10 years, this leaves the City of Minot with little choice but to purchase adjoining land at substantial cost.

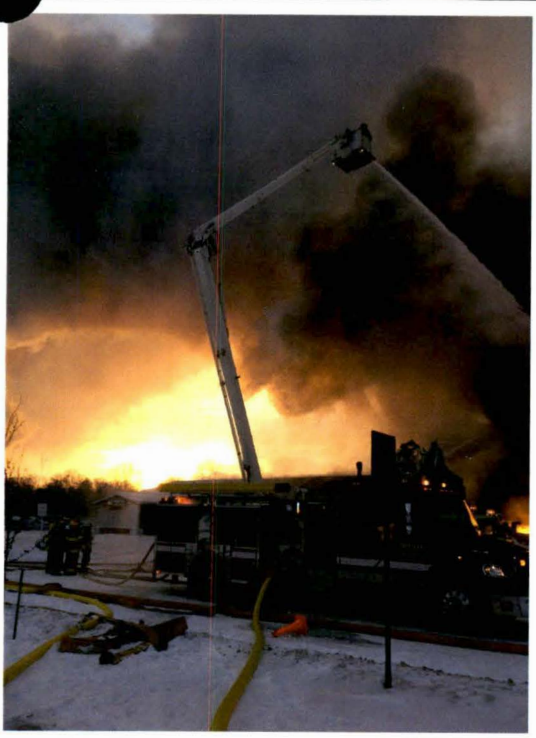
Oil Impact Fund Deployment Breakdown
2013-2015 Biennium

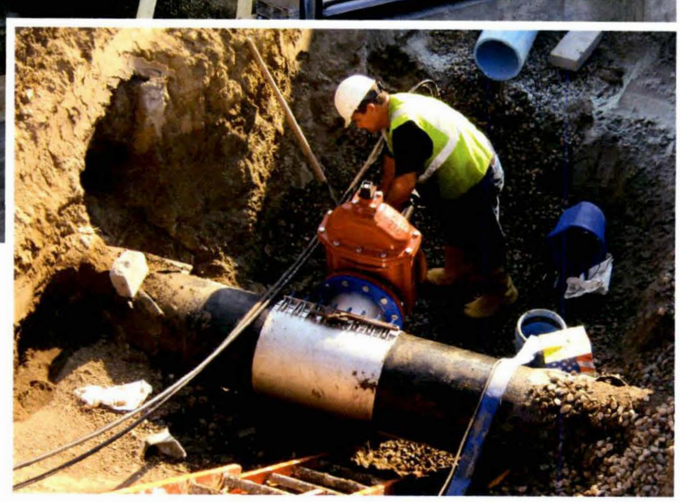


	Project Cost	State Share
1. Southwest Sewer Improvements	$ 6,400,900	$ 5,000,000
2. Sanitary Lift Station Upgrades	$11,949,916	$ 2,250,000
3. Puppy Dog Sewer Phase IV	$ 4,133,684	$ 1,008,711
4. Sewer Relocates BNSF	$ 1,670,861	$ 1,670,861
5. 30th Avenue Sewer and Lift Station	$ 6,024,911	$ 1,771,780
6. Airport	$73,924,984	$23,116,255
7. Other City Projects	$18,589,475	$ 0









City of Minot


MINOT

Testimony
Senate Bill 1176
Senate Appropriations Committee
Monday, March 30, 2015; 10:00 a.m.
Oil Impacted Emergency Medical Services

HB 1176 # 9
3-30-15

Good morning, Chairman Holmberg and members of the committee. My name is Ann Hafner. I am a Paramedic and Manager of Killdeer Area Ambulance Service in Killdeer, North Dakota and I represent Oil Impacted Emergency Medical Services, a partner organization of the North Dakota Emergency Medical Service Association. I am here to respectfully request that $7,000,000 be specifically allocated to fund Emergency Medical Services in the Oil and Gas Impact grant Fund.

The EMS Grant Round Advisory Committee, on which I served, reviewed grant requests totaling $15,431,757 from oil impacted ambulance services during the 2013-2015 biennium. Of those 98 applications, the committee was able to recommend 56 awards totaling $7,563,550 of the $7,000,000 originally earmarked for that purpose. We North Dakotans are frugal people, and so are our ambulance services. Some of the requests funded were for used vehicles, dealer demo ambulances, renovation of existing buildings and "volunteer" staffing.

There were many services that were dealing with an environment never faced before in ND rural EMS; injuries of a type and severity not commonly seen, challenging road conditions, ballooning populations and lack of housing (affordable or otherwise). As in the rest of the United States, North Dakota faces a shortage of trained Emergency Medical Technicians and Paramedics and a decline of interest in volunteering. We continue to identify as "volunteer" services but the volunteers we rely on are becoming less and less available. As a result, many of the grant requests were for recruitment, hiring and housing of permanent staff and increasing stipends paid to volunteers. The grant rounds funded approximately 16 Paramedic and 10 EMT positions for over $1,000,000. These new positions have helped stabilize volunteer crews and increase the level of care available to the communities they serve. Some services now have a Paramedic available to provide Advanced Life Support (ALS) care when in previous years, that care came from another community up to 30 minutes away. The funding dramatically impacted Killdeer Area Ambulance Service when our Primary Paramedic was on a call and a rancher became unconscious at a branding. Our backup Paramedic and a volunteer crew responded to find a deputy and bystander performing CPR. Because of the ALS equipment and staffing assistance provided by Oil and Gas Impact Grant Funds, we were able to resuscitate the patient on the scene and transport him to Dickinson where he was transferred to a cardiac center by air ambulance. The rancher returned to his normal life with no lasting effects. In EMS we call that a "Save". Without the equipment and staffing afforded Killdeer Area Ambulance, there would have been a different ending to that story. During the last grant period, our service has had 4 "Saves" directly attributed to equipment, staffing and training provided by grant funding.

Grant funds from the last round was used to finance 17 ambulance vehicles, create 2 Quick response Units (QRUs) build or renovate 10 facilities and purchase medical equipment for at least 9 services. This funding made a direct impact on the Bottineau Ambulance Service by allowing the purchase of a Quick Response Vehicle (QRV). This service is staffed by a career Paramedic and all volunteer EMT and Driver staff. The QRV allows the Paramedic to arrive at the scene and begin ALS interventions while the crew, responding from home, picks up the ambulance and arrives separately. The payoffs are prompt medical care for the patient and safe response time from a stable volunteer crew. This has been vital on calls in the Bottineau Ambulance Service Area as it allows recognition of serious medical conditions much earlier than would have been possible prior to the QRV. Patient outcomes have been directly affected by the early arrival of ALS interventions and direct transport to the appropriate hospital. Squad Leader Katie Saykally credits the QRV for saving critical time for the patients and delivering a higher level of care than was possible in previous years. Another "Save" for the Oil and Gas Impact Funds.

I personally experienced a "Save" when my five-month-old grandson had breathing difficulty after he aspirated while nursing. Volunteers from Mercer County Ambulance Service arrived and stabilized his airway and breathing and transported him to the hospital. Funds from the Energy Infrastructure and Impact Grants assisted this service in replacing a heavily used, high mileage ambulance with a safer, more efficient unit. An extra-special "Save" for the Oil and Gas Impact Funds.

Right now, there are great demands on our state budget and on those chosen to manage that budget. The future of oil prices is uncertain and oil impacted EMS agencies count drilling rigs and barrels produced and worry about our financial futures. What we don't worry about is the need for Rural Ambulance Services. Since January 1 of this year our service has had 142 requests for an ambulance compared to 79 for the same time period last year. Our call volume over the last 12 months (March –March) is a staggering 539 compared to 317 for the previous 12 months. Our run count for the same period in 2007, the first year that Impact Grant funds were available to EMS was 63, approximately an eighth of what it is today. We are seeing an increase in industrial accidents, substance abuse, assaults and behavioral emergencies. These are medically demanding emergencies that require the higher levels of care we are now able to provide.

I could continue to quote statistics and attempt to project how fluctuating oil prices may change our state's budget, but that is the job of those much more intelligent than I. What I can tell you is that the Energy Infrastructure and Impact Grants have purchased more than shiny new ambulances, up-to-date medical equipment and full-time Paramedics. These grants have been invested in lives; the lives of your constituents, the lives of those who live and work in the Oil Impacted Counties and the lives of the Rural Ambulance Services. It will be difficult for these Ambulance Services to continue having "Saves" without future assistance similar to that provided in the 2013-2015 Energy Infrastructure and Impact Grant Funds earmarked for Emergency Medical Services. Please consider supporting the specific allocation of $7,000,000 to Emergency Medical Services through the Oil and Gas Impact Grant Fund in the next biennium.

Thank you for this opportunity, I would be happy to answer any questions that you may have.

Energy Infrastructure and Impact Grants

EMS Awards From 2007-2011

- A total of $599,400 was awarded to EMS during these years.
- A yearly average of 4.27 percent of the funding was awarded to EMS agencies.
- Funds were awarded for ambulance vehicles, equipment, training, facility upgrades and more recently for staffing.

2012 Appropriation for EMS

- The first grant round in March had 29 requests funded for a total of $4,043,288.88.
- The September grant round 19 requests was funded for a total of $833,751.00.
- A total of $4,877,039.00 was funded specifically for 48 EMS grant requests.

Awards during the 2013-2015 Biennium

Summarized from December 2, 2014 report

- 98 applications were received from the EMS category. The total dollar amount for the projects was $21,475,383 with the application request for fund totaling $15,431,757.
- 56 awards were made to EMS agencies for an award total of $7,563,550.
- In the Fire and EMS category 48% of the grant applications were successfully awarded (130 of 273).
- EMS grant awardance is 3.7 percent of the total allocation this biennium ($206,732,726).
- The Fire and EMS category a total of $47,348,014 was requested and $17 million was funded.
- The Energy Infrastructure and Impacts Grant Program satisified the required legislative earmarks for County Sheriff, Emergency Medical Services, and Fire Protection Districts categories.
- Items funded include; staffing (EMT and Paramedics), cardiac monitors, new facilities and facility upgrades, ambulance vehicles, cot loading system, equipment, development and sustainability.

Summary of Awards for the 2013-2015 Biennium

9.4

Round or Award	#Applications	Amount of Projects	Amount Requested	#Awards	Amount Awarded
Cities	179	$988,459,710	$794,146,923	56	$102,000,000
Dust Control	3	$7,500,000	$3,000,000	3	$3,000,000
Sheriffs	37	$10,423,999	$8,513,875	33	$7,000,056
Airports	67	$181,913,311	$56,664,112	55	$40,968,882
K-12 Schools	188	$140,795,994	$95,766,784	116	$25,409,294
EMS	98	$21,475,383	$15,431,757	56	$7,563,550
Fire	175	$42,450,423	$31,916,257	74	$9,436,450
Higher Education	10	$26,957,723	$6,895,948	5	$4,000,000
General	230	$91,961,908	$47,519,309	55	$6,104,494
Emerging Counties	1	$1,250,000	$1,250,000	1	$1,250,000
Totals	**988**	**$1,513,188,451**	**$1,061,104,964**	**454**	**$206,732,726**

Total Awarded Funds **$206,732,726**

As of December 2, 2014

#10

Testimony to the
Senate Appropriations Committee
Prepared March 30, 2015 by
Mark A. Johnson, CAE – Executive Director
North Dakota Association of Counties

HB 1176
3-30-15

RE: Engrossed House Bill 1176 – GPT Formula Change

Chairman Holmberg and members of the Senate Appropriations Committee, the North Dakota Association of Counties and the county officials that I represent, wish to go on record in solid support of this important piece of legislation.

At our most recent annual meeting, county commissioners and other officials from every corner of the state discussed, at length, the infrastructure needs of local government. Our eastern county officials understand and support the tremendous needs of the west, while our western officials acknowledge that our robust farming economy has created challenges throughout the state. At our annual convention these officials came together to provide their unanimous support for this proposed legislation, as stated in the resolution included below.

We would like to recognize the tremendous work done by the Legislative sponsors of this bill in researching the needs and ultimately crafting a proposal that is reasonable, well-balanced, but very significant.

County officials across the state have very much appreciated the early funding provided in the "Surge", but have struggled somewhat with the restrictions placed on the use of the money provided to counties. We are urging greater flexibility for the funding provided in this proposal, and support the Senate's efforts to distribute the funds based on needs.

After addressing these issues, the North Dakota Association of Counties urges a Do Pass recommendation on this important legislation.

> **2014-14. Oil and Gas Gross Production Tax Distribution.** The communities in the oil and gas producing region continue to experience unprecedented growth and impacts from the development of oil and gas resources, and the effects of the development have extended beyond the producing counties. The financial impacts on communities have been and continue to be extensive, while the political subdivisions do not have the ability to collect property taxes from the production of oil and gas to support the infrastructure and community development needs. This Association therefore supports the efforts of the impacted counties to seek a change, for a minimum of three biennia, in the distribution of oil and gas gross production tax, so that local government receives one dollar for every four dollars of total oil and gas production tax collected, and so that the development needs today will be supported at approximately the same level that the state is investing in the Legacy Fund for the future. We further support the dedication of oil and gas impact grant funds to communities outside the primary producing counties.

HB 1176
3-30-15

#11

HB 1176 Testimony, March 30, 2015

Jason Benson, Cass County Engineer

I support the $112 million allocated to the non-Oil Producing Counties as part of HB 1176. Furthermore, the "Surge" funding has been a great boost and we appreciate the speed of the Legislature, the Governor, and the NDDOT in getting it implemented. In fact, this past Wednesday we had 13 counties from the east-central and south-east regions of the state at the Cass County Highway Department to move projects forward for 2015 construction with the "Surge" money.

Unfortunately the formula for the "Surge Bill" changed last minute and the funding was allocated based on County Major Collector (CMC) miles instead of using the UGPTI Needs Study. The change to CMC miles shifted the funding so that it is based only on a counties CMC miles and does not take into effect the number of bridges or non-CMC roads a county has. Many counties in particular were hurt by this change as Richland, Cass, Traill, Grand Forks, Walsh, Barnes, and Morton Counties all have significant numbers of bridges that were identified in the UGPTI Needs Study but are not relevant to CMC miles. The UGPTI Needs Study went to great lengths to analyze construction costs and the current (2014) study is based on the latest forecasts of agricultural and energy production and road construction prices. Using CMC miles to allocate funds doesn't take into account increased traffic, increased gravel cost, and other factors that the UGPTI Needs Study analyzed.

With the "Surge Bill's" $112 million distributed based on CMC miles, I feel that changing the funding formula back to the UGPTI Needs Study will fairly distribute the additional $112 million to counties. Counties that fared better with CMC miles got there share with the "Surge Bill". By changing the formula to the UGPTI Needs Study, those counties with higher funding needs with get there's.

In addition to changing the formula, wording within the "Surge Bill" regarding project criteria has forced some counties into changing their priorities regarding upcoming road and bridge projects. Counties statewide have needs for continuity and connectivity of roads. However, many counties outside of oil country have grain handling facilities, unit train operations, ethanol plants, elevators, potato facilities and other truck producing facilities on stub line roads. Due to the current language in the bill, funding cannot be used for the roads to these facilities if that road isn't a CMC route or if it doesn't provide connectivity either through the county, to another county, or to a state highway. I would like to see this requirement removed from the bill and to allow funding for stub routes to economic and truck generating facilities.

I ask the Committee to support HB 1176 with a change in funding allocation based on the UGPTI Needs Study and with less restrictive project criteria. This funding for non-Oil Producing Counties is critical to maintaining and improving our infrastructure. We need this funding for 2016 and it is critical to the success of our infrastructure projects throughout the state.

HB 1176 #12
3-30-15

Testimony of Eric Lindstrom, Government Affairs Representative
Ducks Unlimited, Inc. Bismarck, ND
Before the Senate Appropriations Committee
Senator Ray Holmberg, Chairman
House Bill 1176
March 30, 2015

Good morning, Mr. Chairman and distinguished members of the committee. My name is Eric Lindstrom and I work for Duck's Unlimited in Bismarck. On behalf of our organization that's been stationed in ND for over 30 years and our more than 6,500 members across the state, I appreciate the opportunity to join many others here today to testify in support of the Outdoor Heritage Fund (OHF) funding formula outlined in HB 1176 (see p. 4; Section 2.1e). This bill maintains strong bipartisan support and overwhelmingly passed the House on a 70-18 vote.

The OHF provides an exciting opportunity to invest in our future, build strong public-private partnerships and provide long-term benefits for communities, landowners and outdoor enthusiasts across the state. The OHF is a very popular and broadly supported program. Over 100 applicants from all across the state, including cities, counties, schools, tribes, local park boards and state agencies have applied for grants. In fact, in the first four grant rounds, applicants have requested $62 million or over twice the current authorized funding level. While several great projects have been funded, many others (~69%) have gone away empty-handed (see attached OHF fact sheet)

Last September, the Governor and several legislative leaders unveiled a plan to increase the OHF to $50 million per biennium. The bill before you today lowers that level to $40 million per biennium in light of recent budget projections. Governor Dalrymple, the Legislature and OHF advisory board should be recognized for their commitment to make greater investments in our state's treasured outdoors. Hunting, fishing, and spending time outdoors with friends and family are part of who we are as North Dakotans. Hunting and fishing alone generate $1.4 billion in economic activity each year. Investments in parks also provide a $9 to $1 economic return through local spending, tourism and jobs. Increased investments are vital to diversify and maintain these important sectors of economy and pass these traditions on to future generations.

I certainly don't envy the difficult budget decisions this committee and others have to make. However, I would respectfully ask that you consider the following factors when determining the final appropriation level for this broadly-supported program.

- The $20M/year ($40M/biennium) amount is **not a line-item appropriation, but rather a funding cap or ceiling** that will only be reached if/when oil prices return to higher levels. In other words, to reach this cap, a rising budget tide would float all boats (or buckets) in our economy.
- The funding formula (i.e., 8% of the first 1% of the production tax) outlined on page 4 **represents less than 1% (or about 0.82) of our state's total oil and gas revenues.**
- That means, no matter how high or low oil prices or production levels get, this will always represent **less than 1 cent for every dollar received in oil and gas revenues**.
- Lastly, for every dollar invested in the OHF, you can expect partners to leverage that with more than $1 more of matching funds ($1.3 to $1 to date), which will generate additional

12.1

dollars back to our economy each year. **Simply put, this program pays for itself and then some many times over.**

- Given the importance of ND's outdoors to our economy and way of life, this level of investment seems like a fiscally-sound and conservative approach.

In closing, we would respectfully ask this committee to give HB 1176 a "Do Pass" recommendation and support the current language outlined in the bill, which passed the House 70-18.

Thank you for your time and commitment to our state's treasured outdoor resources and to future generations of North Dakotans.

See attached OHF fact sheet

INVESTING IN NORTH DAKOTA'S OUTDOOR HERITAGE

Background

The Outdoor Heritage Fund (OHF) was created by the legislature in 2013. The fund, capped at $30 million per biennium, is governed by the Industrial Commission. A 12-member advisory board reviews applications from eligible organizations: nonprofits, state agencies, political subdivisions, and tribes; and makes grant funding recommendations.

Purpose

The fund aims to increase public access for sportsmen, provide voluntary incentives to farmers and ranchers for land and water stewardship, enhance parks, conserve natural areas for recreation, and maintain healthy wildlife and fish populations.

Our Legacy

Impacts on ND's Economy

- Hunting and fishing generate $1.4 billion in economic activity each year
- Investments in parks provide a $9 to $1 economic return through local investments and jobs

Habitat Challenges

- Roughly 2 million CRP acres have expired since 2007
- PLOTS acreage is down one-third since 2008 (>386,000 acres) reducing access for sportsmen
- Deer licenses issued are the lowest in 34 years and pheasant harvest has declined nearly 50% (~460,000 birds annually) since 2007

Public Supports Increased Investment

- 61% of North Dakotans believe more should be done to protect the state's land, water, and wildlife
- More than half of ND outdoor recreation providers reported public demand exceeded supply of opportunities in 2012

Broad Support & Unmet Needs

- Over 100 different groups have applied for grants and 70% of requests have gone unfunded (Fig. 1)
- Private/Public Partnership: Partners have matched OHF funds more than $1.3 to $1 (Table 1)
- Important Needs: Funding requests have been submitted by cities, counties, schools, tribes, park and recreation districts, conservation and other non-profit groups across North Dakota (Fig. 2; backside)

Table 1. Data Source: NDIC – Outdoor Heritage Fund - www.nd.gov/ndic/outdoor-infopage.htm

Round	Grant Requests	Total Project Costs	Grants Awarded	Unfunded Requests
1	$34.6 million	$62.6 million	$5.8 million	$28.8 million
2	$6.8 million	$13.2 million	$2.5 million	$4.3 million
3	$13.0 million	$55.2 million	$5.8 million	$7.2 million
4	$7.4 million	$11.8 million	$5.2 million	$ 2.2 million
Total:	**$62.0 million**	**$142.9 million**	**$19.3 million**	**$42.6 million**

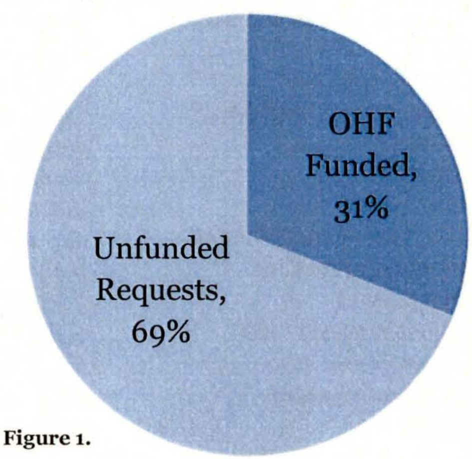


Figure 1.

Information compiled by: Ducks Unlimited, Inc.

12,3

INVESTING IN NORTH DAKOTA'S OUTDOOR HERITAGE

Grant Applicants

Nonprofits
American Bird Conservancy
Audubon Dakota
*Bismarck Rotary Club
Blacktail Dam Association
*Carrington CrossRoads Golf Course
*Cliffs Subdivision
Delta Waterfowl
*Devils Lake Chamber of Commerce
Ducks Unlimited, Inc.
Fingal Wildlife Club
*Fort Abraham Lincoln Foundation
*Golden Ridge Lutheran Church
*Green Acres Property Owners' Association
*Heart & Lung Clinic Foundation
*Little Missouri Grazing Association
Ludden Sportsmen Club
*Maah Daah Hey Trail Association
*Menoken 4-H Picnic Park Mutual Aid Corporation Board of Directors
Minot Family YMCA
*Minot Indoor Rodeo, Inc.
Minot Park District Foundation
Mule Deer Foundation
ND 4-H Foundation
ND Association of SCDs
*ND Grazing Lands Coalition
ND Natural Resources Trust
*New Rockford Area Betterment Corporation
Norsemen Archers, Inc.
*Northern Plains Resource Conservation and Development Council
*Northwood Hockey Boosters
Pheasants Forever Dakota Chapter, Bismarck
Pheasants Forever, Inc.
*Pheasants Forever: Sakakawea Chapter #335
*River Keepers
Sandhills Archery Club
*Save The Hens Foundation, Inc.
*Sleepy Hollow Arts Park
*Sporting Chance
*The Minot Retriever Club
The Nature Conservancy
*The Outdoor Adventure Foundation Inc.
*United Prairie Foundation Inc

Political Subdivisions
Barnes County SCD
Beach City Park Board
Beulah Park District
*Beulah Public School District #27
Bismarck Parks and Recreation District
*Bowman County Weed Board
*Burleigh County Water Resources District
*Casselton Park District
*Cavalier County Water Resource District
*City of Beulah and Coal Country Community Health Center
City of Dickinson
City of Grand Forks
*City of LaMoure
*City of Munich
City of Munich - City Park
*City of Valley City
*City of Washburn
Dickey County Park Board
Drayton Park Board
Eddy County Water District
Golden Lake Improvement Association
Grand Forks Park District
*Grant County SCD
Grant County Water Resource District
Griggs County Soil Conservation District
*Hankinson Park District
Hankinson Public School
Hunter/Arthur JPA Park Board
LaMoure County SCD
*Logan County JDA
Minot Park District Foundation
Morton County Parks
Morton County Water Resource District
*Mott Park District
Nelson County Park Board
Park River Parks and Recreation
Ransom County SCD
Ransom County Water Resource District
Red River Regional Council
Richland Soil Conservation District
Sargent County Park Board & Commissioners
South McLean County Soil Conservation District
*Spring Creek Watershed, Mercer County SCDs
Stutsman County Soil Conservation District
*Tioga Park District
Tri-Cities Joint JDA
*Tri-Cities joint JDA at Lake Tschida
Valley City Parks and Recreation Department
*Ward County Park Board
*Watford City Park Board
Wild Rice Soil Conservation District
*Williams County Water Resource District

State Agencies
*ND Barley Council
ND Dept. Agriculture
*ND Forest Service
ND Game & Fish Department
ND Parks & Recreation Department
*ND Parks and Recreation Department & Lewis & Clark Fort Mandan Foundation
North Dakota State University
University of North Dakota
Valley City State University

Tribes
Spirit Lake Nation Fish and Wildlife Department
Turtle Mountain Band of Chippewa Indians (TMBCI)

Number of Proposals by Group

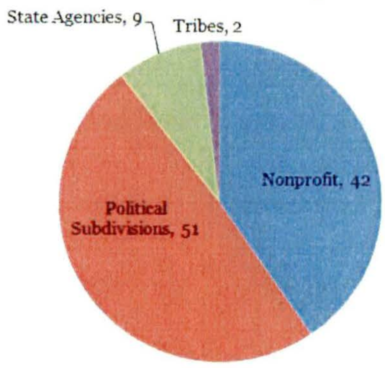


Figure 2. 151 proposals from 104 groups.

*Did not receive funding

Information compiled by: Ducks Unlimited, Inc.

#13

HB 1176
3-30-15

AAND

Airport Association of North Dakota

Matthew Remynse - President   Anthony Dudas - Vice President
Samuel Seafeldt - Sec. / Treasurer
PO Box 1560 Jamestown, North Dakota 58402-1560
(701) 355-1808

March 30, 2015

Re: Testimony to Senate Appropriations Committee on HB 1176

Chairman Holmberg and committee members:

- Thank you Chairman Holmberg and Senate Appropriations Committee members for the opportunity to provide information and thank you for past support to airports in North Dakota. My name is Tim Thorsen, I am the Past President and a Board Member of Airport Association of North Dakota (AAND). Governor Dalrymple's budget started with $50 million for western oil impacted airports in the Land Department's budget (HB 1013). Some of that funding was moved and put into HB 1176 and reduced to $10 million by the House. AAND supports the $50 million originally requested in the Governor's budget. I have testified previously about airports as economic drivers, increased use of airports and about airport needs and will focus on a few points we would like to emphasize related to HB 1176.
- Minot has made great progress toward its terminal, apron and parking needs with construction ongoing. Minot' current needs include supplemental funding for the terminal. Minot's General Aviation apron is in poor condition and needs rehabilitation

13.1

and expansion. Williston has made improvements to accommodate the tremendous growth while moving forward with environmental actions and planning to build a new airport. They will finish environmental actions, begin land acquisition and airport design. Construction is planned to start on the new airport in 2016 finishing in 2018. Dickinson is also conducting environmental actions and planning for a taxiway rehabilitation and runway safety area project in this biennium.

- The need for impact funding is particularly urgent related to securing Federal Aviation Administration (FAA) Funding for Williston's new airport. Williston is still busting at the seams. When I spoke to you last legislative session I told you that Williston ended 2012 with 37,508 enplaning passengers. Two years later in December of 2014 Williston ended the year with 116,119 enplaned passengers. Williston has applied for a Letter of Intent (LOI) from the FAA to relocate the airport. An LOI is difficult to secure and requires funding that would be met if the $48 million is approved. Getting an LOI is particularly important because it represents a commitment from the FAA for support of significant projects. Each year the FAA funds LOI commitments before providing for other airport grant funding. Lack of funding support could jeopardize up to $120 million of FAA funding needed for the Williston project.
- Joining me today is Williston Airport Manager Steven Kjergaard to tell you about the Williston airport project.

Thank you for the opportunity to speak in support of additional funds for oil impacted airports.

Sincerely,

Timothy J. Thorsen

Past President/ Board Member

HB 1176
3-30-15
#14

March 30, 2015
The Honorable Senator Ray Holmberg
Appropriations Committee
Re: Support for House Bill 1176

Chairman Holmberg and members of the committee:

My name is Steven Kjergaard and I am the airport director for the city of Williston. I am here today to support House Bill 1176 and the proposed amendments.

As the airport director I have been working with the state aeronautics and the Federal Aviation Administration (FAA) on the relocation of the Williston airport since 2011. This is a significant project for the city, state and the FAA. Throughout the process we have had positive interaction and collaboration on this project between all of the agencies. This collaboration has led to the project moving forward at an unparalleled pace for a project of this size and complexity.

In the attachment to my testimony is document that shows the historical airport boarding numbers for the Williston airport as well as the FAA approved forecasted passenger boardings. As it shows the growth curve has been and is forecasted to continue to climb as at unprecedented rate. In fact the terminal in Williston was designed to handle 10,000 enplaned passengers annually, and we are seeing over 10,000 enplaned passengers per month with 11 daily departures.

I am specifically supporting the amendment on the impact grant funds for airports going from 10 million to 48 million dollars. The relocation project for Williston is estimated to cost 240 million dollars. With the funding provided by the state through the impact grants it stresses to the FAA that all of the public entities support the project both in concept and with financial capability. The funding by the state through the grants will equate to approximately 25 percent of the total cost for the project. The city will also commit approximately 25 percent of the project cost as well, with the FAA covering the remaining 50 percent.

The commitment of funding from the FAA will be covered through a funding process known as a letter of intent that will secure the funding which will be provided over a period of time. For Williston to secure the letter of intent the FAA looks to the state and the city for their level of commitment of funding for the project.

I appreciate the opportunity to testify in support of House Bill 1176, and would stand for any questions you may have.

14.1

Sloulin Field International Airport
Replacement Project Legislative Request

LEGISLATIVE REQUEST

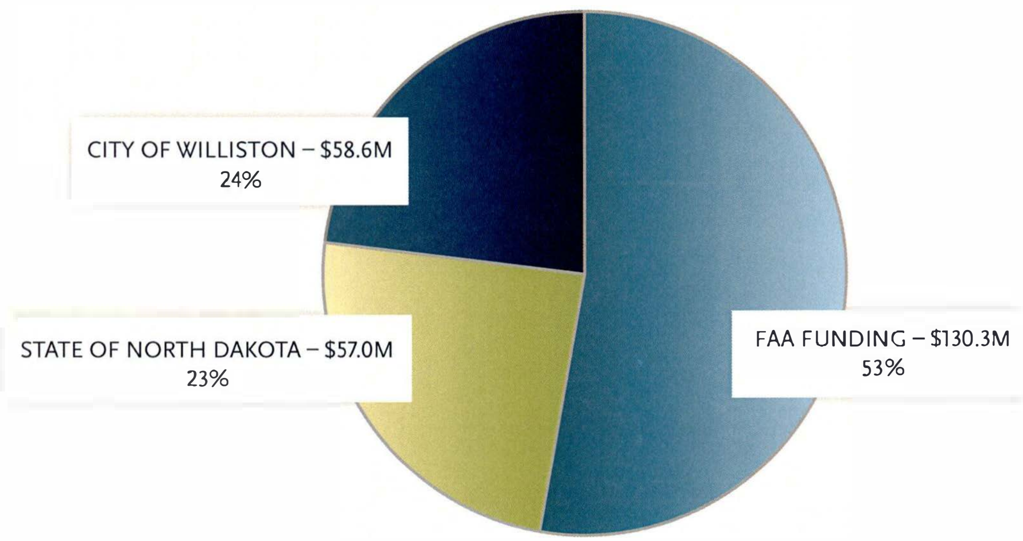
The City of Williston requests the Legislature restore the $50M as proposed in the Governor's budget to fund oil-impacted airports. Currently, the City of Williston has $20M in carry-over funding for the Sloulin Field International Airport Replacement Project, but HB 1176 contained the necessary remaining $37M needed from the State of North Dakota for the project.

IMPLICATIONS

The absence or reduction of state financial support may jeopardize the Federal Aviation Administration's (FAA) commitment to the Sloulin Field International Airport Replacement project, likely delaying or ultimately terminating the project.

FUNDING OVERVIEW

The funding plan for the $245.9M Sloulin Field International Airport Replacement Project requires financial collaboration between the City of Williston, the State of North Dakota and FAA. In order to maintain and secure the FAA financial contribution of $130.3M by summer 2015, the availability and commitment of funding from the City of Williston and the State of North Dakota must be identified by spring 2015.



PROJECT SCHEDULE

The City of Williston has developed an aggressive goal for construction to begin in 2016. The airport is anticipating being open for service by fall 2017.

SCHEDULE	ACTIVITY	COST
2014	Planning, Environmental, Preliminary Design	$3.7M
2015	Land Acquisition, Airfield and Terminal Design	$37.6M
2016	Airfield Grading and Paving, Terminal Construction, Access Roads, Utilities	$138.9M
2017	Continued Paving Runways, Taxiways, Aprons, Airport Support Facilities	$43.4M
2018	Finalize Construction of Certain Taxiways, Aprons and Support Facilities	$7.9M
	Total Construction Cost	$227.8M
	Estimated Finance Expense	$14.4M
	Total Cost Estimate	$245.9M

14.2

CONTINUED OPERATIONS AT EXISTING AIRPORT

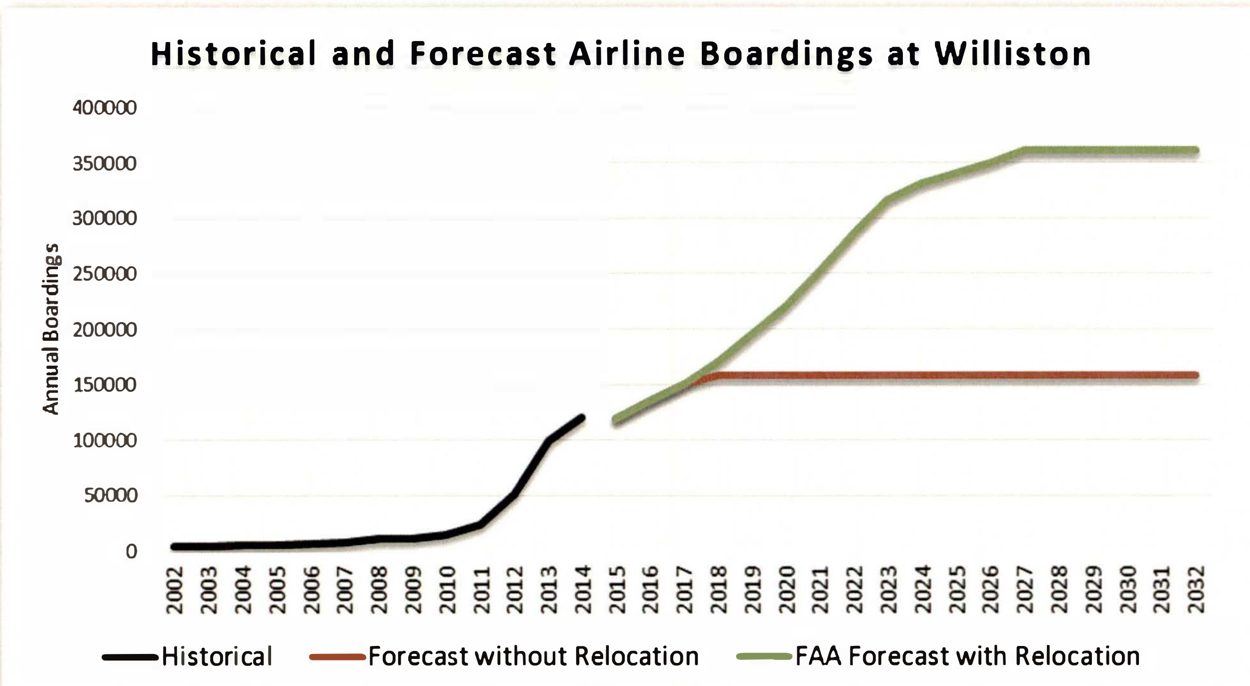
There are multiple issues with continuing to operate at Sloulin Field.

- Airfield does not meet FAA Design Standards for existing corporate and airline air traffic
- Pavement weight bearing capacity is 25,000 lbs, the 50 seat regional jets operated by United and Delta weigh 50,000 lbs
- There are serious concerns that pavement at Sloulin Field will not last until a new airport is constructed

If the Williston Airport is not relocated, reconstruction and expansion of the existing airfield would be more expensive and only partially in compliance with FAA Design Standards. Reconstruction and expansion would also limit the airport's ability to expand for future aviation needs and would require the airfield to be closed for 18-24 months.

ACTIVITY AT THE AIRPORT

The Sloulin Field International Airport has experienced one of the fastest passenger growth rates of any airport in the United States in the past four years. FAA is forecasting this growth will continue, although at a slightly slower rate. Activity has been forecasted below to show what will occur if the airport is not relocated. The following chart depicts those two forecasts compared to the historical boarding.



For More Information Contact
STEVEN KJERGAARD
Airport Director, Sloulin Field International Airport
P: 701 774 8597
E: stevenkj@ci.williston.nd.us

14.3

HB 1176
3-30-15
14A

Testimony: HB 1176

Senate Appropriations Committee

March 30, 2014

Good morning Chairman Holmberg and Members of the Senate Appropriations' Committee. My name is Sue Heitkamp and I am the Executive Director for CHI-Health at Home. I am here today in support of the proposed Amendment to Section 4 of HB 1176 and ask that you give this amendment and bill a DO Pass.

- CHI-Health at Home spent $585K on travel nurses, an extra $400K on salaries.
- For the 3 year period ending June 30th the Williston and Dickinson lost 1.2 million.
- We cannot afford to sustain these types of losses going forward, and as the only Medicare certified agency's in the western 3rd of the state.
- Home Health serves patients within our communities to lessen the penalty to hospitals on re-admissions.

Despite the fact that home health services are significantly less expensive than a hospitalization; home health and hospice agencies are all too often overlooked. The 2010 Frontier Amendment which boosts Medicare reimbursement levels for North Dakota hospitals and doctors is expected to provide North Dakota hospitals and doctors with an influx of more than $650,000,000 over the next decade. While the Frontier amendment is vital to preventing a disruption in the quality of inpatient care to thousands of North Dakota citizens, it provides **no** assistance for home care or hospice. Ten years ago, patients that were in the hospital for 4-5 days are now sent home after a few hours in the emergency room or a half-day in the same day surgery center. Home health care is at their door step the next morning, providing the care that was normally done within a hospital setting.

I submit to you today that there is nothing more important to your constituents than the ability to receive the specialized care of home health and hospice-without that care costing them their family or well-being. As North Dakotans we often pride ourselves on our rural values and way of life. Home health and hospice makes that way of life possible and is essential to continuing those rural values. For these reasons I urge you to support HB 1173.

14A.1

HB 1176 #15
3-30-15

NDHA
North Dakota Hospital Association

Vision
The North Dakota Hospital Association will take an active leadership role in major Healthcare issues.

Mission
The North Dakota Hospital Association exists to advance the health status of persons served by the membership.

Testimony: HB 1176
Oil and Gas Production Tax
Amendment to Section 4
Senate Appropriations Committee
March 30, 2015

Good morning Chairman Holmberg and Members of the Senate Appropriations Committee. I am Jerry E. Jurena, President of the North Dakota Hospital Association. I am here today in support of the proposed Amendment to Section 4 of HB 1176 and ask that you give this amendment and bill a **Do Pass.**

In 2013 the 63rd Legislature passed HB 1358. Section 10 of this bill appropriated funds to the Department of Human Services for the purpose of administering a grant program for Critical Access Hospitals (CAHs) located in oil producing counties and contiguous counties to address the increase in costs associated the increased utilization in emergency rooms and outpatient departments in hospitals by oil workers and their families.

In 2013 $9.6 million was allocated to the Department of Human Services with $700,000 to be utilized by hospitals to purchase a personal information and health insurance verification system. The remaining $8.9 million was divided equally over both years of the biennium to help offset uncompensated patient care costs, $4.45 million per year.

In November 2013 the Department of Human Services sent out an application to Critical Access Hospitals in the designated counties to collect uncompensated costs for the year. Based on the eligibility requirements covered by Section 10, nine (9) hospitals qualified for the grant program. The eligible hospitals had in excess of $8 million in uncompensated care over the historical figure of 2.7%. The hospitals; therefore, received an amount equal to 56% of their uncompensated care in excess of 2.7%.

PO Box 7340 Bismarck, ND 58507-7340 Phone 701 224-9732 Fax 701 224-9529

In November of 2014 the Department of Human Services repeated this process for 2014. The Department of Human Services has indicated ten (10) hospitals had submitted applications, an increase of one. The total amount from the ten hospitals was in excess of $10 million.

Again the criteria are: the hospital has to be in oil producing county or a contiguous county, have a bad debt greater than 2.7% of gross patient revenue and any funds received cannot give a hospital a positive bottom line. The deadline for applications was December 1, 2014.

The Department of Human Services receives the applications, verifies the information and mails the checks.

Hospitals are making changes to their internal collection processes; however, they are still inundated with oil workers and their families utilizing emergency rooms and outpatient services. Hospitals are required by **EMTALA, Emergency Medical Treatment and Active Labor Act,** to assess, treat and stabilize each and every patient that presents to the emergency room before inquiring about payment. People from out of state know and utilize this Act to their advantage; thereby, creating a no win situation for hospitals and leaving the hospitals with a bad debt problem.

The amendment to Section 4 of HB 1176 will provide additional funds to be used by hospitals to offset the increase in uncompensated care created by individuals utilizing outpatient services in hospitals.

Today with me is Dan Kelly CEO from McKenzie County Health Care System in Watford City to provide additional information on his hospital.

I ask that you support the amendment to Section 4 of HB 1176 and recommend a **Do Pass.** Thank you.

Respectfully Submitted,

Jerry E. Jurena, President
North Dakota Hospital Association

15.2

HB 1176
3-30-15
#16

Testimony: HB 1176
Amendment
Senate Appropriations Committee
March 30, 2015

Good morning Chairman Holmberg and members of the Senate Appropriations Committee. For the record I am Daniel Kelly, CEO of the McKenzie County Healthcare Systems, Inc. in Watford City North Dakota. I am here today in support of the amendment forwarded by Representative Skarphol and Representative Lefor to HB 1176.

In 2013 $9.6 million was allocated to Human Services with $700,000 utilized by hospitals to purchase a personal information and health insurance verification system. The remaining $8.9 million was divided equally over both years of the biennium to help offset uncompensated patient care costs.

Hospitals are making changes to their internal collection processes; however, they are still inundated with oil workers and their families utilizing services in our emergency rooms. Hospitals are required by **EMTALA (Emergency Medical Treatment and Active Labor Act)** to assess, treat and stabilize each and every patient that comes in to the emergency room (ER) before inquiring about payment. People from out of state know and utilize this Act to their advantage; thereby, creating a no win situation for hospitals and leaving the hospitals with stifling bad debt.

Hospitals <u>are</u> implementing strategies to help reduce bad debt.

Our facility and others such as St. Joseph's Health in Dickinson have undertaken these strategies:

1. We offer bedside registration, which allows staff maximum time to get all the appropriate documentation and to foster a better relationship.
2. We added additional providers both Physicians and Advanced Clinical Professionals, (NPs and PAs) to maximize efficiencies and address patient needs.
3. We have referred many ER patients to our numerous clinic providers and did our best to track the "frequent flyers".

St. Joseph's Health in Dickinson added a Medicaid Expansion Specialist to enroll individuals in Medicaid or those eligible for coverage under the Affordable Care Act.

At the McKenzie County Healthcare Systems, Inc. we likewise started a program of enrolling individuals in Medicaid but ceased as the vast majority of individual in our service area do not qualify for Medicaid. Instead we implemented a rigid screening process such that all self-pay persons seeking care outside of the emergency room (non-emergent care) make an upfront payment for services.

Even as we continue to adapt and move ahead, we have need for grant dollars to offset the significant financial needs that the Energy Boom has created.

1. We continue to see a large number of Primary Care Patients that need services that are uninsured or still waiting to qualify for insurance.
2. We are dealing with significant mental health and addiction issues whose only option is to seek assistance in the ER.
3. We are seeing a large number of drug seekers looking for Narcotics and seeking pain management, which is also not readily available.
4. In our emergency rooms we are multiple trauma patients resulting from the motor vehicle accidents occurring out west.

I ask that you support the amendment introduced to HB 1176 and recommend a **Do Pass.** Thank you.

Respectfully Submitted,

Daniel Kelly, CEO
McKenzie County Healthcare Systems, Inc.
Watford City, North Dakota
Email: dkelly@mchsnd.org
Phone: 701-842-3000

HB 1176
3-30-15

#17

March 30, 2015

SENATE APPROPRIATIONS COMMITTEE
HB 1176

CHAIRMAN HOLMBERG AND MEMBERS OF THE COMMITTEE:

For the record my name is Blake Crosby. I am the Executive Director of the North Dakota League of Cities representing the 357 cities across the State.

I am testifying in favor of HB 1176. At the business meeting at the annual conference of the North Dakota League of Cities in Minot in September of 2014; a resolution was passed supporting the change in the gross production tax formula as presented by cities in the oil and gas producing counties. There was recognition of the impact the oil boom had on cities in the oil patch and the need to provide adequate funding so they are able to address vital infrastructure needs in the upcoming biennium.

I would also ask you to reconsider going back to the original definition of a "hub city" which was those cities having more than 1% of private covered employment engaged in "oil and gas related employment". Those potential new hub cities are major economic drivers for the State and their ability to add to the future economic strength of the State should not be diminished.

THANK YOU FOR YOUR TIME AND CONSIDERATION. I will try to answer any questions.

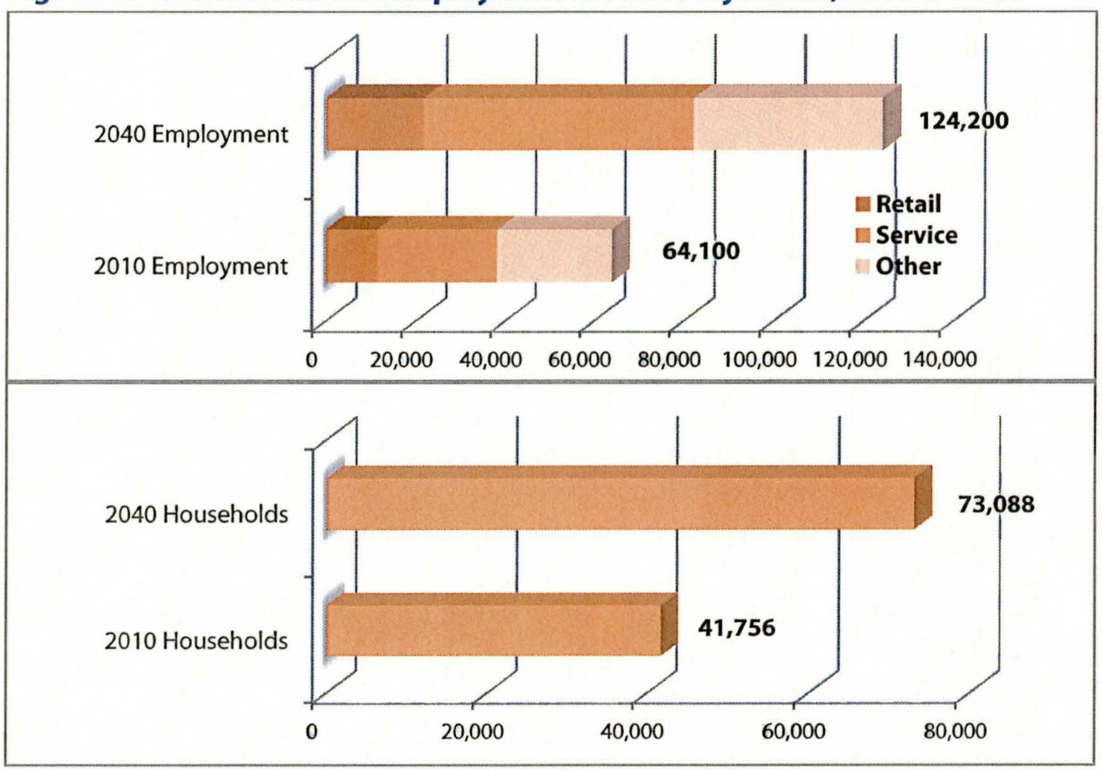
17.1

LAND USE TRENDS / 2040 FORECASTS

The Bismarck-Mandan area is currently experiencing rapid growth. The most recent data show that between July 2012 and July 2013, Bismarck-Mandan was the fifth fastest growing metropolitan area in the United States[1]. It is anticipated that relatively high levels of growth will continue into the future.

The MPO worked with staff from local jurisdictions and utilized the best available data to develop future households and employment projections through 2040. The projections were developed to forecast traffic demand growth to plan for future transportation system needs. Multiple growth scenarios were considered during the projection process, due to the uncertainty and the high growth happening across the region and North Dakota. The MPO policy board selected the *Aggressive Growth (Oil Boom) Scenario* as the scenario used to determine future transportation demand. This scenario assumed that regional population growth would be 3.5% per year until 2025, and would then return to the regional historical rate of 1% to 1.5% per year between 2025 and 2040. **Figure ES-2** illustrates the levels of household and employment growth projected through 2040.

Figure ES-2. Household and Employment Growth Projections, 2010 to 2040



The MPO and local planning and development staffs worked together and agreed on where that future growth was likely to occur, and the MPO policy board reviewed and approved the growth assumptions used in the 2040 LRTP. The areas of anticipated future growth are documented in the full LRTP report.

[1] www.census.gov/newsroom/releases/pdf/CB14-51_countymetropopest2013tables.pdf

18.1

Background

The City of Bismarck has experienced significant growth in recent decades, which is stretching urban infrastructure and real estate supply. The pressures as measured by demographic trends and development patterns have continued. Historically, the Bismarck region has grown at a moderate rate (approximately 1% to 1.5 % per year in population), which had been manageable under direction of the 2003 Growth Management Plan and other guiding documents. The experience of the last half decade has resulted in a dramatic change in expectations and growth trajectory for the future. This change, driven by energy exploration and production to the west, necessitates the ongoing review and update of the City's Growth Management Plan.

Growth Forecasts

The Bismarck-Mandan MPO developed population forecasts as part of their continuous regional long range planning efforts. Three growth scenarios were initially prepared:

- Continued Steady Growth (Historic) Scenario: Population growth at historical rates: 1% to 1.5% per year, or about 10% to 15% per decade to 2040. This is consistent with historical trends and population projections from the Bismarck Community Development Department and from Woods and Poole Economics.
- Moderate Boom Scenario: Population growth of 2.25% per year to 2025, returning to the historical rate of 1% to 1.5% per year after that to 2040.
- Aggressive Growth (Oil Boom) Scenario: Population growth of 3.5% per year to 2025, returning to the historical rate of 1% to 1.5% per year to 2040.

The Aggressive Growth Scenario was selected by the MPO Policy Board to use for its planning purposes; this scenario was affirmed as the preferred scenario for use as the basis of the 2014 Growth Management Plan Update by the Plan's Advisory and Technical Committees in 2013.

These population, household and employment projections were utilized to determine land consumption requirements for residential and commercial/industrial growth through the 2040 planning period. These acreages were apportioned into consumption tiers, which are additive.

- Tier 1 – 2025 Continued Steady Growth Land Consumption
- Tier 2 – 2025 Aggressive Growth Land Consumption
- Tier 3 – 2040 Continued Steady Growth Land Consumption
- Tier 4 – 2040 Aggressive Growth Land Consumption

Phase	Arterial Roadways		Collector Roadways		Total	
	Miles	Cost	Miles	Cost	Miles	Cost
Phase 1	17	$169-206 million	33	$40-48 million	50	$208-254 million
Phase 2	12	$116-142 million	18	$21-25 million	30	$137-168 million
Phase 3	19	$190-232 million	19	$23-28 million	38	$213-260 million
Total	48	$475-581 million	70	$83-102 million	118	$558-682 million

Table 2: Estimated Potential Public Road Costs, Phase 1, 2 and 3 Plan Areas
Estimated costs for publicly funded roadway expenditures in 2013 dollars for entirety of Phase 1, 2 and 3 Growth areas.

These figures represent total build-out of all planned arterials and collectors in these areas. As such, these roadways would be implemented in a component and staged manner over a very long term, most certainly beyond the 2040 time horizon for this Plan and the underlying population, employment and development forecasts. This analysis was undertaken in order to understand the magnitude of potential funding needs for both types of roadway in order to frame the investigation of potential alternative funding sources.

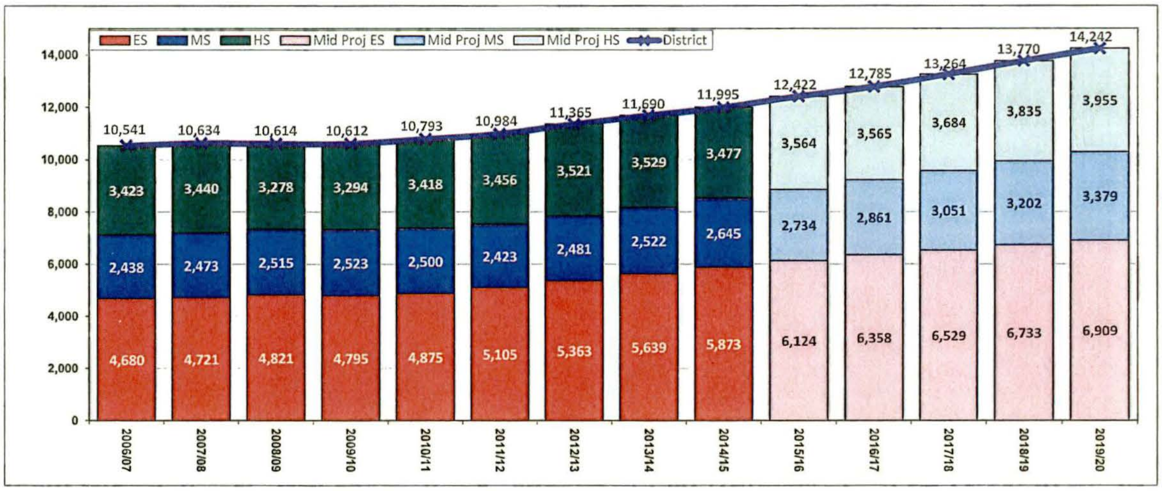
Alternate Funding Concepts and Review Process

The process employed in the Growth Management Plan to evaluate the feasibility of alternate funding mechanisms was for the planning consultant team to provide research on a broad range of ideas/concepts. The Technical Committee was charged with the responsibility of reviewing the positives and negatives of each of the concepts and narrowing the range to those that had potential in the region to provide a reasonable revenue stream and those that had a reasonable possibility of gaining local and legislative support. The narrowed range of ideas was presented to the Growth Management Plan Advisory Committee for input and comment. The initial range of ideas included alternates from the following categories:

- Formalize the impact fee or developer exactions concepts that are presently employed on a case-by-case basis.
- Create special service districts where enhanced property taxes would be collected.
- Establish local fuel taxes to supplement the state and federal taxes presently levied.
- Increase currently levied taxes such as sales taxes and/or property taxes.

18.2

BPS Past, Current & Future Enrollment

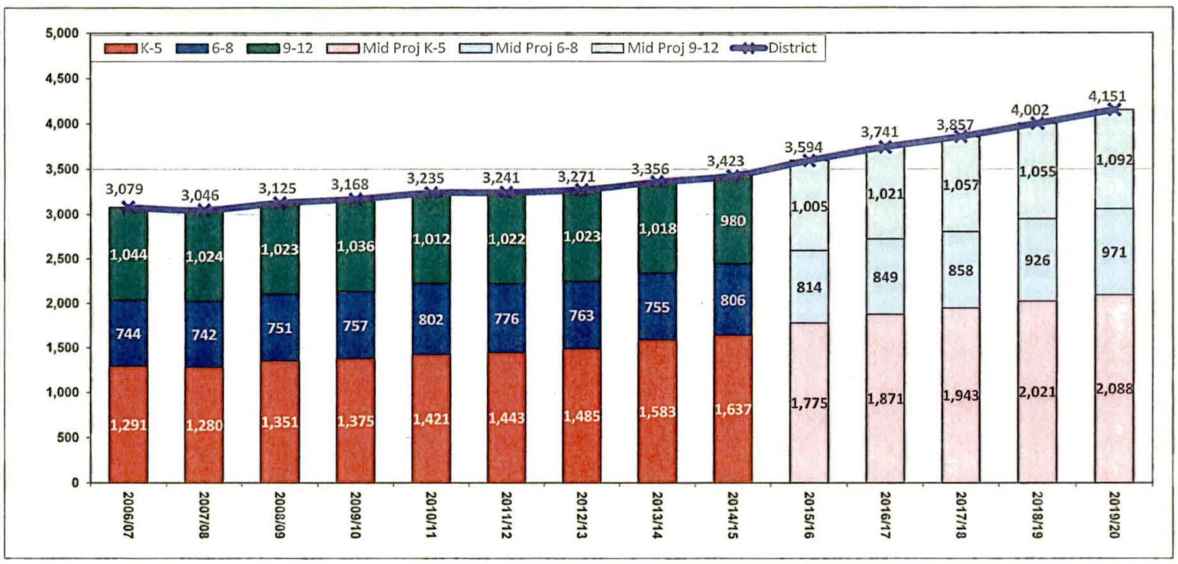


Source: Bismarck Public School District and RSP SFM & Demographic Models

- The above enrollment totals are Kdg to 12th grade (ES +17.7%, MS: +27.7%, HS: +17.4%, District : +19.8%)
- The above numbers are not the Certified Enrollment Count
- Does not include Home School, Private School, or Parochial School

Enrollment will increase from 2014/15 by nearly 20% by 2019/20

MPS Past, Current & Future Enrollment



Source: Mandan Public Schools and RSP SFM & Demographic Models

- The above enrollment totals are Kdg to 12th grade
- The above numbers are not the Certified Enrollment Count
- Does not include Home School, Private School, or Parochial School

18.3

Enrollment will increase from 2014/15 by over 20% by 2019/20

2010-2040 METROPOLITAN POPULATION PROJECTIONS

Jurisdiction	Apr-10 Census	Apr-10 Cens % of Co.	Jul-11 Est:	Jul-12 Est:	Jul-13 Est:	Jul-14 Est:	Jul-15 Est:	Jul-16 Est:	Jul-17 Est:	Jul-18 Est.	Jul-19 Dept. Est:	Jul-20 Dept. Est:	Jul-30 Dept. Est:	Jul-40 Dept. Est:
Bismarck	61,272	75.3%	62,608	63,992	65,375	66,758	68,141	69,525	70,908	72,291	73,674	75,058	88,890	102,723
Lincoln	2,406	3.0%	2,494	2,550	2,605	2,660	2,715	2,770	2,825	2,880	2,935	2,990	3,541	4,093
Other County	17,630	21.7%	18,043	18,441	18,840	19,238	19,637	20,036	20,434	20,833	21,232	21,630	25,616	29,602
Total Burleigh Co.	81,308	100%	83,145	84,983	86,820	88,656	90,493	92,331	94,167	96,004	97,841	99,678	118,047	136,418
Mandan	18,331	66.7%	18,499	18,674	18,849	19,025	19,200	19,376	19,551	19,727	19,902	20,077	21,832	23,586
Other County	9,140	33.3%	9,235	9,323	9,411	9,498	9,586	9,673	9,761	9,848	9,936	10,024	10,899	11,775
Total Morton Co.	27,471	100%	27,734	27,997	28,260	28,523	28,786	29,049	29,312	29,575	29,838	30,101	32,731	35,361
Total Bismarck, Lincoln, Mandan	82,009	75.4%	83,601	85,216	86,829	88,443	90,056	91,671	93,284	94,898	96,511	98,125	114,263	130,402
Total Other County	26,770	24.6%	27,278	27,764	28,251	28,736	29,223	29,709	30,195	30,681	31,168	31,654	36,515	41,377
Total Burleigh/ Morton Co.	108,779	100%	110,879	112,980	115,080	117,179	119,279	121,380	123,479	125,579	127,679	129,779	150,778	171,779

Latest official Census city estimates
Latest official Census county estimates (2011)
Community Devel. Dept. estimates (2012-2040)

Bur Co 4/1/00-7/1/11 change = 1,837 div. by 1 yr = 1,837 avg per yr/18,370 per 10 yr
Mor Co 4/1/00-7/1/11 change = 263 div. by 1 yr = 263 avg. per yr./2,630 per 10 yr.

18.4

W:\Wrksheet\Metropolitan Population Projections\metropop10-40

4/12

North Dakota AG Coalition

P.O Box 1091
Bismarck, ND 58502
(701) 355-4458
FAX (701) 223-4645

MEMBERS

AmeriFlax
BNSF Railway Company
Garrison Diversion Conservancy District
Independent Beef Association of ND
Landowners Association of ND
Milk Producers Association of ND
Minn-Dak Farmers Cooperative
ND Ag Aviation Association
ND Ag Consultants
ND Agricultural Association
ND Agri-Women
ND Association of Agricultural Educators
ND Association of Soil Conservation Districts
ND Barley Council
ND Beef Commission
ND Corn Growers Association
ND Corn Utilization Council
ND Crop Improvement and Seed Association
ND Dairy Coalition
ND Department of Agriculture
ND Dry Bean Council
ND Dry Edible Bean Seed Growers
ND Elk Growers
ND Ethanol Council
ND Farm Credit Council
ND Farmers Union
ND Grain Dealers Association
ND Grain Growers Association
ND Irrigation Association
ND Lamb and Wool Producers
ND Oilseed Council
ND Pork Producers
ND Soybean Council
ND Soybean Growers Association
ND State Seed Commission
ND Stockmen's Association
ND Wheat Commission
NDSU Agricultural Affairs
Northern Canola Growers Association
Northern Food Grade Soybean Association
Northern Plains Potato Growers Association
Northern Pulse Growers Association
Northwest Landowners Association
Red River Valley Sugarbeet Growers
US Durum Growers Association

#19

HB 1176
3-30-15

Fred Helbling

North Dakota Ag Coalition Chairman

In Support of HB 1176

March 30, 2015

Mr. Chairman and members of the committee, my name is Fred Helbling, and I am here today as the chairman of the North Dakota Ag Coalition. The Ag Coalition has provided a unified voice for North Dakota agricultural interests for over 30 years. Today, we represent more than 40 statewide organizations and associations that represent specific commodities or have a direct interest in agriculture. Through the Ag Coalition, our members seek to enhance the climate for North Dakota's agricultural producers.

The Ag Coalition takes a position on a limited number of issues that have significant impact on North Dakota's agriculture industry. These issues are brought to us by our members, thoroughly discussed and then voted on to determine if the Ag Coalition should lend its support to an issue. The Ag Coalition unanimously supports the funding for rural roads and bridges as identified in the Upper Great Plains Transportation Institute's report *Infrastructure Needs: North Dakota's County, Township and Tribal Roads and Bridges: 2015 - 2034*. The Ag Coalition therefore supports the appropriation for funding of county road and bridge projects in oil producing and non-oil producing counties.

By continuing to improve our state's rural roads and bridges, we will help to ensure that North Dakota's farmers and ranchers are able to plant, harvest and market their products safely and efficiently.

The Ag Coalition encourages your support of HB 1176.

19.1

HB 1176
3-30-15
#20

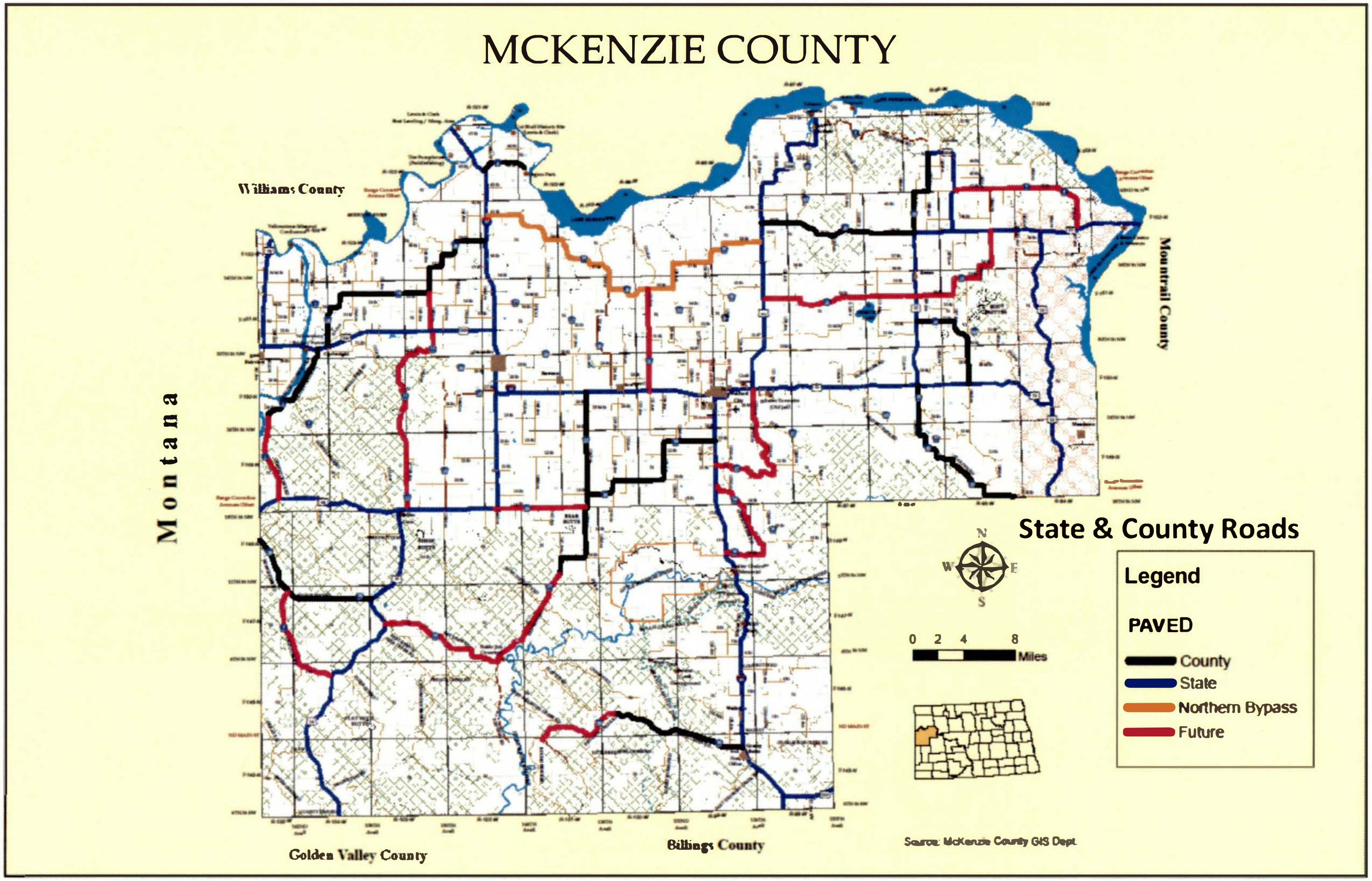
20.1

McKENZIE COUNTY

BUDGET & FINANCES 2014 – 2015

February 2015

105,500# GVW PAVED COUNTY ROADS - Current & Future



26.2

203

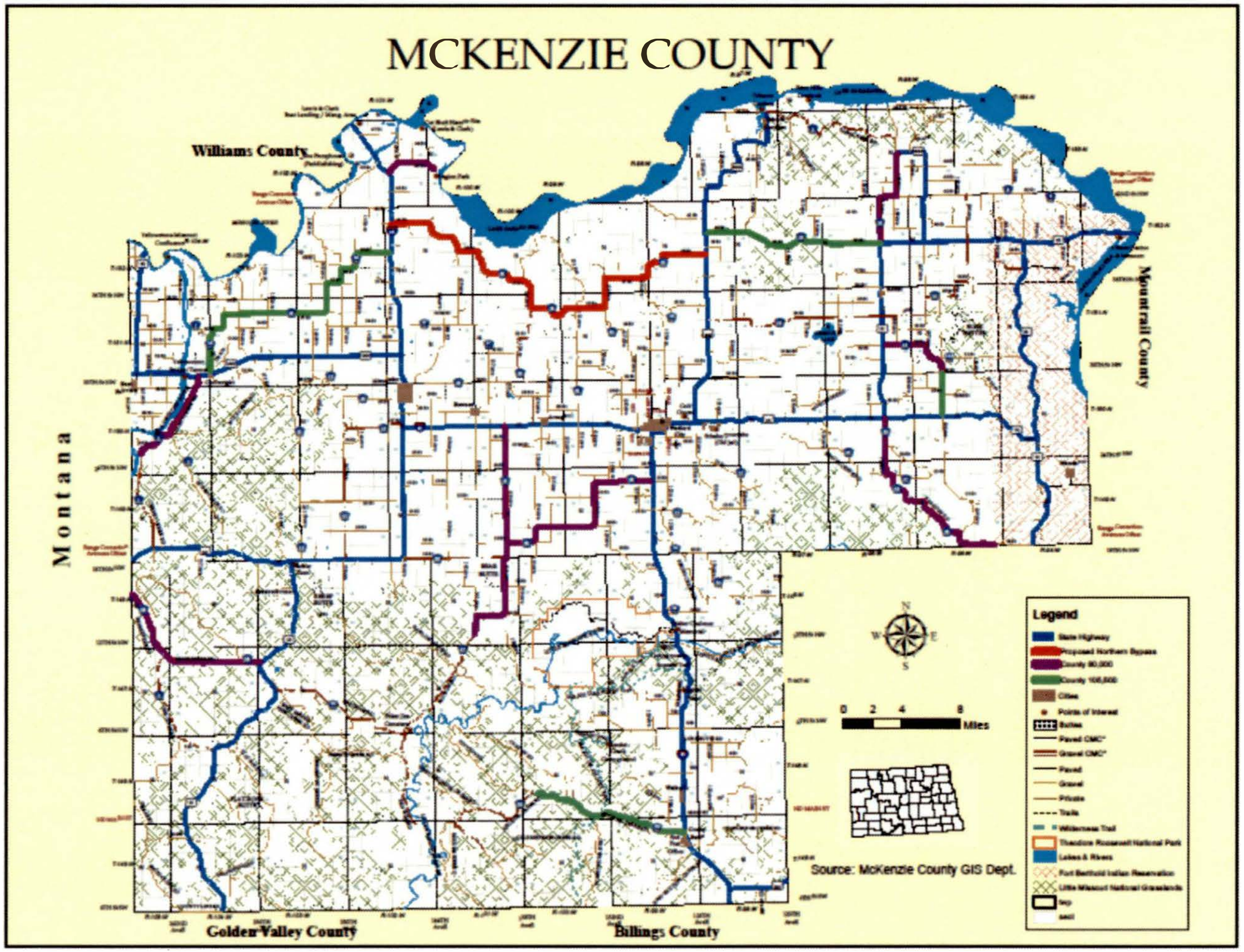
ROADS TO UPGRADE TO 105,500# PAVEMENT

Year	County Route # (in order of priority)	Length	Current Weight Limitation	Estimated Cost to Bring Up To 105,500#	Annual Total
2015	Northern Bypass Ph1	14.0 miles	Gravel	$ 47,271,311	
2015	53	5.6 miles	80,000# Paved	$ 11,235,278	
2015	30	13.6 miles	80,000# Paved	$ 27,276,887	
2015	30	7.1 miles	Gravel	$ 15,713,086	$ 101,496,562
2016	Northern Bypass Ph2	15.6 miles	Gravel	$ 52,728,689	
2016	27	16.3 miles	80,000# Paved	$ 32,568,497	
2016	12 Ph1	12.4 miles	Gravel	$ 27,364,714	$ 112,661,900
2017/18/19/20	31	8.0 miles	Gravel	$ 17,634,246	
2017/18/19/20	55	7.5 miles	80,000# Paved	$ 14,968,152	
2017/18/19/20	34	11.8 miles	Gravel	$ 25,960,000	
2017/18/19/20	37	13.6 miles	Gravel	$ 29,862,748	
2017/18/19/20	12 Ph2	10.9 miles	Gravel	$ 24,006,544	
2017/18/19/20	6	14.2 miles	Gravel	$ 31,344,929	
2017/18/19/20	27	8.7 miles	Gravel	$ 19,165,694	
2017/18/19/20	1	14.1 miles	Paved/Gravel	$ 28,240,000	(4 year total)
2017/18/19/20	38	21.4 miles	Paved/Gravel	$ 44,958,208	$236,140,521
		194.8 miles	**TOTAL**	**$ 450,298,983**	

Shovel Ready Spring 2015

CR16 rebuilt in 2012 & 2013 – 21 miles – $28 million
CR10 rebuilt in 2012 & 2013 – 12 miles - $18 million
CR14 rebuilt in 2014 – 5.4 miles - $10 million
CR53 rebuilt in 2014 – 8.4 miles - $15 million

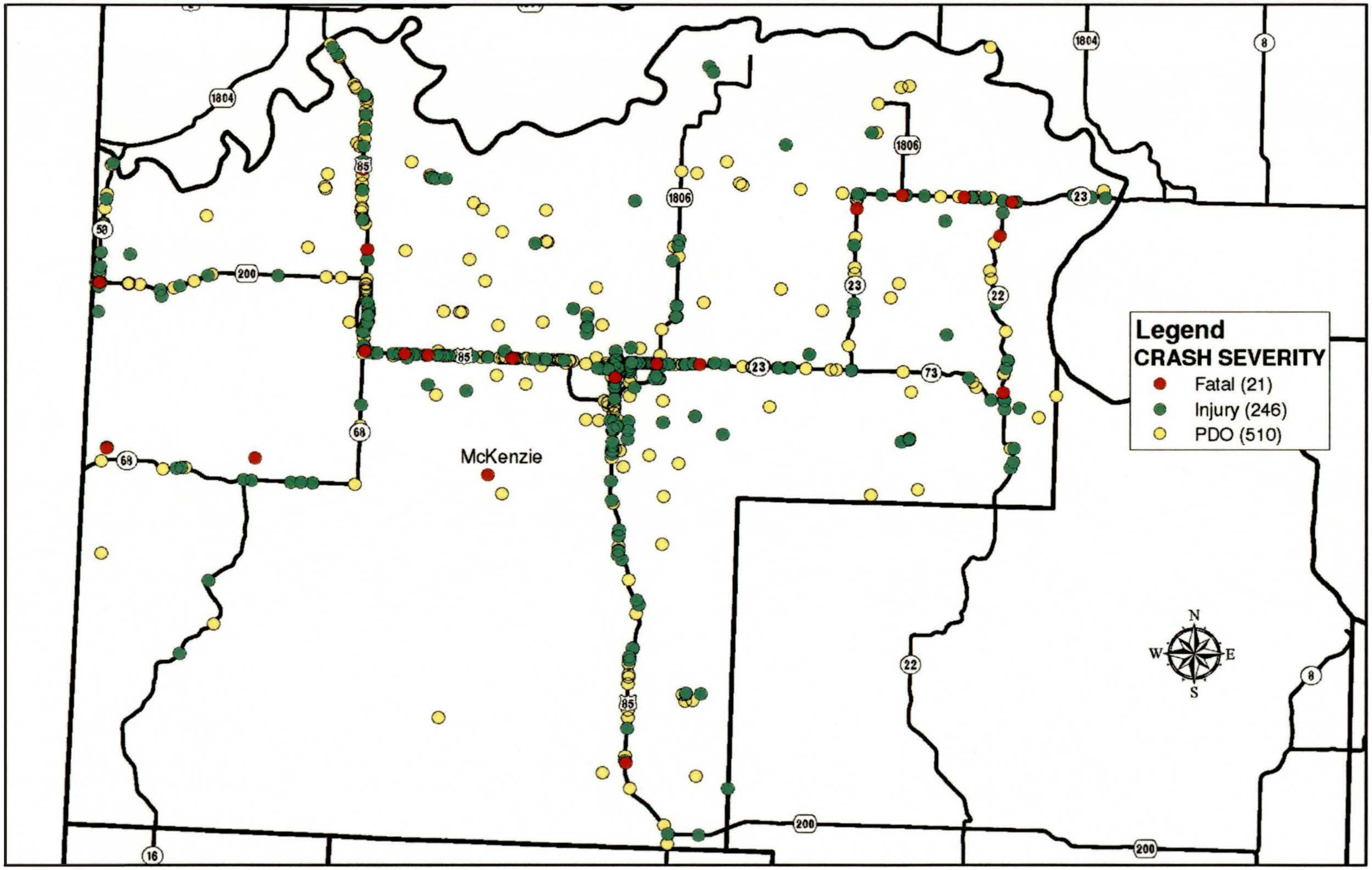
PROPOSED NORTHERN BYPASS



205

2014 McKenzie County Crashes

23 USC 409 Documents
NDDOT Reserves All Objections



This crash data was prepared on 2/5/2015, so it is possible crashes that occurred in November and December have not yet been entered into the database.
The study period used was 1/1/2014 to 12/31/2014.
The crash number within ( ) is the number of crashes not the number of injuries or fatalities.

PREPARED BY THE
North Dakota Department of Transportation
Programming Division
Traffic Operations Section
January 2015

20.6

Why a Paved Northern Bypass

- **Safety**
  - McKenzie County has led the state in fatalities the last 2 years
    - **18 Deaths in 2012**
    - **24 Deaths in 2013**
    - **24 Deaths in 2014**
    - *One county accounting for 20% of the deaths on North Dakota highways is unacceptable. Completion of the northern bypass route would help spread the traffic in the county.*

- **Efficiency for the Industry**
  - This route is currently a gravel route that has been difficult for the county to maintain in reasonable condition.
  - Paving this northern route shortens the commute from Williston to the Keene-Charlson and Ft. Berthold oil field by approximately 40 miles.

20.7

PROPOSED NORTHERN BYPASS

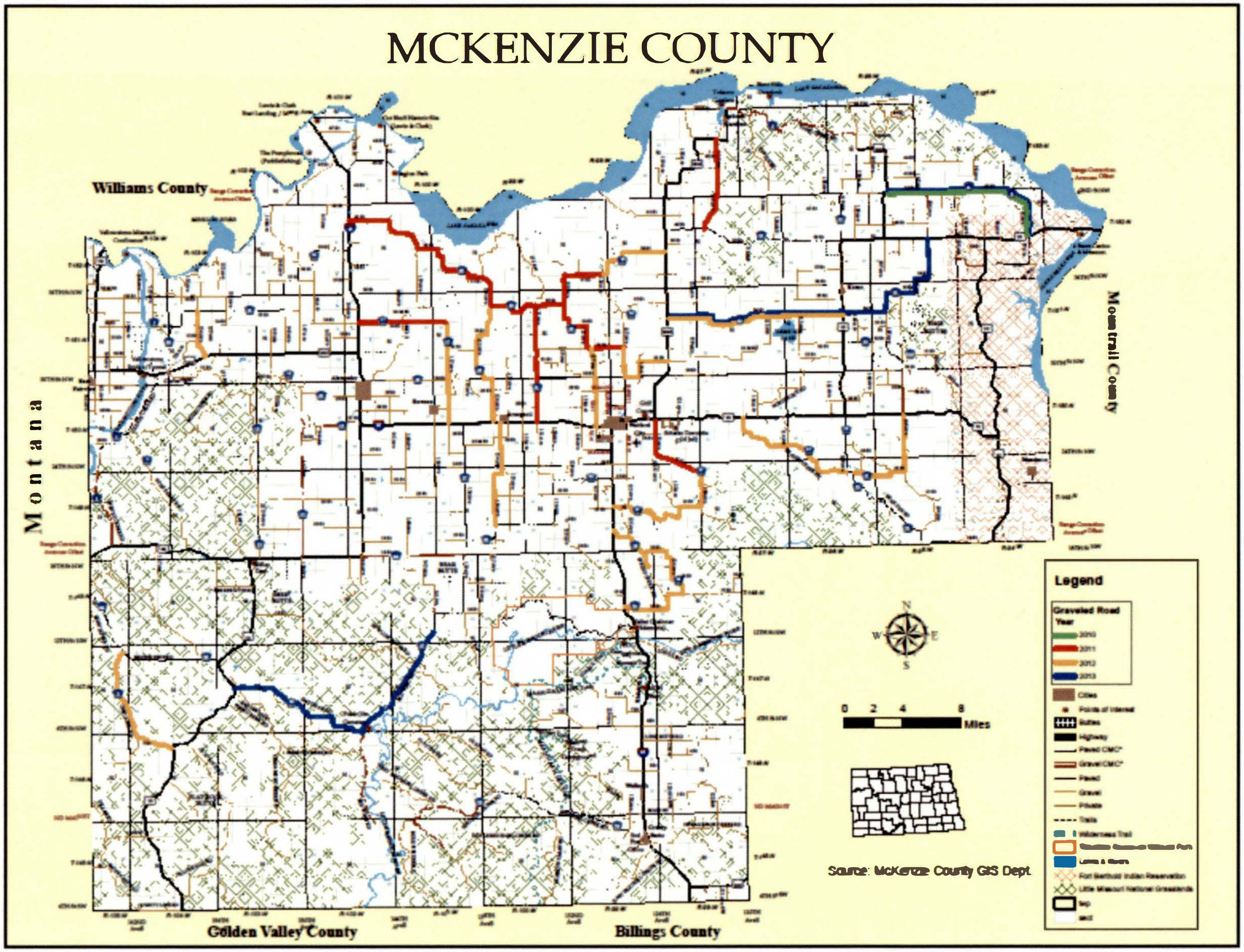
LENGTH AND ESTIMATED COST

PAVED TO 105,500#

Items	Estimated Costs
32 Miles of Roadway	$96,000,000
Right of Way	$4,000,000
Total Cost	**$100,000,000**

20.8

GRAVELED ROADS



COST TO GRAVEL ROADS

- McKenzie County currently maintains 1130 total miles of roads. (407 miles organized townships, 130 miles paved, and 593 miles county gravel roads).
- We currently award contracts annually to reshape and regravel a limited amount of county roads.
- Current cost to gravel one mile of road in McKenzie County is $125,000/mile due to long distance to transport aggregate.
- **The cost to reshape and regravel 890 miles (1000 less 110 to pavement) of county and township roads would be $111,250,000 over two bienniums.**

20.10

ANNUAL COST FOR PAVED AND GRAVEL ROADS – over 3 Bienniums

Calendar Year	Upgrade Roads to 105,500# Pavement (Current Paved Roads)	Gravel & Reshape 890 miles of Gravel Roads	Annual Cost per Budget Year
2015	$ 101,496,562	$ 27,812,500	$ 129,309,062
2016	$ 112,661,901	$ 27,812,500	$ 140,474,401
2017	$ 59,035,130	$ 27,812,500	$ 86,847,630
2018	$ 59,035,130	$ 27,812,500	$ 86,847,630
2019	$ 59,035,130	$ 15,000,000	$ 74,035,130
2020	$ 59,035,130	$ 15,000,000	$ 74,035,130
TOTALS	*$450,298,983*	*$141,250,000*	**$ 591,548,983**

20.11

McKenzie County Building Projects – Current & Future

	Project Total	2015 Budget
Employee & Senior Housing Projects	$ 6,000,000	$ 6,000,000
120 Bed City-County Law Enforcement Center	56,000,000	22,000,000
Public Works Facility – new location	20,000,000	0
CAPITAL IMPROVEMENTS TOTAL	$ 82,000,000	$ 28,000,000

20.12

McKenzie County 2014 Revenue & Expenditures

<u>Revenue - 2014</u>		
Gross Production Tax	$	64,469,948
Local County Revenue		46,787,186
HB1358 - NDDOT Road Funds		14,866,195
Total Revenue 2014	$	126,123,329
<u>Expenditures - 2014</u>		
Road Dept, Equipment, Payroll	$	6,698,838
Paved Roads to 105,500#		27,989,260
Gravel Road Maintenance		13,895,585
Capital Improvement Projects		13,246,364
All Other County Expenses		29,644,898
Total Expenditures 2014	$	91,474,945
Net Difference (for 2015 Budget)	*$*	*34,648,384*

20.13

McKenzie County 2015 Budget

Revenue - 2015 Budget - Revised	2015 Approved Budget	NEW 2015 Budget with Revised GPT
Gross Production Tax	$ 63,000,000	$ 35,000,000
Carry Forward Funds (General/Rd & Brdg)	65,000,000	65,000,000
Local County Revenue	31,070,878	31,070,878
Surge Funding	50,000,000	50,000,000
Total Revenue 2015	$ 209,070,878	$ 181,070,878
Expenditures - 2015 Budget - Revised		
Road Dept, Equipment, Payroll	$ 12,689,359	$ 12,689,359
Paved Roads incl. Northern Bypass Ph 1	101,497,000	101,497,000
Gravel Roads Maintenance	27,812,500	27,812,500
Building Projects (incl. 120 bed LE Center)	22,000,000	28,000,000
All Other County Expenses	33,150,021	33,150,021
Total Expenditures 2015	$ 197,148,880	$ 203,148,880
DIFFERENCE	$ 11,921,998	**$ (22,078,002)**

20.14

Other County Expenses

Other County Expenses	2014	2015
Social Services	$ 1,149,896	$ 1,663,749
Water Resource District	2,074,216	4,765,723
Weed Control	332,475	454,920
Employee Insurance	1,657,169	3,328,000
Planning & Zoning Dept.	1,321,091	1,008,218
Sheriff Dept/Jail	4,930,580	6,781,294
Landfill Operations	6,550,607	3,564,562
Subtotal	18,016,034	21,566,466
All Other Departments	11,628,864	11,583,555
Total Other Expenses	$ 29,644,898	$33,150,021

20.15

DUST CONTROL

McKenzie County has been applying Magnesium Chloride ($MgCl_2$) to control dust on some of the Gravel Roads since 2008.

- **2009** → 387,000 gal, 55 miles, **$471,465**
- **2010** → 872,000 gal, 124 miles, **$1,062,494**
- **2011** → 1,614,300 gal, 230 miles, **$1,921,759**
- **2012** → 2,875,000 gal, 408 miles, **$2,426,676**
- **2013** → 1,980,000 gal, 355 miles, **$2,208,111**
- **2014** → 2,500,000 gal, 350 miles, **$2,543,490**
- **2015 Budgeted** → **$3,500,000**

WEATHER RELATED ROAD RESTRICTIONS

The McKenzie County Commissioners will consider closing all county non-paved roads to all traffic exceeding 20,000 lbs. GVW, during a rain event in which there is more than ½ inch of rain across the majority of the county lasting more than 3 hours. The Board Chairman will make the determination, with consultation from other Board Members, the County Engineer, Road Superintendent, the DES Coordinator, and the Sheriff's Department. The roads will remain closed for a 24 hour period, at which time the situation will be re-evaluated. Updates will be posted on McKenzie County's website:

(http://county.mckenziecounty.net/DepartmentsDisplay/Un-paved-Road-Restrictions), 660KEYZ Radio, and the McKenzie County Sheriff Department's Facebook page.

We would appreciate any help we could get from the oil companies in shutting down all gravel, scoria and water hauling during these events.

20.16

Williams COUNTY

\# 21

HB 1176

3-30-15

Letter of Support
Senate Appropriations Committee
March 30, 2015
By the Williams County Board of County Commissioners

House Bill No. 1176 – Formula Change

Mr. Chairman and members of the committee, please accept this letter on behalf of the Williams County Board of County Commissioners.

As the representatives for our citizens we stand in support of House Bill 1176 with the proposed amendments as it helps to provide long-term solutions for cities and counties in the affected area.

Our communities have already shown their willingness to providing local solutions. Williams County residents passed a 1% Public Safety Sales Tax to aid our local emergency providers, recognizing the needs of our fellow citizens and the sacrifices of our volunteers. The people of Western North Dakota have shown that we will make all possible efforts to help our own, but there remains a need for consistent funding.

House Bill 1176 is legislation that functions to set an equitable funding source for Western North Dakota. The self-adjusting nature of the formula provides an automatic control on funding in both times of fast and slow growth.

Williams County appreciates the support of this legislative body in changing the share of funds returning to local entities in the GPT formula. We acknowledge that concerns for the future of oil activity in this state must be taken into consideration by this legislative body. However, it must be said that there will remain unmet needs that this small increase will not be able to address.

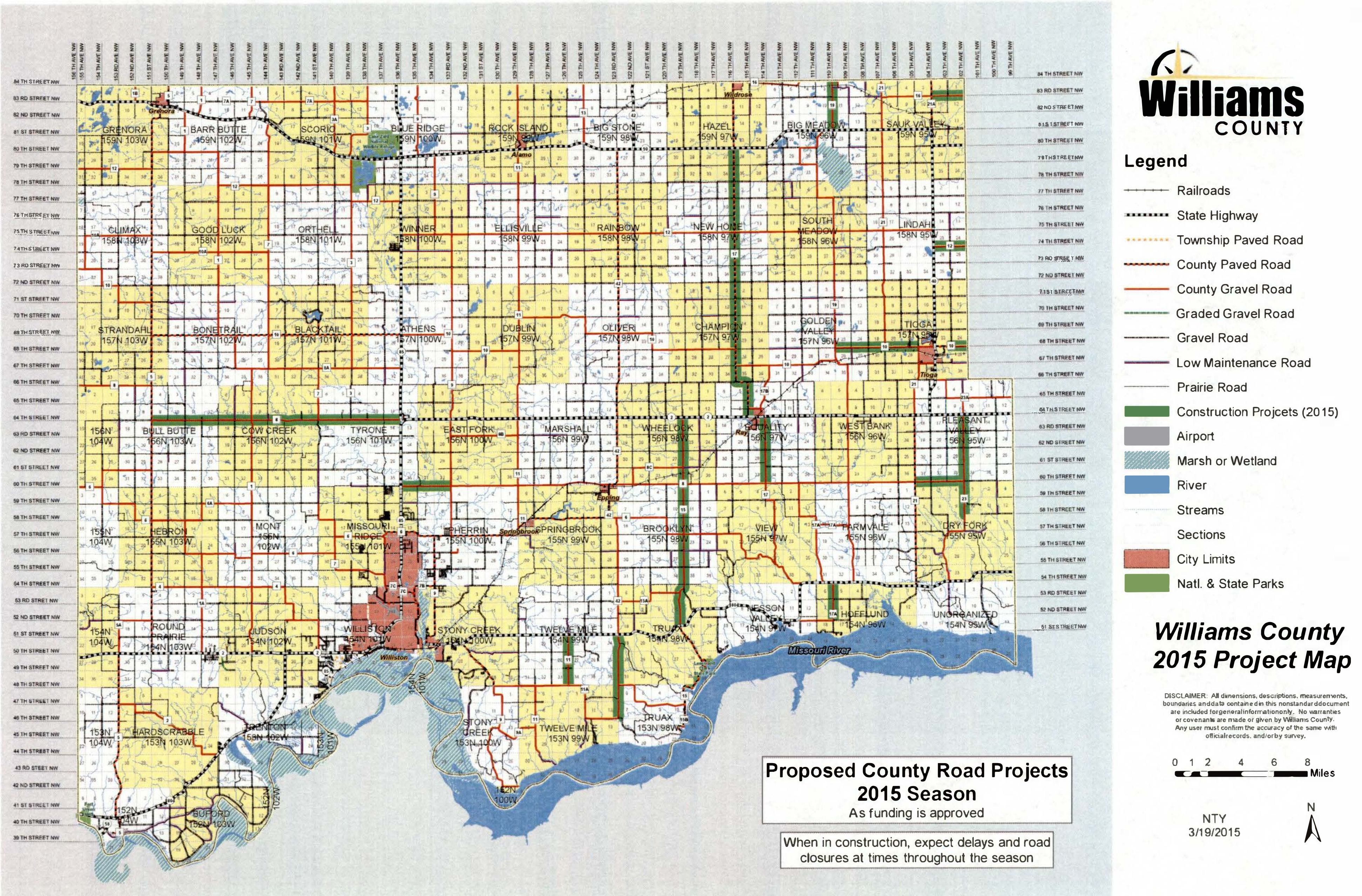
Thank you for your support and the warm reception we have received from the Senate this session. We encourage a do pass on HB 1176 with the proposed amendments.

BOARD OF COMMISSIONERS
First District – Martin Hanson | Second District - Dan Kalil | Third District – Wayne Aberle
Fourth District - David Montgomery | Fifth District – Barry Ramberg

PO Box 2047 | 205 E. Broadway | Williston, ND 58802-2047 | Phone 701.577.4500 | Fax 701.577.4510 | www.williamsnd.com

21.1

21.2


Williams
COUNTY
Legend
Railroads
State Highway
Township Paved Road
County Paved Road
County Gravel Road
Graded Gravel Road
Gravel Road
Low Maintenance Road
Prairie Road
Construction Projcets (2015)
Airport
Marsh or Wetland
River
Streams
Sections
City Limits
Natl. & State Parks
Williams County
2015 Project Map
DISCLAIMER: All dimensions, descriptions, measurements, boundaries and data contained in this nonstandard document are included for general information only. No warranties or covenants are made or given by Williams County. Any user must confirm the accuracy of the same with official records, and/or by survey.
0 1 2 4 6 8
Miles
NTY
3/19/2015
N
Proposed County Road Projects
2015 Season
As funding is approved
When in construction, expect delays and road closures at times throughout the season
GRENORA 159N 103W
BARR BUTTE 159N 102W
SCORIO 159N 101W
BLUE RIDGE 159N 100W
ROCK ISLAND 159N 99W
BIG STONE 159N 98W
HAZEL 159N 97W
BIG MEADOW 159N 96W
SAUK VALLEY 159N 95W
CLIMAX 158N 103W
GOOD LUCK 158N 102W
ORTHELL 158N 101W
WINNER 158N 100W
ELLISVILLE 158N 99W
RAINBOW 158N 98W
NEW HOME 158N 97W
SOUTH MEADOW 158N 96W
INDAHL 158N 95W
STRANDAHL 157N 103W
BONETRAIL 157N 102W
BLACKTAIL 157N 101W
ATHENS 157N 100W
DUBLIN 157N 99W
OLIVER 157N 98W
CHAMPION 157N 97W
GOLDEN VALLEY 157N 96W
TIOGA 157N 95W
156N 104W
BULL BUTTE 156N 103W
COW CREEK 156N 102W
TYRONE 156N 101W
EAST FORK 156N 100W
MARSHALL 156N 99W
WHEELOCK 156N 98W
EQUALITY 156N 97W
WEST BANK 156N 96W
PLEASANT VALLEY 156N 95W
155N 104W
HEBRON 155N 103W
MONT 155N 102W
MISSOURI RIDGE 155N 101W
PHERRIN 155N 100W
SPRINGBROOK 155N 99W
BROOKLYN 155N 98W
VIEW 155N 97W
FARMVALE 155N 96W
DRY FORK 155N 95W
154N 104W
ROUND PRAIRIE 154N 103W
JUDSON 154N 102W
WILLISTON 154N 101W
STONY CREEK 154N 100W
TWELVE MILE 154N 99W
TRUAX 154N 98W
NESSON VALLEY 154N 97W
HOFFLUND 154N 96W
UNORGANIZED 154N 95W
153N 104W
HARDSCRABBLE 153N 103W
TRENTON 153N 102W
153N 101W
STONY CREEK 153N 100W
TWELVE MILE 153N 99W
TRUAX 153N 98W
154N 101W
152N 104W
BUFORD 152N 103W
152N 102W
152N 100W
Grenora
Alamo
Wildrose
Tioga
Ray
Epping
Springbrook
Williston
Missouri River

#22

HB 1176
3-30-15

Testimony to the Senate Appropriations Committee
Chairman Ray Holmberg
Dan Uran, Mayor
City of New Town
dan.uran@sendit.nodak.edu

House Bill 1176

Chairman Holmberg and members of the Senate Appropriations Committee, my name is Dan Uran, Mayor of New Town.

New Town is located right between two of the most productive oil fields in the Bakken: the Parshall field to the east and the Nesson Anticline to the west.

Included in the material we handed out you will find materials where we have provided our growth statistics along with our 5-year capital plan numbers. You will note we have identified over $60m in capital infrastructure needs in the next two biennium. We also have a specific list of projects and maps identifying where those projects will take place within our city if any of you wish to see them.

Traffic counts through our small town have more than doubled since 2006. Robust oil activity has substantially increased other activity as well. We now average about 118 building permits per year and we have annexed over 1000 acres to grow our town. Our school enrollment has increased from 696 student in 2010 to 878 heading into next year. In 2010, our population stood at 1925 people. We now have a town with over 3000 people and growing. A new truck reliever route around the north side of town opens up new areas for housing and commercial development.

Will any of this slow down because of a decrease in oil prices? We don't think so. We understand that the most productive oil fields around us will continue to be attractive for drilling, even with low oil prices. There is a tremendous amount of infield drilling that will take place in the years ahead. While the pace may ebb and flow, the growing demands on our infrastructure will remain strong.

We are asking that consider ways to increase the funding flow to western communities like ours. We need these funds to get ahead and then stay ahead of the tremendous growth we have seen in our region.

During the 2015 construction season alone, the City of New Town will get started on the following infrastructure projects: over $10 million in water transmission piping, over $14 million in sanitary sewer projects, and over $2 million in street improvements and extensions. In fact, over the next two biennium, 2015-2019, we have identified over $93 million in capital infrastructure needs. We need your help making those projects happen.

Thank you for your time. I would be happy to address any questions.

Heart of Lake Sakakawea
The City of New Town

COMMUNITY NEEDS INCLUDE MAINTENANCE AND DEVELOPMENT OF ADEQUATE AND SAFE TRANSPORTATION CORRIDORS, WATER RESOURCES THAT PROVIDE SUFFICIENT CAPACITY FOR A SAFE WATER SUPPLY, COMMUNITY FACILITY UPGRADES, AND LAGOON SYSTEM UPGRADES

IMPACT NEW TOWN

NEW TOWN'S DETERIORATING AND INADEQUATE INFRASTRUCTURE NEEDS YOUR SUPPORT

The City of New Town, one of the critical cities in the heart of the oil and gas industry, located in Mountrail County on ND Hwy 23, has experienced monumental growth since 2008. Due to the extensive oil and gas development in the region, New Town has been impacted in all aspects of public service including but not limited to; public utilities, City Administration facilities, transportation, emergency services, and parks & recreation. Additionally, the community has experienced substantial challenges related to affordable housing and staffing. The City of New Town has sufficiently provided for the health, welfare and safety of its residents up until the past few years at which time the demand for critical services exponentially outnumbered the resources available. The discovery of the Bakken oil play has changed everything and providing new infrastructure and maintenance of the deteriorating infrastructure to meet the current demand has become increasingly difficult. Because of the disproportionate demand, the City of New Town can no longer single-handedly provide adequate services to residents.

In addition to the need for infrastructure upgrades and additions, New Town has experienced challenges with increasing costs of services, materials and workforce. The combination of an increasing number of projects along with substantial increases in project costs has further decreased the City's ability to fund projects for improvements.

The City has proactively been planning for its future through the development of a Capital Improvements Plan. New Town's desire is to invest in the current infrastructure, and construct new facilities and infrastructure that will provide the necessary services to adequately serve their residents. A comprehensive list of essential needs and associated costs has been developed. Community needs include maintenance and development of adequate and safe transportation corridors, water resources that provide sufficient capacity for a safe water supply, community facility upgrades, and lagoon system upgrades. The investment in these essential City of New Town needs throughout the next eight years totals **$93,020,000.**

FIVE YEAR CAPITAL IMPROVEMENTS PLAN

2015-2017 BIENNIUM
$52,620,000

2017-2019 BIENNIUM
$28,900,000

	WATER	WASTE WATER	STORM WATER	TRANSPORTATION	AIRPORT	FACILITIES	TOTAL
2015	$10,720,000	$14,350,000		$2,150,000			$27,220,000
2016	$7,000,000	$5,300,000		$3,100,000		$10,000,000	$25,400,000
2017	$3,500,000			$3,100,000		$7.300,000	$13,900,000
2018	$1,000,000	$1,600,000		$3,100,000		$9,300,000	$15,000,000
2019	$1,000,000	$1,600,000		$3,100,000		$5,800,000	$11,500,000

22.2

Heart of Lake Sakakawea
The City of New Town

T IN THE MIDDLE
WITH NOWHERE TO GROW

PROJECTED POPULATION INCREASE

			+
	2010	1925	
	2011	2087	162
	2012	2249	162
	2013	2652	403
PEAK	2014	3021	369
	2015	3362	341
	2016	3681	319
	2017	3959	278
	2018	4216	257
	2019	4465	249
	2020	4708	243
	2021	4940	232
	2022	5168	228
	2023	5391	223
	2024	5578	187
	2025	5738	160
	2026	5781	43
	2027	5821	40
	2028	5878	57
	2029	5949	71
	2030	5981	32
	2031	6027	46
	2032	6085	58

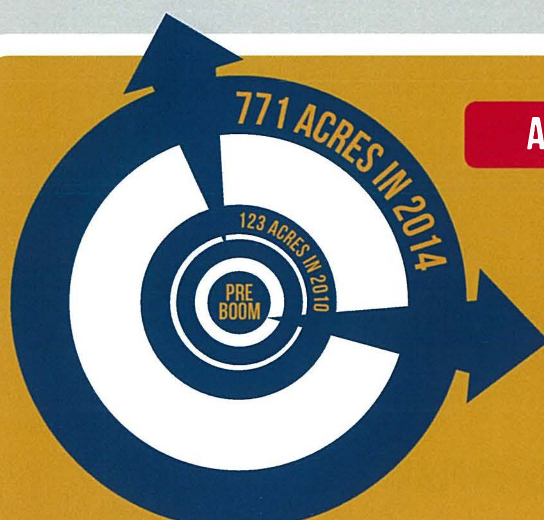
THAT'S AN AVERAGE OF **189** ADDITIONAL RESIDENTS PER YEAR

TRAFFIC COUNTS
ND HIGHWAY 23 AT NEW TOWN

2006 - 4,500	2010 - 7,380
2007 - 5,300	2011 - 8,460
2008 - 5,490	2012 - 10,365
2009 - 6,460	2013 - 9,430

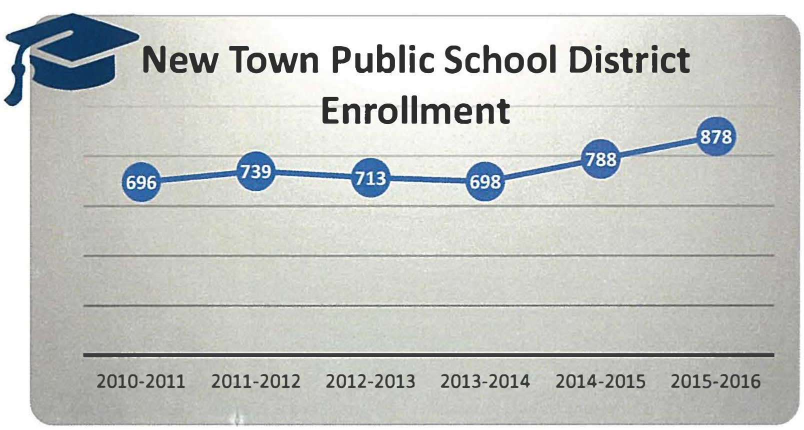
PUSHING THE LIMITS

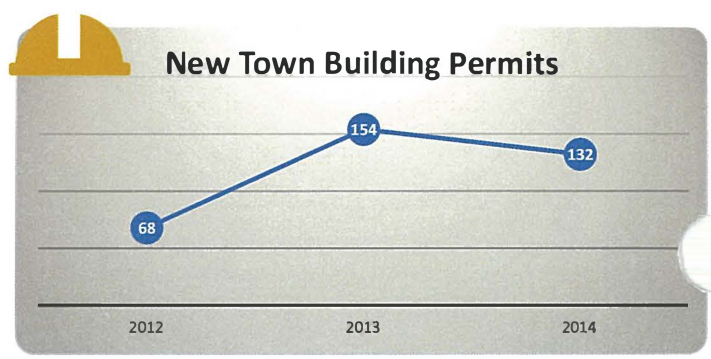
UNPRECEDENTED POPULATION GROWTH LEADING TO INCREASED LAND AND INFRASTRUCTURE NEEDS



ANNEXATION AREA (ACRES)

AS OF JANUARY 2015 NEW TOWN HAS ADDED **OVER 1,000 ACRES** TO THE CITY AND MUST PREPARE FOR FUTURE GROWTH.





AVERAGING **118** BUILDING PERMITS EACH YEAR (2012-2014)

\#23
HB 1176
3-30-15

Testimony to the Senate Appropriations Committee
Chairman Ray Holmberg
Gary Weisenberger, Mayor
City of Stanley
fritz@gooseneckimp.com

House Bill 1176

Chairman Holmberg and members of the Senate Appropriations Committee, my name is Gary Weisenberger and I am the mayor of Stanley.

Stanley was one of 1st cities impacted by "The Boom", with oil development commencing in the Parshall Field southeast of Stanley in 2007. Since that time, the City of Stanley, while welcoming the opportunity for economic development, has also dealt with the pains of growth. We have annexed a total of 1,353 acres to accommodate that growth in the past 6 years, processing 823 building permits in that same period. Our population, 1270 in 2008, now stands at 3512 in 2015--almost tripled, and that does not include Target Logistics' approximately 400 bed facility or the folks living in two new hotels, with approximately 150 beds that are always full. We now have our third new hotel under construction. These facilities are using our water, sewer, etc. but are not considered part of our population.

In 2005-2006 we had 340 students in K-12. In 2014-2015 that number has doubled to just over 700 students. Both our grade school and high school have built on and are working on future expansions. Our city sales tax, at just over $200,000 in 2008 was $2.5 million in 2014. We currently have a 1.5% city tax with 1% to EDC & Parks and .5% to the hospital. Our city employees have increased 125% in 7 years – especially public works and law enforcement. We have built two 4-plex's for city staff.

We have been doing projects non-stop since the beginning, but cannot see an end in sight. With a 304 acre annexation west of town comes a whole new area with needs for sewer, water, streets, and storm water drainage. A refinery project has been announced for our area as well. They are in the 2nd stage of developing a 20,000 gallon/day diesel fuel facility.

We have issued 7.4 million in special assessment bonds since 2008, which brings me to a point I wish to make today about the oil and gas distribution formula. We cannot bond against a revenue stream with an expiration date in law. We appreciate the bill before you today does not have such a sunset. We aske that you keep it that way. Currently, the revenue stream expires on June 30, 2015. The bond markets need more than that. That is why this formula change is so important to us in the years ahead. We need a longer term approach that allows us to bond more effectively against the distribution formula. I ask that you consider that fact as you continue your work on this bill.

We had Vanguard come in 2014 and do a complete assessment of every residential home and every commercial building in Stanley. Some of the older homes in town tripled in assessed value because of the market values. We had a packed public meeting because of this issue. Tax statements have gone up every year because we have to raise the assessed value to keep up with market values. We cannot put too much more on our citizens' plates. A more robust distribution formula will help us catch up with our growing needs without having to ask the residents to help fund it all. We ask you to consider all means available to increase this funding flow.

We will use this money wisely. In 2015 alone we have $6.2 million in water, waste water, and storm water projects. We have $4.8 million lined up in transportation projects and $2.5 million in facilities. And over the next eight years, our capital improvement plan calls for more than $120 million in water, sewer, storm water, transportation, and public facility projects.

Thank you for your consideration.

SEVERAL FACTORS HAVE CONTRIBUTED TO THE SITUATION INCLUDING A 100% POPULATION INCREASE SINCE THE 2010 CENSUS, THE ANNEXATION OF 1,353 ACRES SINCE 2008, AND 823 BUILDING PERMITS HAVE BEEN ISSUED SINCE 2009.

IMPACT OUR COMMUNITY

FAILING & INSUFFICIENT INFRASTRUCTURE PLAGUING STANLEY

The City of Stanley functions as an integral municipality to the oil and gas industry in northwest North Dakota. This quaint community is located in the heart of the Bakken region in Mountrail County between Minot and Williston, along US Highway 2. Stanley has had the pleasure and discomfort of experiencing exponential growth since 2008. The impacts on the City are staggering and current funding sources are severely inadequate in comparison to the need.

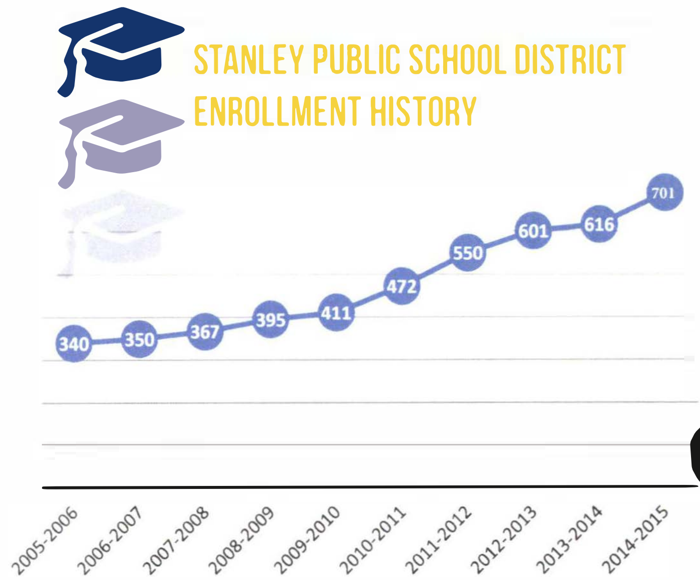
The City has been impacted in all aspects of public service including but not limited to; public utilities, City administration facilities, transportation, hospital and emergency services, and parks and recreation. In addition, workforce challenges such as increased wages, providing non-traditional benefits like affordable housing, and expenses related to recruitment and retention of capable staff, add to the financial challenges facing the community.

Prior to the start of the oil boom in 2008, the City of Stanley experienced little to no growth and had adequate infrastructure and public services to provide for the health, welfare, and safety of the community. However, with the rapid growth over the last few years and projections of extensive continued growth, providing new infrastructure to meet the demand and maintaining the deteriorating infrastructure that wasn't constructed for the high usage currently being experienced, has become increasingly difficult. Because of the excessive demand, the City of Stanley utilizing its own resources, cannot adequately provide necessary services to its residents.

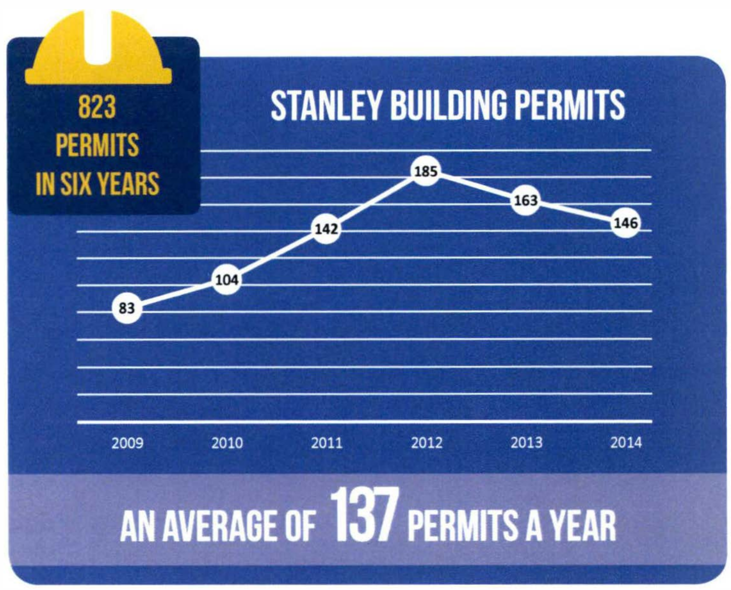
In order to fully understand the impacts on the City, existing and projected needs, and anticipated local income, Stanley has embarked on a considerable amount of proactive strategic planning and analysis. From that planning, a comprehensive list of essential needs and associated cost estimates has been developed. The City's desire to address these needs includes a combination of investments in the current infrastructure and the construction of new facilities and infrastructure that will provide the services necessary to keep the community surviving. Needs include maintenance and development of adequate and safe transportation corridors, water resources that provide sufficient capacity for a safe water supply along with community fire protection, lagoon systems that address the current system which is near capacity, public facility upgrades, landfill capacity solutions, and employee housing. The investment for these essential City of Stanley needs over the next eight years totals **$120,900,000.**

23.2

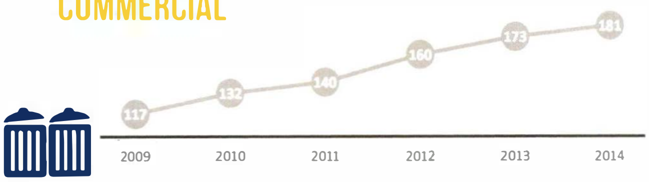
EXPERIENCING UNPRECEDENTED GROWTH



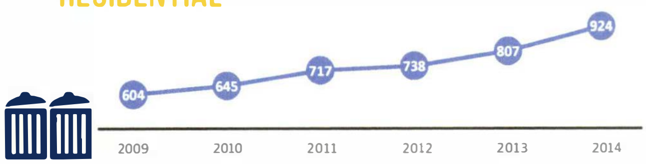
ALL OF THAT
CAUSES A LOT OF THIS



COMMERCIAL



RESIDENTIAL



THE NUMBER OF CITY EMPLOYEES INCREASED **125** OVER THE PAST SEVEN YEARS, SEEING PARTICULAR GROWTH IN PUBLIC WORKS AND LAW ENFORCEMENT.

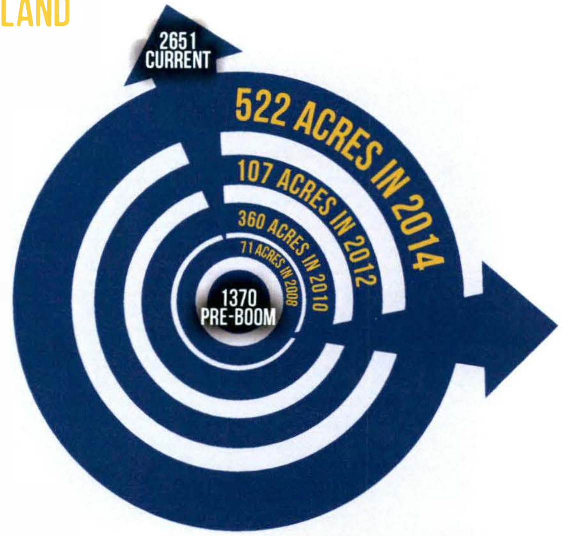
23.3

CITY WATER METERS/USERS

RESIDENTIAL HAS RISEN FROM **604** IN 2009 TO **970** IN 2014

COMMERCIAL HAS RISEN FROM **117** IN 2009 TO **161** IN 2014

LAND



ANNEXATION AREA (ACRES)
AVERAGING **193** ACRES PER YEAR

1353 ACRES IN SIX YEARS

CITY SALES TAX

2008	$217,137.99
2009	$303,702.37
2010	$421,844.62
2011	$747,636.76
2012	$1,166,808.50
2013	$1,540,223.07
2014	$2,570,801.42

INCREASED BY OVER
2.3 MILLION

COMMERCIAL UTILITY RATES

	WATER	BASE RATE	SEWAGE	LAGOON FEE	ST. LIGHTS	SERVICE FEE
2007	$6/1,000G	$22.50	$1.50/1,000G OR MINIMUM $5.00	$1.50	N/A	$1.00
2008	$6/1,000G	$22.50	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	$1.00
WATER RATE INCREASED TO $7/1,000 GALLONS IN AUGUST 2008						
2009	$7/1,000G	$22.50	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	$1.00
2010	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	$1.00
2011	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	REMOVED
2012	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	N/A
2013	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	$1.50	N/A
2014	$7/1,000G	$11.25	$1.50/1,000G OR MINIMUM $5.00	$1.50	REMOVED	N/A

RESIDENTIAL UTILITY RATES

	WATER	BASE RATE	SEWAGE	GARBAGE	LAGOON FEE	ST. LIGHTS	SERVICE FEE
2007	$6/1,000G	$17.00	$1.50/1,000G OR MINIMUM $5.00	$13.00	$1.50	N/A	$1.00
2008	$6/1,000G	$17.00	$1.50/1,000G OR MINIMUM $5.00	$13.00	$1.50	$1.50	$1.00
WATER INCREASED TO $7/1,000 GALLONS IN AUGUST 2008							
2009	$7/1,000G	$17.00	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	$1.00
2010	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	$1.00
2011	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	REMOVED
2012	$7/1,000G	$8.50	$1.50/ 1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	N/A
2013	$7/1,000G	$8.50	$1.50/ 1,000G OR MINIMUM $5.00	$15.00	$1.50	$1.50	N/A
2014	$7/1,000G	$8.50	$1.50/1,000G OR MINIMUM $5.00	$15.00	$1.50	REMOVED	N/A
GARBAGE RATES INCREASED TO $24 IN SEPTEMBER 2014							

23.4

SPECIAL ASSESSMENT BONDS

ISSUE DATE	PURPOSE	INTEREST RATE	FINAL MATURITY	PRINCIPAL AMOUNT OUTSTANDING
2008	WATER AND SEWER	4.00-5.40%	05/01/24	400,000
2009	STREETS	2.00-4.25%	05/01/24	440,000
2010	STREETS, WATER AND SEWER	0.80-3.60%	05/01/25	1,335,000
2011	WATER AND SEWER	3.789-3.885%	03/24/40	994,193
2011	STREETS, WATER AND SEWER	0.75-3.25%	05/01/26	3,215,000
2012	REFUNDING OF 2006 ISSUE	0.85-1.65%	05/01/21	375,000
2014	STREET IMPROVEMENTS (THIS ISSUE)	2.00-3.00%	05/01/29	660,000

$7,419,193
TOTAL

WHAT WE'VE DONE.
WHAT WE STILL NEED.

2015-2017 BIENNIUM
$29,520,000

2017-2019 BIENNIUM
$28,570,000

FIVE YEAR CAPITAL IMPROVEMENTS PLAN

	WATER	WASTE WATER	STORM WATER	TRANSPORTATION	AIRPORT	FACILITIES	TOTAL
2015	$3,460,000	$2,100,000	$700,000	$4,800,000		$2,500,000	$13,560,000
2016	$1,160,000	$9,000,000		$4,800,000		$1,000,000	$15,960,000
2017	$1,160,000	$4,500,000		$3,300,000		$5,500,000	$14,460,000
2018	$1,160,000	$5,000,000		$3,300,000		$4,650,000	$14,110,000
2019	$1,160,000	$1,000,000		$3,300,000		$9,900,000	$15,360,000

#24
HB 1176
3-30-15

The City of

TIOGA

WHERE THE RICHES OF THE EARTH ARE MADE USEFUL THROUGH THE INGENUITY OF PEOPLE

HB 1176 | Hearing Date
Senate Appropriations Committee | March 30, 2015
Honorable Senator Ray Holmberg, Chairman

Chairman Holmberg and Committee,

Thank you Chairman Holmberg and Committee members. I am Drake McClelland, President of the City Commission of the City of Tioga. I offer this written testimony in support of amended HB 1176, an appropriation bill to modify the Oil and Gas Gross Production Tax Distribution Formula to address unmet infrastructure needs throughout energy impacted communities in North Dakota.

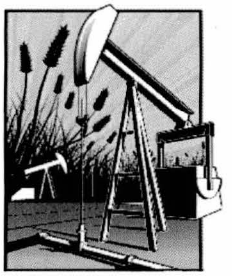
The City of Tioga, the original oil town, is known as the small town with the large energy footprint. The City has played a critical role in the history and continued success of energy development throughout the State. Since the initial discovery of oil to the more recent use of hydraulic fracturing and horizontal wells, the City has served as a center for both businesses and residents involved in growing our state's energy economy. Companies such as Hess, Continental Resources, Neset Consulting, Murex, Braun Trucking, Pinnacle, and others have established significant operations in Tioga that serve the surrounding community and the Bakken as a whole. As a result of this development, our small town has developed a highly specialized footprint serving the oil and gas industry throughout the entire Bakken region.

In 2010, the City registered a population of 1,230 people. As energy development grew, becoming a larger portion of the State's economy, so did Tioga. Current estimates indicate the population within the City limits has nearly doubled to around 2,400 people with an additional 1,000 people directly adjacent to City limits, relying on City services. This growth has come as some of the larger players in the energy industry base their operations in our City. In total, Tioga has 165 businesses operating within the City, including 121 based within City limits, 22 from around North Dakota, and 22 from outside North Dakota.

As a specialized energy City, we are projecting this growth to continue despite the recent drop in oil prices. In fact, the recent drop in oil prices seems to be having a reverse effect on communities such as Tioga. Energy development companies are refocusing efforts within the core of the Bakken region, making increased use of established operational bases like those located within the City. Currently, the City is planning for growth through 2020 to increase population and corresponding demand on services to nearly 6,500 people. This growth represents a nearly 500 percent increase from the 2010 Census population.

OIL CAPITAL OF NORTH DAKOTA

PO BOX 218 TIOGA, ND 58852 PH 701.664.2807 FAX 701.664.2543 CITYTIO@NCCRAY.COM



Tioga has been fortunate to this point that much of the growth to date has benefitted from our existing capital infrastructure and not placed undue strain on city services. However, as this growth continues, future expansions will require new infrastructure to adequately serve developing areas. This infrastructure includes new roads, expanded water distribution networks, increased wastewater collection systems, and stormwater controls. Current projections indicate that developments on the books and projected in the near term may add up to 50 percent to our centerline street miles with corresponding increases in water and sewer lines. In addition, city facilities that house our staff and equipment will need to be upgraded to meet the growing demand. Our police force is expected to more than double in size to 23 full time officers and simply does not fit in a space designed to accommodate five.

In order to adequately address these growing needs, our City Commission undertook a study to identify not only the capital investments needed over the next three biennia, but the operational demands that this growth would place on the City. This study identified over $130 million in capital investments and additional $10 million in operational costs directly attributable to serving energy related growth. In total, we are expecting to more than double our full time staff count from 23 in 2014 to nearly 47 by 2020 based on the projected population growth and corresponding demand on services.

While the City has a number of revenue streams funding City operations and capital projects, the investment needed to keep up with energy related growth is beyond the means of the City alone. As a result, Oil and Gas Gross Production Tax (GPT) distributions have become critical to ensuring that the City is able to both meet existing demands and invest in the future. However, the existing distribution formula simply does not do enough to return revenues in support of the energy activity generating those revenues. Under the current distribution formula, using March's price projections, the City is projecting $27 million in GPT distributions over 6 years leaving a net infrastructure and operational funding gap of more than $92 million. That is simply a hurdle too high for the City alone. With your help, a change in the distribution formula to the 30 percent 70 percent split can generate an additional $4 million over six years in GPT to the City While this additional funding alone will not be enough to address all of our infrastructure needs, it will provide additional resources we can leverage into finding appropriate solutions.

On behalf of the City of Tioga, our City Commission, and our Citizens, I appreciate the opportunity to submit this testimony in support of amended HB 1176. Thank you for your consideration and I ask you to support a Do Pass recommendation for this change in GPT Formula critical to all of North Dakota. Please, do not hesitate to contact me with any further questions.

Drake McClelland

President of the City Commission, City of Tioga

CITY OF TIOGA

Funding Energy Related Growth

January 28, 2015

The City of TIOGA

OIL CAPITAL OF NORTH DAKOTA

AE2S

24.3

INTRODUCTION TO THE CITY OF TIOGA

The City of Tioga has played a critical role in the history and continued success of energy development throughout the State. Since the initial discovery of oil to the more recent use of hydraulic fracturing and horizontal wells, the City has served as a center for both businesses and residents involved in growing our state's energy economy. Companies such as Hess, Continental Resources, Neset Consulting, Murex, Braun Trucking, Pinnacle, and others have established significant operations in Tioga that serve the surrounding community and the Bakken as a whole. In total, our town of nearly 3,000 people is home to 121 businesses with an additional 22 out of state businesses with active operations.

For cities such as Tioga, the distribution of oil and gas taxes plays a very important part in making sure we are able to provide key services to ongoing operations as well as ensure that new businesses can thrive and succeed for the overall benefit of the State. The drop in oil prices threatens to reduce the overall support our town can provide the energy sector through GPT revenues at the same time we have seen activity begin to concentrate in the core areas of the Bakken, like near Tioga. As Tioga and other cities throughout the region continue to facilitate growth, the change in formula distributions is integral to the success of these communities' efforts.

LITTLE CITY, BIG ENERGY

- Largest natural gas processing plant in North Dakota for more than 60 years running
- Wide ranging oilfield services based in Tioga serving North Dakota, South Dakota, Montana, and beyond
- Regional homebase to the largest leaseholder in the Bakken

165 total companies doing business in Tioga	**121** businesses based in Tioga
143 ND companies doing business in Tioga	**22** out of state companies doing business in Tioga

GROWTH

- Population has more than doubled since 2010
- Current development plans indicate continued extraordinary growth through 2020 and beyond
- City infrastructure and services will need to keep pace with the increasing demand from centerline miles, utility accounts, and overall populations

	Population	Housing Units	Utility Accounts	Infrastructure Miles
BASELINE NUMBERS	3,000	641	840	30.00
2020 PROJECTIONS	6,600	2,434	1,650	44.53

24.4

PLANNING FOR GROWTH

- City commissioned a 6-year study to identify what investments are needed to keep pace with growth
- These investments are designed to allow the City to grow responsibly well into the future

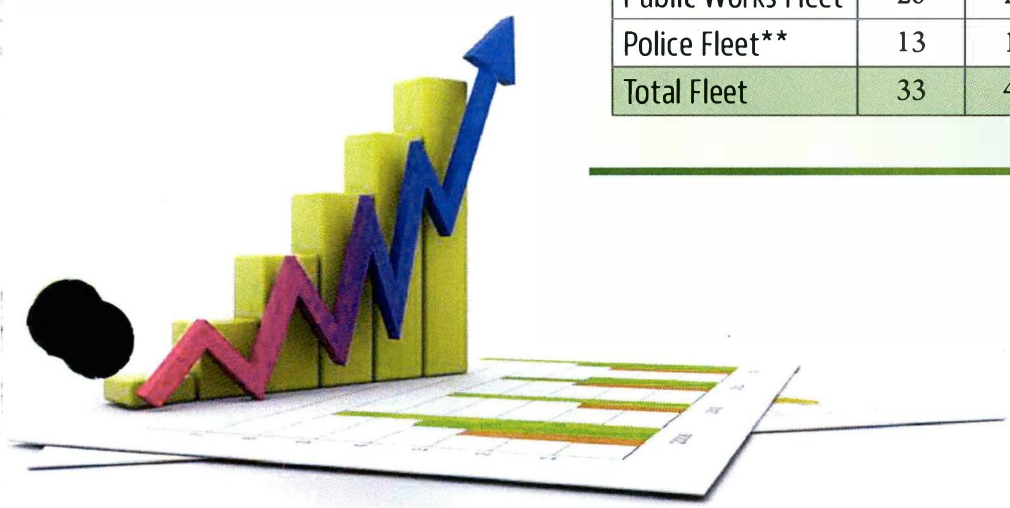
$130.6 million in City-wide investment includes streets, water, wastewater, stormwater

	2015	2016	2017	2018	2019	2020	TOTAL
Transportation	$5.9 M	$3.4 M	$5.7 M	$7.4 M	$4.7 M	$1.2 M	$28.4 M
Water	$3.1 M	$4.7 M	$2.2 M	$1.7 M	$2.3 M	$1.0 M	$15.0 M
Wastewater	$1.6 M	$2.1 M	$2.7 M	$3.7 M	$3.7 M	$1.8 M	$15.6 M
Wastewater Treatment	$6.0 M	$4.3 M	$0	$0	$0	$0	$10.3 M
Stormwater	$2.1 M	$2.2 M	$4.8 M	$4.3 M	$3.8 M	$0	$17.1 M
General City*	$3.5 M	$12.4 M	$13.7 M	$7.2 M	$7.4 M	$0	$44.2 M
Total	$22.2 M	$29.1 M	$29.1 M	$24.3 M	$21.9 M	$4.0 M	$130.6 M

- Similarly, City operations will need to grow to keep pace
- Estimates indicate City staff will more than double from 23 in 2014 to 47 by 2020
- Increased operations will exceed $2 million annually by 2020

	2015	2016	2017	2018	2019	2020
Police	14	17	20	21	22	23
Public Works Staff	9	10	10	10	12	12
General City Staff	8	9	10	11	11	12
Total Staff (FTE)	31	36	40	42	45	47

	2015	2016	2017	2018	2019	2020
Public Works Fleet	20	24	24	24	25	25
Police Fleet**	13	16	19	20	21	22
Total Fleet	33	40	43	44	46	47



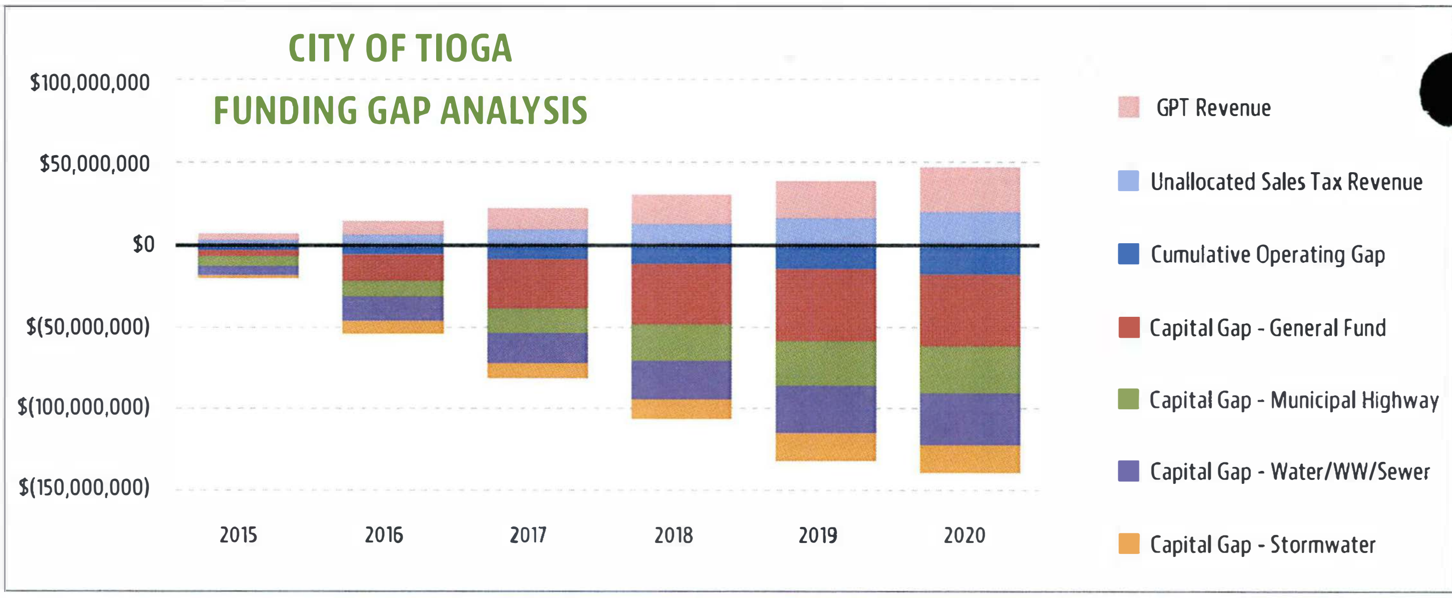
24.5

- Multiple revenue streams are available to the City, but Oil and Gas Gross Production Tax distributions is the most significant
- Current formula results in $27 million in distributions, a small fraction of the $140 million total need

In total, growth related expenditures are estimated to exceed $140 million over six years

JANUARY (25/75)	$4,132,464	$4,309,287	$4,691,070	$4,774,571	$4,774,571	$4,774,571	**$27.4 M**

Operating Gap $17.8 M + Capital Gap $121.7 M - Unallocated Revenue $47.2 M = Net Gap $92.3 M



- Additional funding is needed to address the $92 million gap
- Changing the existing distribution formula to 60 percent local, 40 percent State is an integral first step to addressing the City's challenges

Changing to a 60/40 GPT distribution formula will return an addition $34 M in revenue, reducing the net gap to $58.3 M

JANUARY (60/40)	$9,179,807	$9,604,184	$10,520,463	$10,720,866	$10,720,866	$10,720,866	**$61.5 M**

24.6

HB 1176 #1 4-1-15 Sub Com

15.9379.09000 Prepared by the Legislative Council staff

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS - PROPOSED CHANGES TO ENGROSSED HOUSE BILL NO. 1176

The schedule below compares the House Version of Engrossed House Bill No. 1176 [15.0329.05000] to the proposed Senate Version [15.0329.05008].

House Bill No. 1176	
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05008]**
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**
• Same as current law.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.
	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties. • Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties. • Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.
Additional school district allocation	**Additional school district allocation**
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)
Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)
• Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.	• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.	• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.	• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)

<table>
<tr><th>House Version [15.0329.05000]</th><th>Proposed Senate Version [15.0329.05008]</th></tr>
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- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.
- Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:

	Current Law	Proposed Changes
County general fund	60%	64%
Cities	20%	20%
Schools	5%	5%
Townships (equal)	3%	2%
Townships (road miles)	3%	2%
Hub cities	9%	7%

</td><td>

- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)
- Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:

	Current Law
County general fund	60%
Cities	20%
Schools	5%
Townships (equal)	3%
Townships (road miles)	3%
Hub cities	9%

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Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.
- Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows:
  - $10 million for airports
  - $10 million for hub cities
  - $20 million for school districts
  - $800,000 to certain eligible cities

</td><td>

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.
- Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.8 million is undesignated and $130.8 million is designated as follows:
  - $48 million for airports
  - $30 million for school districts
  - $10 million for law enforcement agencies
  - $10 million for critical access hospitals
  - $8 million for certain eligible counties
  - $6 million for emergency medical services providers
  - $5 million for eligible political subdivisions
  - $4 million for nursing homes and hospice programs
  - $3 million for fire protection districts
  - $2 million for providers serving individuals with developmental disabilities
  - $2 million for domestic violence sexual assault organizations
  - $2 million local district health units
  - $800,000 to certain eligible cities

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</table>

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS

The schedule below provides a comparison of 2015-17 biennium estimated oil tax allocations based on current law to estimated allocations based on the provisions of Engrossed House Bill No. 1176. The 2015-17 biennium estimated oil tax allocations are based on the March 2015 revised revenue forecast, which reflects **oil prices increasing from $41.97 to $52.56 per barrel and average daily oil production of 1.1 million barrels per day during the 2015-17 biennium**. The amounts shown reflect allocations for August 2015 through July 2017 and are based on current law for the allocation of the state's share of oil and gas tax revenue. The employment percentages shown for the hub cities reflect data provided by Job Service North Dakota.

2015-17 Biennium March 2015 Revised Revenue Forecast Estimates			
		House Bill No. 1176	
	Current Law	House Version [15.0329.05000]	Proposed Senate Version [15.0329.05008]
Legacy fund	$990,300,000	$965,610,000	$965,580,000
Three Affiliated Tribes	262,640,000	262,640,000	262,640,000
Oil and gas research fund	10,000,000	10,000,000	10,000,000
Oil and gas impact grant fund	240,000,000	140,000,000	140,000,000
Political subdivisions[1]	497,830,000	629,360,000	630,790,000
Abandoned well reclamation fund	10,000,000	10,000,000	10,000,000
North Dakota heritage fund	13,750,000	27,500,000	27,500,000
Foundation aid stabilization fund	131,180,000	131,180,000	131,180,000
Common schools trust fund	131,180,000	131,180,000	131,180,000
Resources trust fund	262,370,000	262,370,000	262,370,000
General fund	300,000,000	300,000,000	300,000,000
Property tax relief sustainability fund	341,790,000	341,790,000	341,790,000
Strategic investment and improvements fund	185,350,000	164,760,000	163,360,000
State disaster fund	22,000,000	22,000,000	22,000,000
Total oil and gas tax revenue allocations	$3,398,390,000	$3,398,390,000	$3,398,390,000

[1]The amounts shown for the allocations to political subdivisions include the following:

	Employment Percentages					
		House Bill No. 1176			House Bill No. 1176	
	Current Law	House Version	Proposed Senate Changes	Current Law	House Version [15.0329.05000]	Proposed Senate Version [15.0329.05008]
Hub Cities						
Williston	40	64	64	$52,410,000	$67,370,000	$72,940,000
Dickinson	22	39	39	27,710,000	38,780,000	41,560,000
Minot	6	12	12	8,240,000	12,170,000	13,090,000
Mandan		9	9		6,470,000	4,310,000
Bismarck			3			1,440,000
West Fargo			3			1,440,000
Jamestown			2			960,000
Fargo			2			960,000
Grand Forks			2			960,000
Total hub cities	68	124	136	$88,360,000	$124,790,000	$137,660,000
Hub city school districts				17,000,000	30,420,000	28,260,000
Counties				255,690,000	310,600,000	292,050,000
Cities (excluding hub cities)				85,960,000	98,090,000	98,090,000
Schools (excluding hub city school districts)				25,910,000	46,190,000	46,190,000
Townships				24,910,000	19,270,000	28,540,000
Total				$497,830,000	$629,360,000	$630,790,000

NOTE: The amounts reflected in this schedule are preliminary estimates. **The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts** based on actual oil price and oil production.

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Major Cities with Oil and Gas Related Employment Non-Oil Producing County				
City	% O&G Emp.	Rounded Up	$ per %	
Grand Forks	1.01	2	$250,000	$500,000
Fargo	1.41	2	$250,000	$500,000
Jamestown	1.43	2	$250,000	$500,000
West Fargo	2.4	3	$250,000	$750,000
Bismarck	2.52	3	$250,000	$750,000
Mandan	8.02	9	$250,000	$2,250,000
				$5,250,000

Major Cities with Oil and Gas Related Employment Oil Producing County				
City	% O&G Emp.	Rounded Up	$ per %	
Minot	12	12	$375,000	$4,500,000
Dickinson	38.9	39	$375,000	$14,625,000
Williston	63.9	64	$375,000	$24,000,000
				$43,125,000

Major Schools with Oil and Gas Related Employment Oil Producing County					
City	% O&G Emp.	Rounded Up	$ per %		Net Gain
Minot	12	12	$125,000	$1,500,000	$375,000
Dickinson	38.9	39	$125,000	$4,875,000	$1,218,750
Williston	63.9	64	$125,000	$8,000,000	$2,000,000
				$14,375,000	$3,593,750

Top 4 Counties Schools			
	Annual	Biennium	Net Gain
Per County	$1,500,000	$3,000,000	$750,000
Total Big 4	$6,000,000	$12,000,000	$3,000,000

Tiered Definitions

Oil and Gas Hub City: a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one percent of its private employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and within a oil and gas producing county.

Non-Oil and Gas Hub City: a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one percent of its private employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and not in an oil and gas producing county.

2.1

15.0329.05008

FIRST ENGROSSMENT

HB 1176
3
4-1-15
Subcom

Sixty-fourth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1176

Introduced by

Representatives Kempenich, Brandenburg, Dockter, Hatlestad, Owens, Streyle, Toman, Trottier

Senators Bowman, O'Connell, Oehlke, Unruh

A BILL for an Act to amend and reenact sections 15-08.1-08, 57-51-01, and 57-51-15 of the North Dakota Century Code, relating to the unobligated balance of the strategic investment and improvements fund and oil and gas gross production tax definitions and allocations; to provide appropriations; to provide exemptions; to provide for reports to the budget section; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent~~ - Contingent transfer to legacy fund~~.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this~~

3.1

~~section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~

SECTION 2. Section 57-51-01 of the North Dakota Century Code is amended and reenacted as follows:

57-51-01. ~~(Effective for taxable events occurring through June 30, 2015)~~ Definitions.

As used in this chapter:

1. "Barrel of oil" means forty-two United States gallons of two hundred thirty-one cubic inches per gallon computed at a temperature of sixty degrees Fahrenheit [158.99 liters computed at a temperature of 15.56 degrees Celsius].
2. "Commissioner" means the state tax commissioner.
3. "Field" means the geographic area underlaid by one or more pools, as defined by the industrial commission.
4. "Gas" means natural gas and casinghead gas.
5. "Hub city" means a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one~~seven and one-half~~ percent of its private covered employment engaged in ~~the mining industry~~oil and gas-related employment, according to annual data compiled by job service North Dakota.
6. "Hub city school district" means the school district with the highest student enrollment within the city limits of a hub city.
7. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.
8. "Person" includes partnership, corporation, limited liability company, association, fiduciary, trustee, and any combination of individuals.
9. "Posted price" means the price specified in publicly available posted price bulletins or other public notices, net of any adjustments for quality and location.
10. "Shallow gas" means gas produced from a gas well completed in or producing from a shallow gas zone, as certified to the tax commissioner by the industrial commission.

11. "Shallow gas zone" means a strata or formation, including lignite or coal strata or seam, located above the depth of five thousand feet [1524 meters] below the surface, or located more than five thousand feet [1524 meters] below the surface but above the top of the Rierdon formation, from which gas is or may be produced.

12. "Transportation costs" means the costs incurred for transporting oil established in accordance with the first applicable of the following methods:

  a. Actual costs incurred under the arm's-length contract between the producer and the transporter of oil.

  b. An applicable common carrier rate established and filed with the North Dakota public service commission, or the appropriate federal jurisdictional agency.

  c. When no common carrier rate would be applicable, the transportation costs are those reasonable costs associated with the actual operating and maintenance expenses, overhead costs directly attributable and allocable to the operation and maintenance, and either depreciation and a return on undepreciated capital investment, or a cost equal to a return on the investment in the transportation system, as determined by the commissioner.

~~**(Effective for taxable events occurring after June 30, 2015) Definitions.** As used in this chapter:~~

~~1. "Barrel of oil" means forty-two United States gallons of two hundred thirty-one cubic inches per gallon computed at a temperature of sixty degrees Fahrenheit [158.99 liters computed at a temperature of 15.56 degrees Celsius].~~

~~2. "Commissioner" means the state tax commissioner.~~

~~3. "Field" means the geographic area underlaid by one or more pools, as defined by the industrial commission.~~

~~4. "Gas" means natural gas and casinghead gas.~~

~~5. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.~~

~~6. "Person" includes partnership, corporation, limited liability company, association, fiduciary, trustee, and any combination of individuals.~~

~~7. "Posted price" means the price specified in publicly available posted price bulletins or other public notices, net of any adjustments for quality and location.~~

~~8. "Shallow gas" means gas produced from a gas well completed in or producing from a shallow gas zone, as certified to the tax commissioner by the industrial commission.~~

~~9. "Shallow gas zone" means a strata or formation, including lignite or coal strata or seam, located above the depth of five thousand feet [1524 meters] below the surface, or located more than five thousand feet [1524 meters] below the surface but above the top of the Rierdon formation, from which gas is or may be produced.~~

~~10. "Transportation costs" means the costs incurred for transporting oil established in accordance with the first applicable of the following methods:~~

~~a. Actual costs incurred under the arm's-length contract between the producer and the transporter of oil.~~

~~b. An applicable common carrier rate established and filed with the North Dakota public service commission, or the appropriate federal jurisdictional agency.~~

~~c. When no common carrier rate would be applicable, the transportation costs are those reasonable costs associated with the actual operating and maintenance expenses, overhead costs directly attributable and allocable to the operation and maintenance, and either depreciation and a return on undepreciated capital investment, or a cost equal to a return on the investment in the transportation system, as determined by the commissioner.~~

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

57-51-15. ~~(Effective for taxable events occurring through June 30, 2015)~~ Gross production tax allocation.

The gross production tax must be allocated monthly as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:

   a. Allocate to each hub city, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in ~~the mining~~

~~industry~~oil and gas-related employment, according to annual data compiled by job service North Dakota;

b. Allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota;

~~b.~~c. Allocate to each hub city school district, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in ~~the mining industry~~oil and gas-related employment, according to annual data compiled by job service North Dakota~~;~~. Hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision;

~~c.~~d. Allocate to each county that received more than five million dollars but less than thirty million dollars of total allocations under subsection 2 in state fiscal year 2014 a monthly amount that will provide a total allocation of one million five hundred thousand dollars per fiscal year to be added by the state treasurer to the allocations to school districts under subdivision b of subsection 5;

~~c.~~~~d.~~e. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~two~~one hundred forty million dollars per biennium;

~~d.~~~~e.~~f. Credit ~~four~~eight percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding ~~fifteen~~twenty million dollars in a state fiscal year and not in an amount exceeding ~~thirty~~forty million dollars per biennium;

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

~~f.~~ ~~g.~~ h. Allocate the remaining revenues under subsection 3.

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

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

   b. Of all annual revenue exceeding five million dollars, ~~twenty-five~~thirty percent is allocated to the county.

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

4. For a county that received less than five million dollars of allocations under subsection 2 in ~~the most recently completed~~ state fiscal year 2014, revenues allocated to that county must be distributed ~~no less than~~at least quarterly by the state treasurer as follows:

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

   b. Thirty-five percent ~~of all revenues allocated to any county for allocation under this subsection~~ must be ~~apportioned by the state treasurer no less than quarterly~~distributed to school districts within the county~~, excluding consideration of and allocation to any hub city school district in the county,~~ on the average daily attendance distribution basis for kindergarten through grade twelve students residing within the county, as certified to the state treasurer by the county superintendent of schools. However, a hub city school district must be omitted from distributions under this subdivision.

c. Twenty percent must be ~~apportioned no less than quarterly by the state treasurer~~distributed to the incorporated cities of the county. A hub city must be omitted from ~~apportionment~~distributions under this subdivision. ~~Apportionment~~Distributions among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

5. For a county that received five million dollars or more of allocations under subsection 2 in ~~the most recently completed~~ state fiscal year 2014, revenues allocated to that county must be distributed ~~no less than~~at least quarterly by the state treasurer as follows:

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

b. Five percent must be ~~apportioned by the state treasurer no less than quarterly~~distributed to school districts within the county on the average daily attendance distribution basis for kindergarten through grade twelve students residing within the county, as certified to the state treasurer by the county superintendent of schools. However, a hub city school district must be omitted from ~~consideration and apportionment~~distributions under this subdivision.

c. Twenty percent must be ~~apportioned no less than quarterly by the state treasurer~~distributed to the incorporated cities of the county. A hub city must be omitted from ~~apportionment~~distributions under this subdivision. ~~Apportionment~~Distributions among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

d. Three~~Two~~ percent must be ~~apportioned no less than quarterly by the state treasurer~~allocated among the organized and unorganized townships of the county. The state treasurer shall ~~apportion~~allocate the funds available under this subdivision among townships in ~~the~~ proportion ~~that township~~ to each township's road miles ~~in the township bear~~relative to the total township road miles in the county. The amount ~~apportioned~~allocated to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

e. Three~~Two~~ percent must be allocated ~~by the state treasurer~~ among the organized and unorganized townships in all the counties that received five million dollars or more of allocations under subsection 2 in the most recently completed state fiscal year. The amount available under this subdivision must be allocated ~~no less than quarterly~~ by the state treasurer in an equal amount to each eligible organized and unorganized township. The amount allocated to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

f. Nine~~Seven~~ percent must be ~~allocated by the state treasurer~~distributed among hub cities. ~~The amount available for allocation under this subdivision must be apportioned by the state treasurer no less than quarterly among hub cities.~~ Sixty percent of funds available under this subdivision must be distributed to the hub city receiving the ~~greatest~~highest percentage of allocations to hub cities under subdivision a of subsection 1 for the quarterly period, thirty percent of funds available under this subdivision must be distributed to the hub city receiving the second ~~greatest~~highest percentage of such allocations, and ten percent of funds available under this subdivision must be distributed to the hub city receiving the third ~~greatest~~highest percentage of such allocations.

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

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

   b. ~~The amount allocated to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.~~The county's ending fund balances;

   c. The amounts allocated under this section to the county's general fund, the amounts expended from these allocations, and the purposes of the expenditures; and

   d. The amounts allocated under this section to or for the benefit of townships within the county, the amounts expended from these allocations, and the purposes of the expenditures.

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

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

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

a. The school district's statement of revenue and expenditures;

b. The school district's ending fund balances; and

c. The amounts allocated under this section to the school district, the amounts expended from these allocations, and the purposes of the expenditures.

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

~~**(Effective for taxable events occurring after June 30, 2015) Gross production tax allocation.** The gross production tax must be allocated monthly as follows:~~

~~1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:~~

~~a. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota;~~

~~b. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding one hundred million dollars per biennium;~~

~~c. Credit four percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;~~

~~d. Credit four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding five million dollars in a state fiscal year and not in an amount~~

~~that would bring the balance in the fund to more than seventy-five million dollars; and~~

~~e.~~ ~~Allocate the remaining revenues under subsection 3.~~

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

~~a.~~ ~~The first two million dollars is allocated to the county.~~

~~b.~~ ~~Of the next one million dollars, seventy-five percent is allocated to the county.~~

~~c.~~ ~~Of the next one million dollars, fifty percent is allocated to the county.~~

~~d.~~ ~~Of the next fourteen million dollars, twenty-five percent is allocated to the county.~~

~~e.~~ ~~Of all annual revenue exceeding eighteen million dollars, ten percent is allocated to the county.~~

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

~~4.~~ ~~The amount to which each county is entitled under subsection 2 must be allocated within the county so the first five million three hundred fifty thousand dollars is allocated under subsection 5 for each fiscal year and any amount received by a county exceeding five million three hundred fifty thousand dollars is credited by the county treasurer to the county infrastructure fund and allocated under subsection 6.~~

~~5.~~ ~~a.~~ ~~Forty-five percent of all revenues allocated to any county for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b.~~ ~~Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.~~

~~The countywide allocation to school districts under this subdivision is subject to the following:~~

~~(1)~~ ~~The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.~~

~~(2)~~ ~~The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.~~

~~(3)~~ ~~The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.~~

~~(4)~~ ~~The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.~~

~~(5)~~ ~~Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:~~

~~(a)~~ ~~Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.~~

~~(b)~~ ~~Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.~~

~~(c)~~ ~~Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.~~

~~c.~~ ~~Twenty percent of all revenues allocated to any county for allocation under this subsection must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

~~6.~~ ~~a.~~ ~~Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 4 and 5 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not~~

~~levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b.~~ ~~Thirty-five percent of all revenues allocated to the county infrastructure fund under subsections 4 and 5 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.~~

~~c.~~ ~~Twenty percent of all revenues allocated to any county infrastructure fund under subsections 4 and 5 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

~~7.~~ ~~Within thirty days after the end of each calendar year, the board of county commissioners of each county that has received an allocation under this section shall~~

~~file a report for the calendar year with the commissioner, in a format prescribed by the commissioner, including:~~

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

~~b.~~ ~~The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.~~

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

SECTION 4. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $112,000,000, or so much of the sum as may be necessary, to the department of transportation for the purpose of distributions to non-oil-producing counties, for the biennium beginning July 1, 2015, and ending June 30, 2017. The distributions must be based on ~~county major collector roadway miles as defined by the department of transportation~~estimated unmet road and bridge investment needs. The distribution to each non-oil-producing county must be proportional to each non-oil-producing county's total ~~county major collector roadway miles~~estimated unmet road and bridge investment needs relative to the combined total of ~~county major collector roadway miles~~estimated unmet road and bridge investment needs of all the eligible non-oil-producing counties under this section. For purposes of this section, "estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly. For purposes of this section, "non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than $5,000,000 for the period beginning September 1, 2013, and ending August 31, 2014. The amounts available under this section must be distributed on or after February 1, 2016.

1. a. Each county requesting funding under this section for county road and bridge projects shall submit the request in accordance with criteria developed by the department of transportation. The request must include a proposed plan for funding projects that rehabilitate or reconstruct paved and unpaved roads and bridges within the county which are needed to support economic activity in the state. The plan must meet the following criteria:

(1) Roadways and bridges must provide continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders, provide connectivity to significant traffic generators, or directly improve traffic safety.

(2) Projects must be consistent with the upper great plains transportation institute's estimated road and bridge investment needs for the years 2015 to 2034 and other planning studies.

(3) Upon completion of a major roadway construction or reconstruction project, the roadway segment must be posted at a legal load limit of 105,500 pounds [47853.995 kilograms].

(4) Design speed on the roadway must be at least 55 miles per hour [88.51 kilometers per hour], unless the department of transportation provides an exemption.

(5) Projects must comply with the American association of state highway transportation officials pavement design procedures and standards developed by the department of transportation in conjunction with the local jurisdiction.

(6) Bridges must be designed to meet an HL 93 loading.

b. The department of transportation, in consultation with the county, may approve the plan or approve the plan with amendments. Upon approval of the plan, the department of transportation shall transfer to the county the approved funding for engineering and plan development costs. Upon execution of a construction contract by the county, the department of transportation shall transfer to the county the approved funding for county and township rehabilitation and reconstruction projects. Counties shall report to the department of transportation upon awarding of each contract and upon completion of each project in a manner prescribed by the department.

c. Funding provided under this section may be used for construction, engineering, and plan development costs, but may not be used for routine maintenance. Funding provided under this section may be applied to engineering, design, and construction costs incurred on related projects as of January 1, 2016. Section 54-44.1-11 does not apply to funding under this section. Any funds not spent by June 30, 2017, must be continued into the biennium beginning July 1, 2017, and ending June 30, 2019, and may be expended only for the purposes authorized by this section. The funding provided in this section is considered a one-time funding item.

2. The department of transportation shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding, including the amounts distributed to each county, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium.

SECTION 5. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND - GRANT RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION. There is appropriated out of any moneys in the oil and gas impact grant fund in the state treasury, not otherwise appropriated, the sum of $139,626,588, or so much of the sum as may be necessary, to the board of university and school lands for the purpose of oil and gas impact grants, for the biennium beginning July 1, 2015, and ending June 30, 2017. Grants awarded under this section are not subject to section 54-44.1-11. The commissioner of the board of university and school lands shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided in this section, including the amounts awarded ~~to taxing districts~~, the amounts spent to date, and the amounts anticipated to be continued into the 2017-2019 biennium. During the biennium beginning July 1, 2015, and ending June 30, 2017, the energy infrastructure and impact office director shall include in recommendations to the board of university and school lands on grants to eligible entities in oil and gas development impact areas:

1. ~~$10,000,000~~$48,000,000, or so much of the sum as may be necessary, for grants to airports impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the aeronautics commission, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection, which must include cost-share requirements. Cost-share requirements must consider the availability of local funds to support the project. Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding.

2. ~~$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A hub city is a city that received an allocation under subdivision a of subsection 1 of section 57-51-15 in state fiscal year 2014. A hub city is eligible to receive grants from the oil and gas impact grant fund only to the extent provided for under this subsection. Of the funding provided in this subsection, a hub city may receive no more than $4,000,000.~~

~~3.~~ ~~$20,000,000~~$30,000,000, or so much of the sum as may be necessary, for grants to school districts impacted by oil and gas development. Grant funds ~~may be used only for purposes relating to renovation and improvement projects. A school district is eligible to receive grants from the oil and gas impact grant fund only to the extent that the amount awarded does not bring the total amount of grants awarded from the oil and gas impact grant fund to the school district for the period beginning July 1, 2011, and ending June 30, 2017, to more than $10,000,000.~~must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

4. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increase or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

5. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

6. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

7. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing service in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

8. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

9. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes and to providers of home health services and hospice programs in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $750,000 must be distributed to home health services and hospice programs, and the remaining amount must be distributed to nursing homes.

10. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each nursing home, facility, or provider as determined by the department of human services.

When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

12. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

13. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection.

~~4.~~15. $500,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,084, but fewer than 1,097 according to the last official decennial federal census.

~~5.~~16. $200,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 445, but fewer than 475 according to the last official decennial federal census.

~~6.~~17. $100,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,019, but fewer than 1,070 according to the last official decennial federal census.

SECTION 6. EFFECTIVE DATE. Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015. Sections ~~1~~2 and ~~2~~3 of this Act are effective for taxable events occurring after June 30, 2015.

Governor's plan in HB 1013

Jumpstart 4-1-15

#4

HB1176

Subcom

How was this figured

School Construction Impact Fund

2015 - 2017

School Dist		Total OGPT		25%
Alexander Total	$	2,732,764	$	683,191
Anamoose Total	$	6,818	$	1,704
Beach Total	$	3,019,772	$	754,943
Belfield Total	$	641,596	$	160,399
Beulah Total	$	278,264	$	69,566
Bottineau Total	$	574,636	$	143,659
Bowbells Total	$	324,212	$	81,053
Bowman/Rhame Total	$	2,292,380	$	573,095
Burke Central Total	$	665,792	$	166,448
Central Elementary Total	$	381,328	$	95,332
Dickinson Total	$	8,250,000	$	2,062,500
Divide County Total	$	3,683,343	$	920,836
Drake Total	$	5,471	$	1,368
Earl Total	$	76,441	$	19,110
Eight-Mile Total	$	2,447,085	$	611,771
Garrison Total	$	421,851	$	105,463
Glenburn Total	$	828,293	$	207,073
Grenora Total	$	1,965,585	$	491,397
Halliday Total	$	1,033,552	$	258,388
Hebron Total	$	32,826	$	8,206
Horse Creek Total	$	210,213	$	52,553
Kenmare Total	$	277,278	$	69,320
Killdeer Total	$	8,228,667	$	2,057,167 ✓
Lewis & Clark Total	$	1,268,101	$	317,026
Loan Tree Total	$	321,497	$	80,374
Mandaree Total	$	3,700,529	$	925,132
Marmarth Total	$	340,471	$	85,118
Max Total	$	145,313	$	36,328
McKenzie County Total	$	18,651,594	$	4,662,898 ✓
Medora Total	$	1,497,670	$	374,418
Minot Total	$	2,250,000	$	562,500
Mohall Total	$	1,705,616	$	426,404
Mohall Lansford Sherwood Tot	$	89,515	$	22,379
Monefiore/Wilton Total	$	110,028	$	27,507

School Construction Impact Fund

2015 - 2017

School Dist	Total OGPT	25%
Nedrose Total	$ 15,111	$ 3,778
Nesson (Ray) Total	$ 2,975,122	$ 743,780
New District 8 Total	$ 3,459,671	$ 864,918
New England Total	$ 388,598	$ 97,149
New Town Total	$ 9,151,582	$ 2,287,895
Newburg-United Total	$ 50,026	$ 12,506
Parshall Total	$ 2,921,554	$ 730,389
Powers Lake Total	$ 1,040,410	$ 260,103
Richardton Total	$ 948,799	$ 237,200
Sawyer Total	$ 6,219	$ 1,555
Scranton Total	$ 550,908	$ 137,727
South Heart Total	$ 852,293	$ 213,073
South Prairie Total	$ 11,256	$ 2,814
Stanley Total	$ 7,393,844	$ 1,848,461
Surrey Total	$ 21,425	$ 5,356
TGU Total	$ 38,512	$ 9,628
Tioga Total	$ 4,833,667	$ 1,208,417
Turtle Lake/Mercer Total	$ 191,662	$ 47,915
Twin Buttes Total	$ 596,280	$ 149,070
Underwood Total	$ 230,704	$ 57,676
United Total	$ 41,366	$ 10,342
Velva Total	$ 33,311	$ 8,328
Washburn Total	$ 302,873	$ 75,718
Westhope Total	$ 132,796	$ 33,199
White Shield Total	$ 159,718	$ 39,930
Williston Total	$ 15,000,000	$ 3,750,000
Yellowstone Total	$ 1,853,693	$ 463,423
Grand Total	$ 121,659,900	$ 30,414,976

Goes to Cap. Projects

Incurred debt + Prevent debt

4-1-15

#5 Subcom

HB1176

15.0329.05008
Title.
Fiscal No. 3

Prepared by the Legislative Council staff for Senator Wardner
April 1, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, after line 6, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "<u>seven</u>"

Page 1, line 19, remove "<u>and one-half</u>"

Page 4, line 4, after "city" insert "<u>, which is located in a county that received an allocation under subsection 2,</u>"

Page 4, after line 8, insert:

"<u>b.</u> <u>Allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private</u>

5.1

covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota;"

Page 4, line 9, overstrike "b." and insert immediately thereafter "c."

Page 4, line 9, after "district" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 13, overstrike the semicolon and insert immediately thereafter ". Hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision;"

Page 4, line 14, replace "c." with "d."

Page 4, line 19, replace "d." with "e."

Page 4, line 21, replace "e." with "f."

Page 4, line 25, replace "f." with "g."

Page 4, line 30, replace "g." with "h."

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "Sixty-four"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "Two"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "Two"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "Seven"

Page 14, line 18, replace "county major collector roadway miles as defined by the department of transportation" with "estimated unmet road and bridge investment needs"

Page 14, line 20, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 21, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 22, after the period insert "For purposes of this section, "estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly."

Page 15, line 5, after "borders" insert ", provide connectivity to significant traffic generators, or directly improve traffic safety"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, remove "3."

Page 17, line 7, replace "$20,000,000" with "$30,000,000"

Page 17, line 8, remove "may be used only for"

Page 17, replace lines 9 through 13 with "must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

4. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increase or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

5. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

6. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

7. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing service in oil-producing counties, including the need for increased

emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

8. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

9. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes and to providers of home health services and hospice programs in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $750,000 must be distributed to home health services and hospice programs, and the remaining amount must be distributed to nursing homes.

10. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each nursing home, facility, or provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

12. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and

requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

13. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection."

Page 17, line 14, replace "4." with "15."

Page 17, line 18, replace "5." with "16."

Page 17, line 22, replace "6." with "17."

Page 17, line 26, after the boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Department of Trust Lands				
Total all funds	$0	$139,626,588	$0	$139,626,588
Less estimated income	0	139,626,588	0	139,626,588
General fund	$0	$0	$0	$0
Department of Transportation				
Total all funds	$0	$112,000,000	$0	$112,000,000
Less estimated income	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000
Bill total				
Total all funds	$0	$251,626,588	$0	$251,626,588
Less estimated income	0	139,626,588	0	139,626,588
General fund	$0	$112,000,000	$0	$112,000,000

House Bill No. 1176 - Department of Trust Lands - Senate Action

The Senate version provides additional designations for grants from the oil and gas impact grant fund compared to the House version as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Senate Action

The Senate version changes the basis for the distributions from county major collector roadway miles to estimated unmet road and bridge investment needs.

5.5

House Bill No. 1176 - Other Changes - Senate Action

House Bill No. 1176	
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05008]**
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**
•Same as current law.	•Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
•Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	•Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.
	•Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.
	•Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.
	•Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.
Additional school district allocation	**Additional school district allocation**
•Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	•Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
•Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	•Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**
•Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	•Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)
Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**
•Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	•Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)
•Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.	•Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
•Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.	•Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
•Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.	•Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)
•Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.	•Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)

House Version [15.0329.05000]	Proposed Senate Version [15.0329.05008]
•Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:	•Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:

House Version:

	Current Law	Proposed Changes
County general fund	60%	64%
Cities	20%	20%
Schools	5%	5%
Townships (equal)	3%	2%
Townships (road miles)	3%	2%
Hub cities	9%	7%

Proposed Senate Version:

	Current Law
County general fund	60%
Cities	20%
Schools	5%
Townships (equal)	3%
Townships (road miles)	3%
Hub cities	9%

Other sections

House Version [15.0329.05000]:

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.
- Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows:
  - $10 million for airports
  - $10 million for hub cities
  - $20 million for school districts
  - $800,000 to certain eligible cities

Proposed Senate Version [15.0329.05008]:

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.
- Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.8 million is undesignated and $130.8 million is designated as follows:
  - $48 million for airports
  - $30 million for school districts
  - $10 million for law enforcement agencies
  - $10 million for critical access hospitals
  - $8 million for certain eligible counties
  - $6 million for emergency medical services providers
  - $5 million for eligible political subdivisions
  - $4 million for nursing homes and hospice programs
  - $3 million for fire protection districts
  - $2 million for providers serving individuals with developmental disabilities
  - $2 million for domestic violence sexual assault organizations
  - $2 million local district health units
  - $800,000 to certain eligible cities

4-1-15
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15.0329.05010
Title.

Prepared by the Legislative Council staff for
Senator Heckaman
April 1, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

Page 5, line 6, after the period insert "However, for allocations occurring after June 30, 2016, of all annual revenue exceeding five million dollars, forty percent is allocated to the county and five percent is allocated to the department of transportation for allocation among non-oil-producing counties at the times revenues are distributed to oil-producing counties under this section. The allocation to each non-oil-producing county must be proportional to each non-oil-producing county's estimated unmet road and bridge investment needs relative to the combined total of estimated unmet road and bridge investment needs of all the eligible non-oil-producing counties. For purposes of this subdivision:

failed as no second

(1) "Estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly.

(2) "Non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under this subsection of less than five million dollars for the period beginning September 1, 2013, and ending August 31, 2014."

Renumber accordingly

Sorvaag 13-0

15.0329.05013
Title. 6000
Fiscal No. 5

Prepared by the Legislative Council staff for
Senator Sorvaag
April 2, 2015

#1
4-2-15

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, after line 6, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "<u>seven</u>"

Page 1, line 19, remove "<u>and one-half</u>"

Page 4, line 4, after "city" insert "<u>, which is located in a county that received an allocation under subsection 2,</u>"

Page 4, after line 8, insert:

"<u>b.</u> <u>Allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private</u>

covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota;"

Page 4, line 9, overstrike "b." and insert immediately thereafter "c."

Page 4, line 9, after "district" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 13, overstrike the semicolon and insert immediately thereafter ". Hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision;"

Page 4, line 14, replace "c." with "d."

Page 4, line 19, replace "d." with "e."

Page 4, line 21, replace "e." with "f."

Page 4, line 25, replace "f." with "g."

Page 4, line 30, replace "g." with "h."

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "Sixty-four"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "Two"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "Two"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "Seven"

Page 14, line 18, replace "county major collector roadway miles as defined by the department of transportation" with "estimated unmet road and bridge investment needs"

Page 14, line 20, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 21, replace "county major collector roadway miles" with "estimated unmet road and bridge investment needs"

Page 14, line 22, after the period insert "For purposes of this section, "estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly."

Page 15, line 2, after "state" insert "or which improve traffic safety"

Page 15, replace lines 3 through 5 with

"(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety."

Page 15, line 31, replace the first comma with "and"

Page 15, line 31, replace the second comma with "costs incurred on related projects as of July 1, 2015,"

Page 15, line 31, after "and" insert "may be applied to"

Page 16, line 14, replace "$139,626,588" with "$139,300,000"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, remove "3."

Page 17, line 7, replace "$20,000,000" with "$30,000,000"

Page 17, line 9, remove ". A school district is eligible"

Page 17, replace lines 10 through 13 with "and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

4. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increase or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

5. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with

the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

6. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

7. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing service in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

8. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

9. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes and to providers of home health services and hospice programs in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $750,000 must be distributed to home health services and hospice programs, and the remaining amount must be distributed to nursing homes.

10. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and

providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each nursing home, facility, or provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

12. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

13. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection."

Page 17, line 14, replace "4." with "15."

Page 17, line 18, replace "5." with "16."

Page 17, line 22, replace "6." with "17."

Page 17, line 26, after the boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Senate Action

	Executive Budget	House Version	Senate Changes	Senate Version
Department of Trust Lands				
Total all funds	$0	$139,626,588	$0	$139,626,588
Less estimated income	0	139,626,588	0	139,626,588
General fund	$0	$0	$0	$0
Department of Transportation				

Total all funds	$0	$112,000,000	$0	$112,000,000
Less estimated income	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000
Bill total				
Total all funds	$0	$251,626,588	$0	$251,626,588
Less estimated income	0	139,626,588	0	139,626,588
General fund	$0	$112,000,000	$0	$112,000,000

House Bill No. 1176 - Department of Trust Lands - Senate Action

The Senate version provides additional designations for grants from the oil and gas impact grant fund compared to the House version as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Senate Action

The Senate version changes the basis for the distributions from county major collector roadway miles to estimated unmet road and bridge investment needs.

House Bill No. 1176 - Other Changes - Senate Action

House Bill No. 1176	
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05013]**
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**
• Same as current law.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.
	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.
	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.
	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.
Additional school district allocation	**Additional school district allocation**
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)

<table>
<tr><th>House Version [15.0329.05000]</th><th>Proposed Senate Version [15.0329.05013]</th></tr>
<tr><td>Allocations and distributions to political subdivisions
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.
• Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.</td><td>Allocations and distributions to political subdivisions
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)
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<tr><td>• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.</td><td>• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
• Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)</td></tr>
<tr><td>• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.</td><td>• Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)</td></tr>
<tr><td>• Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:
<table>
<tr><th></th><th>Current Law</th><th>Proposed Changes</th></tr>
<tr><td>County general fund</td><td>60%</td><td>64%</td></tr>
<tr><td>Cities</td><td>20%</td><td>20%</td></tr>
<tr><td>Schools</td><td>5%</td><td>5%</td></tr>
<tr><td>Townships (equal)</td><td>3%</td><td>2%</td></tr>
<tr><td>Townships (road miles)</td><td>3%</td><td>2%</td></tr>
<tr><td>Hub cities</td><td>9%</td><td>7%</td></tr>
</table>
Other sections
• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.
• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows:
$10 million for airports
$10 million for hub cities
$20 million for school districts
$800,000 to certain eligible cities</td>
<td>• Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:
<table>
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• Appropriates $139.3 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.5 million is undesignated and $130.8 million is designated as follows:
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$30 million for school districts
$10 million for law enforcement agencies
$10 million for critical access hospitals
$8 million for certain eligible counties
$6 million for emergency medical services providers
$5 million for eligible political subdivisions
$4 million for nursing homes and hospice programs
$3 million for fire protection districts
$2 million for providers serving individuals with developmental disabilities
$2 million for domestic violence sexual assault organizations
$2 million local district health units
$800,000 to certain eligible cities</td></tr>
</table>

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS - PROPOSED CHANGES TO ENGROSSED HOUSE BILL NO. 1176

#2
4-2-15

The schedule below compares the House Version of Engrossed House Bill No. 1176 [15.0329.05000] to the proposed Senate Version [15.0329.05013].

House Bill No. 1176	
House Version [15.0329.05000]	**Proposed Senate Version [15.0329.05013]**
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**
• Same as current law.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.
Hub cities and hub city school districts	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.
	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.
	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.
	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.
Additional school district allocation	**Additional school district allocation**
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**
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Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)
• Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.	• Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.	• Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)

House Version [15.0329.05000]

- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.
- Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:

	Current Law	Proposed Changes
County general fund	60%	64%
Cities	20%	20%
Schools	5%	5%
Townships (equal)	3%	2%
Townships (road miles)	3%	2%
Hub cities	9%	7%

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.
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  $10 million for airports

  $10 million for hub cities

  $20 million for school districts

  $800,000 to certain eligible cities

Proposed Senate Version [15.0329.05013]

- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)
- Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:

	Current Law
County general fund	60%
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  $10 million for law enforcement agencies

  $10 million for critical access hospitals

  $8 million for certain eligible counties

  $6 million for emergency medical services providers

  $5 million for eligible political subdivisions

  $4 million for nursing homes and hospice programs

  $3 million for fire protection districts

  $2 million for providers serving individuals with developmental disabilities

  $2 million for domestic violence sexual assault organizations

  $2 million local district health units

  $800,000 to certain eligible cities

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS

The schedule below provides a comparison of 2015-17 biennium estimated oil tax allocations based on current law to estimated allocations based on the provisions of Engrossed House Bill No. 1176. The 2015-17 biennium estimated oil tax allocations are based on the March 2015 revised revenue forecast, which reflects **oil prices increasing from $41.97 to $52.56 per barrel and average daily oil production of 1.1 million barrels per day during the 2015-17 biennium**. The amounts shown reflect allocations for August 2015 through July 2017 and are based on current law for the allocation of the state's share of oil and gas tax revenue. The employment percentages shown for the hub cities reflect data provided by Job Service North Dakota.

2015-17 Biennium March 2015 Revised Revenue Forecast Estimates

	Current Law	House Bill No. 1176 House Version [15.0329.05000]	House Bill No. 1176 Proposed Senate Version [15.0329.05013]
Legacy fund	$990,300,000	$965,610,000	$965,580,000
Three Affiliated Tribes	262,640,000	262,640,000	262,640,000
Oil and gas research fund	10,000,000	10,000,000	10,000,000
Oil and gas impact grant fund	240,000,000	140,000,000	140,000,000
Political subdivisions[1]	497,830,000	629,360,000	630,790,000
Abandoned well reclamation fund	10,000,000	10,000,000	10,000,000
North Dakota heritage fund	13,750,000	27,500,000	27,500,000
Foundation aid stabilization fund	131,180,000	131,180,000	131,180,000
Common schools trust fund	131,180,000	131,180,000	131,180,000
Resources trust fund	262,370,000	262,370,000	262,370,000
General fund	300,000,000	300,000,000	300,000,000
Property tax relief sustainability fund	341,790,000	341,790,000	341,790,000
Strategic investment and improvements fund	185,350,000	164,760,000	163,360,000
State disaster fund	22,000,000	22,000,000	22,000,000
Total oil and gas tax revenue allocations	$3,398,390,000	$3,398,390,000	$3,398,390,000

[1]The amounts shown for the allocations to political subdivisions include the following:

	Employment Percentages Current Law	Employment Percentages House Bill No. 1176 House Version	Employment Percentages House Bill No. 1176 Proposed Senate Changes	Current Law	House Bill No. 1176 House Version [15.0329.05000]	House Bill No. 1176 Proposed Senate Version [15.0329.05013]
Hub Cities						
Williston	40	64	64	$52,410,000	$67,370,000	$72,940,000
Dickinson	22	39	39	27,710,000	38,780,000	41,560,000
Minot	6	12	12	8,240,000	12,170,000	13,090,000
Mandan		9	9		6,470,000	4,310,000
Bismarck			3			1,440,000
West Fargo			3			1,440,000
Jamestown			2			960,000
Fargo			2			960,000
Grand Forks			2			960,000
Total hub cities	68	124	136	$88,360,000	$124,790,000	$137,660,000
Hub city school districts				17,000,000	30,420,000	28,260,000
Counties				255,690,000	310,600,000	292,050,000
Cities (excluding hub cities)				85,960,000	98,090,000	98,090,000
Schools (excluding hub city school districts)				25,910,000	46,190,000	46,190,000
Townships				24,910,000	19,270,000	28,540,000
Total				$497,830,000	$629,360,000	$630,790,000

NOTE: The amounts reflected in this schedule are preliminary estimates. **The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts** based on actual oil price and oil production.

HB 1176

HB 1176
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4-2.15

Major Cities with Oil and Gas Related Employment Non-Oil Producing County				
City	% O&G Emp.	Rounded Up	$ per %	
Grand Forks	1.01	2	$250,000	$500,000
Fargo	1.41	2	$250,000	$500,000
Jamestown	1.43	2	$250,000	$500,000
West Fargo	2.4	3	$250,000	$750,000
Bismarck	2.52	3	$250,000	$750,000
Mandan	8.02	9	$250,000	$2,250,000
				$5,250,000

Major Cities with Oil and Gas Related Employment Oil Producing County				
City	% O&G Emp.	Rounded Up	$ per %	
Minot	12	12	$375,000	$4,500,000
Dickinson	38.9	39	$375,000	$14,625,000
Williston	63.9	64	$375,000	$24,000,000
				$43,125,000

Major Schools with Oil and Gas Related Employment Oil Producing County					
City	% O&G Emp.	Rounded Up	$ per %		Net Gain
Minot	12	12	$125,000	$1,500,000	$375,000
Dickinson	38.9	39	$125,000	$4,875,000	$1,218,750
Williston	63.9	64	$125,000	$8,000,000	$2,000,000
				$14,375,000	$3,593,750

Top 4 Counties Schools			
	Annual	Biennium	Net Gain
Per County	$1,500,000	$3,000,000	$750,000
Total Big 4	$6,000,000	$12,000,000	$3,000,000

Tiered Definitions

Oil and Gas Hub City: a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one percent of its private employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and within a oil and gas producing county.

Non-Oil and Gas Hub City: a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one percent of its private employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and not in an oil and gas producing county.

15.0329.05013

FIRST ENGROSSMENT

Sixty-fourth
Legislative Assembly
of North Dakota

ENGROSSED HOUSE BILL NO. 1176

4
4-2-15

Introduced by

Representatives Kempenich, Brandenburg, Dockter, Hatlestad, Owens, Streyle, Toman, Trottier

Senators Bowman, O'Connell, Oehlke, Unruh

A BILL for an Act to amend and reenact sections 15-08.1-08, 57-51-01, and 57-51-15 of the North Dakota Century Code, relating to the unobligated balance of the strategic investment and improvements fund and oil and gas gross production tax definitions and allocations; to provide appropriations; to provide exemptions; to provide for reports to the budget section; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent~~ - Contingent transfer to legacy fund~~.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this~~

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~~section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~

SECTION 2. Section 57-51-01 of the North Dakota Century Code is amended and reenacted as follows:

57-51-01. ~~(Effective for taxable events occurring through June 30, 2015)~~ Definitions. As used in this chapter:

1. "Barrel of oil" means forty-two United States gallons of two hundred thirty-one cubic inches per gallon computed at a temperature of sixty degrees Fahrenheit [158.99 liters computed at a temperature of 15.56 degrees Celsius].
2. "Commissioner" means the state tax commissioner.
3. "Field" means the geographic area underlaid by one or more pools, as defined by the industrial commission.
4. "Gas" means natural gas and casinghead gas.
5. "Hub city" means a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one~~seven and one-half~~ percent of its private covered employment engaged in ~~the mining industry~~oil and gas-related employment, according to annual data compiled by job service North Dakota.
6. "Hub city school district" means the school district with the highest student enrollment within the city limits of a hub city.
7. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.
8. "Person" includes partnership, corporation, limited liability company, association, fiduciary, trustee, and any combination of individuals.
9. "Posted price" means the price specified in publicly available posted price bulletins or other public notices, net of any adjustments for quality and location.
10. "Shallow gas" means gas produced from a gas well completed in or producing from a shallow gas zone, as certified to the tax commissioner by the industrial commission.

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11. "Shallow gas zone" means a strata or formation, including lignite or coal strata or seam, located above the depth of five thousand feet [1524 meters] below the surface, or located more than five thousand feet [1524 meters] below the surface but above the top of the Rierdon formation, from which gas is or may be produced.

12. "Transportation costs" means the costs incurred for transporting oil established in accordance with the first applicable of the following methods:

   a. Actual costs incurred under the arm's-length contract between the producer and the transporter of oil.

   b. An applicable common carrier rate established and filed with the North Dakota public service commission, or the appropriate federal jurisdictional agency.

   c. When no common carrier rate would be applicable, the transportation costs are those reasonable costs associated with the actual operating and maintenance expenses, overhead costs directly attributable and allocable to the operation and maintenance, and either depreciation and a return on undepreciated capital investment, or a cost equal to a return on the investment in the transportation system, as determined by the commissioner.

~~**(Effective for taxable events occurring after June 30, 2015) Definitions.** As used in this chapter:~~

~~1. "Barrel of oil" means forty-two United States gallons of two hundred thirty-one cubic inches per gallon computed at a temperature of sixty degrees Fahrenheit [158.99 liters computed at a temperature of 15.56 degrees Celsius].~~

~~2. "Commissioner" means the state tax commissioner.~~

~~3. "Field" means the geographic area underlaid by one or more pools, as defined by the industrial commission.~~

~~4. "Gas" means natural gas and casinghead gas.~~

~~5. "Oil" means petroleum, crude oil, mineral oil, and casinghead gasoline.~~

~~6. "Person" includes partnership, corporation, limited liability company, association, fiduciary, trustee, and any combination of individuals.~~

~~7. "Posted price" means the price specified in publicly available posted price bulletins or other public notices, net of any adjustments for quality and location.~~

~~8. "Shallow gas" means gas produced from a gas well completed in or producing from a shallow gas zone, as certified to the tax commissioner by the industrial commission.~~

~~9. "Shallow gas zone" means a strata or formation, including lignite or coal strata or seam, located above the depth of five thousand feet [1524 meters] below the surface, or located more than five thousand feet [1524 meters] below the surface but above the top of the Rierdon formation, from which gas is or may be produced.~~

~~10. "Transportation costs" means the costs incurred for transporting oil established in accordance with the first applicable of the following methods:~~

~~a. Actual costs incurred under the arm's-length contract between the producer and the transporter of oil.~~

~~b. An applicable common carrier rate established and filed with the North Dakota public service commission, or the appropriate federal jurisdictional agency.~~

~~c. When no common carrier rate would be applicable, the transportation costs are those reasonable costs associated with the actual operating and maintenance expenses, overhead costs directly attributable and allocable to the operation and maintenance, and either depreciation and a return on undepreciated capital investment, or a cost equal to a return on the investment in the transportation system, as determined by the commissioner.~~

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

57-51-15. ~~(Effective for taxable events occurring through June 30, 2015)~~ Gross production tax allocation.

The gross production tax must be allocated monthly as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:

   a. Allocate to each hub city<u>, which is located in a county that received an allocation under subsection 2,</u> a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in ~~the mining~~

~~industry~~oil and gas-related employment, according to annual data compiled by job service North Dakota;

b. Allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota;

~~b.~~c. Allocate to each hub city school district, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in ~~the mining industry~~oil and gas-related employment, according to annual data compiled by job service North Dakota~~;~~. Hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision;

~~c.~~d. Allocate to each county that received more than five million dollars but less than thirty million dollars of total allocations under subsection 2 in state fiscal year 2014 a monthly amount that will provide a total allocation of one million five hundred thousand dollars per fiscal year to be added by the state treasurer to the allocations to school districts under subdivision b of subsection 5;

~~c.~~~~d.~~e. Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~two~~one hundred forty million dollars per biennium;

~~d.~~~~e.~~f. Credit ~~four~~eight percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding ~~fifteen~~twenty million dollars in a state fiscal year and not in an amount exceeding ~~thirty~~forty million dollars per biennium;

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

~~f.~~~~g.~~h. Allocate the remaining revenues under subsection 3.

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

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

b. Of all annual revenue exceeding five million dollars, ~~twenty-five~~thirty percent is allocated to the county.

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

4. For a county that received less than five million dollars of allocations under subsection 2 in ~~the most recently completed~~ state fiscal year 2014, revenues allocated to that county must be distributed ~~no less than~~at least quarterly by the state treasurer as follows:

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

b. Thirty-five percent ~~of all revenues allocated to any county for allocation under this subsection~~ must be ~~apportioned by the state treasurer no less than quarterly~~distributed to school districts within the county~~, excluding consideration of and allocation to any hub city school district in the county,~~ on the average daily

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attendance distribution basis for kindergarten through grade twelve students residing within the county, as certified to the state treasurer by the county superintendent of schools. However, a hub city school district must be omitted from distributions under this subdivision.

c. Twenty percent must be ~~apportioned no less than quarterly by the state treasurer~~distributed to the incorporated cities of the county. A hub city must be omitted from ~~apportionment~~distributions under this subdivision. ~~Apportionment~~Distributions among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

5. For a county that received five million dollars or more of allocations under subsection 2 in ~~the most recently completed~~ state fiscal year 2014, revenues allocated to that county must be distributed ~~no less than~~at least quarterly by the state treasurer as follows:

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

b. Five percent must be ~~apportioned by the state treasurer no less than quarterly~~distributed to school districts within the county on the average daily attendance distribution basis for kindergarten through grade twelve students residing within the county, as certified to the state treasurer by the county superintendent of schools. However, a hub city school district must be omitted from ~~consideration and apportionment~~distributions under this subdivision.

c. Twenty percent must be ~~apportioned no less than quarterly by the state treasurer~~distributed to the incorporated cities of the county. A hub city must be omitted from ~~apportionment~~distributions under this subdivision. ~~Apportionment~~Distributions among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent.

d. Three~~Two~~ percent must be ~~apportioned no less than quarterly by the state treasurer~~allocated among the organized and unorganized townships of the county. The state treasurer shall ~~apportion~~allocate the funds available under this subdivision among townships in ~~the~~ proportion ~~that township~~ to each township's road miles ~~in the township bear~~relative to the total township road miles in the county. The amount ~~apportioned~~allocated to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

e. Three~~Two~~ percent must be allocated ~~by the state treasurer~~ among the organized and unorganized townships in all the counties that received five million dollars or more of allocations under subsection 2 in the most recently completed state fiscal year. The amount available under this subdivision must be allocated ~~no less than quarterly~~ by the state treasurer in an equal amount to each eligible organized and unorganized township. The amount allocated to unorganized townships under this subdivision must be distributed to the county treasurer and credited to a special fund for unorganized township roads, which the board of county commissioners shall use for the maintenance and improvement of roads in unorganized townships.

f. Nine~~Seven~~ percent must be ~~allocated by the state treasurer~~distributed among hub cities. ~~The amount available for allocation under this subdivision must be apportioned by the state treasurer no less than quarterly among hub cities.~~ Sixty percent of funds available under this subdivision must be distributed to the hub

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city receiving the ~~greatest~~highest percentage of allocations to hub cities under subdivision a of subsection 1 for the quarterly period, thirty percent of funds available under this subdivision must be distributed to the hub city receiving the second ~~greatest~~highest percentage of such allocations, and ten percent of funds available under this subdivision must be distributed to the hub city receiving the third ~~greatest~~highest percentage of such allocations.

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

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

   b. ~~The amount allocated to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.~~The county's ending fund balances;

   c. The amounts allocated under this section to the county's general fund, the amounts expended from these allocations, and the purposes of the expenditures; and

   d. The amounts allocated under this section to or for the benefit of townships within the county, the amounts expended from these allocations, and the purposes of the expenditures.

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

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

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

a. The school district's statement of revenue and expenditures;

b. The school district's ending fund balances; and

c. The amounts allocated under this section to the school district, the amounts expended from these allocations, and the purposes of the expenditures.

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

~~**(Effective for taxable events occurring after June 30, 2015) Gross production tax allocation.** The gross production tax must be allocated monthly as follows:~~

~~1.~~ ~~First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall:~~

~~a.~~ ~~Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota;~~

~~b.~~ ~~Credit revenues to the oil and gas impact grant fund, but not in an amount exceeding one hundred million dollars per biennium;~~

~~c.~~ ~~Credit four percent of the amount available under this subsection to the North Dakota outdoor heritage fund, but not in an amount exceeding fifteen million dollars in a state fiscal year and not in an amount exceeding thirty million dollars per biennium;~~

~~d.~~ ~~Credit four percent of the amount available under this subsection to the abandoned oil and gas well plugging and site reclamation fund, but not in an amount exceeding five million dollars in a state fiscal year and not in an amount~~

~~that would bring the balance in the fund to more than seventy-five million dollars; and~~

~~e.~~ ~~Allocate the remaining revenues under subsection 3.~~

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

~~a.~~ ~~The first two million dollars is allocated to the county.~~

~~b.~~ ~~Of the next one million dollars, seventy-five percent is allocated to the county.~~

~~c.~~ ~~Of the next one million dollars, fifty percent is allocated to the county.~~

~~d.~~ ~~Of the next fourteen million dollars, twenty-five percent is allocated to the county.~~

~~e.~~ ~~Of all annual revenue exceeding eighteen million dollars, ten percent is allocated to the county.~~

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

~~4.~~ ~~The amount to which each county is entitled under subsection 2 must be allocated within the county so the first five million three hundred fifty thousand dollars is allocated under subsection 5 for each fiscal year and any amount received by a county exceeding five million three hundred fifty thousand dollars is credited by the county treasurer to the county infrastructure fund and allocated under subsection 6.~~

~~5.~~ ~~a.~~ ~~Forty-five percent of all revenues allocated to any county for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b.~~ ~~Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.~~

~~The countywide allocation to school districts under this subdivision is subject to the following:~~

~~(1)~~ ~~The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.~~

~~(2)~~ ~~The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.~~

~~(3) The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.~~

~~(4) The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.~~

~~(5) Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:~~

~~(a) Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.~~

~~(b) Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.~~

~~(c) Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.~~

~~c. Twenty percent of all revenues allocated to any county for allocation under this subsection must be apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of this subdivision must be increased by eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

~~6. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 4 and 5 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not~~

~~levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.~~

~~b.~~ ~~Thirty-five percent of all revenues allocated to the county infrastructure fund under subsections 4 and 5 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.~~

~~c.~~ ~~Twenty percent of all revenues allocated to any county infrastructure fund under subsections 4 and 5 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.~~

~~7.~~ ~~Within thirty days after the end of each calendar year, the board of county commissioners of each county that has received an allocation under this section shall~~

~~file a report for the calendar year with the commissioner, in a format prescribed by the commissioner, including:~~

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

~~b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.~~

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

SECTION 4. APPROPRIATION - DEPARTMENT OF TRANSPORTATION - NON-OIL-PRODUCING COUNTIES - EXEMPTION - REPORT TO BUDGET SECTION. There is appropriated out of any moneys in the general fund in the state treasury, not otherwise appropriated, the sum of $112,000,000, or so much of the sum as may be necessary, to the department of transportation for the purpose of distributions to non-oil-producing counties, for the biennium beginning July 1, 2015, and ending June 30, 2017. The distributions must be based on ~~county major collector roadway miles as defined by the department of transportation~~estimated unmet road and bridge investment needs. The distribution to each non-oil-producing county must be proportional to each non-oil-producing county's total ~~county major collector roadway miles~~estimated unmet road and bridge investment needs relative to the combined total of ~~county major collector roadway miles~~estimated unmet road and bridge investment needs of all the eligible non-oil-producing counties under this section. For purposes of this section, "estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly. For purposes of this section, "non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under subsection 2 of section 57-51-15 of less than $5,000,000 for the period beginning September 1, 2013, and ending August 31, 2014. The amounts available under this section must be distributed on or after February 1, 2016.

1. a. Each county requesting funding under this section for county road and bridge projects shall submit the request in accordance with criteria developed by the department of transportation. The request must include a proposed plan for funding projects that rehabilitate or reconstruct paved and unpaved roads and bridges within the county which are needed to support economic activity in the state or which improve traffic safety. The plan must meet the following criteria:

~~(1) Roadways and bridges must provide continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders.~~

(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety.

(2) Projects must be consistent with the upper great plains transportation institute's estimated road and bridge investment needs for the years 2015 to 2034 and other planning studies.

(3) Upon completion of a major roadway construction or reconstruction project, the roadway segment must be posted at a legal load limit of 105,500 pounds [47853.995 kilograms].

(4) Design speed on the roadway must be at least 55 miles per hour [88.51 kilometers per hour], unless the department of transportation provides an exemption.

(5) Projects must comply with the American association of state highway transportation officials pavement design procedures and standards

developed by the department of transportation in conjunction with the local jurisdiction.

(6) Bridges must be designed to meet an HL 93 loading.

b. The department of transportation, in consultation with the county, may approve the plan or approve the plan with amendments. Upon approval of the plan, the department of transportation shall transfer to the county the approved funding for engineering and plan development costs. Upon execution of a construction contract by the county, the department of transportation shall transfer to the county the approved funding for county and township rehabilitation and reconstruction projects. Counties shall report to the department of transportation upon awarding of each contract and upon completion of each project in a manner prescribed by the department.

c. Funding provided under this section may be used for construction, engineering, and plan development costs, but may not be used for routine maintenance. Funding provided under this section may be applied to engineering~~,~~ and design~~,~~ costs incurred on related projects as of July 1, 2015, and may be applied to construction costs incurred on related projects as of January 1, 2016. Section 54-44.1-11 does not apply to funding under this section. Any funds not spent by June 30, 2017, must be continued into the biennium beginning July 1, 2017, and ending June 30, 2019, and may be expended only for the purposes authorized by this section. The funding provided in this section is considered a one-time funding item.

2. The department of transportation shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of this one-time funding, including the amounts distributed to each county, the amounts spent to date, and the amounts anticipated to be continued into the 2017-19 biennium.

SECTION 5. APPROPRIATION - OIL AND GAS IMPACT GRANT FUND - GRANT RECOMMENDATIONS - EXEMPTION - REPORT TO BUDGET SECTION. There is appropriated out of any moneys in the oil and gas impact grant fund in the state treasury, not otherwise appropriated, the sum of ~~$139,626,588~~$139,300,000, or so much of the sum as may be necessary, to the board of university and school lands for the purpose of oil and gas impact grants, for the biennium beginning July 1, 2015, and ending June 30, 2017. Grants awarded under this section are not subject to section 54-44.1-11. The commissioner of the board of university and school lands shall report to the budget section and to the appropriations committees of the sixty-fifth legislative assembly on the use of the funding provided in this section, including the amounts awarded ~~to taxing districts~~, the amounts spent to date, and the amounts anticipated to be continued into the 2017-2019 biennium. During the biennium beginning July 1, 2015, and ending June 30, 2017, the energy infrastructure and impact office director shall include in recommendations to the board of university and school lands on grants to eligible entities in oil and gas development impact areas:

1. ~~$10,000,000~~$48,000,000, or so much of the sum as may be necessary, for grants to airports impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the aeronautics commission, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection, which must include cost-share requirements. Cost-share requirements must consider the availability of local funds to support the project. Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding.

2. ~~$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A hub city is a city that received an allocation under subdivision a of subsection 1 of section 57-51-15 in state fiscal year 2014. A hub city is eligible to receive grants from the oil and gas impact grant fund only to the extent provided for under this subsection. Of the funding provided in this subsection, a hub city may receive no more than $4,000,000.~~

~~3.~~ ~~$20,000,000~~$30,000,000, or so much of the sum as may be necessary, for grants to school districts impacted by oil and gas development. Grant funds may be used only for purposes relating to renovation and improvement projects~~. A school district is eligible to receive grants from the oil and gas impact grant fund only to the extent that the amount awarded does not bring the total amount of grants awarded from the oil and gas impact grant fund to the school district for the period beginning July 1, 2011, and ending June 30, 2017, to more than $10,000,000.~~ and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

4. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increase or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

5. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

6. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

7. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that

would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing service in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

8. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

9. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes and to providers of home health services and hospice programs in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $750,000 must be distributed to home health services and hospice programs, and the remaining amount must be distributed to nursing homes.

10. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers that serve individuals with developmental disabilities located in oil-producing counties to address

the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each nursing home, facility, or provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

12. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

13. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection.

~~4.~~15. $500,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,084, but fewer than 1,097 according to the last official decennial federal census.

~~5.~~16. $200,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 445, but fewer than 475 according to the last official decennial federal census.

~~6.~~17. $100,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,019, but fewer than 1,070 according to the last official decennial federal census.

SECTION 6. EFFECTIVE DATE. Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015. Sections ~~1~~2 and ~~2~~3 of this Act are effective for taxable events occurring after June 30, 2015.

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Non-Oil County Road Funding Allocations

Analysis if HB1176 Funding is Allocated by the Relative Need Identified in UGPTI Local Roads Study

Non-Oil County	SB2013 ENACTED $112 Million Allocated in SB2103 (CMC Miles)	HB1176 PROPOSED $112 Million Allocated by UGPTI Relative Need	Combined Total	Totals Compared to UGPTI 20 Yr Need
a	b	c	B + C	
Adams	$ 2,203,815	$ 1,741,278	$ 3,945,093	4.2%
Barnes	$ 3,899,171	$ 3,722,791	$ 7,621,962	3.8%
Benson	$ 3,373,924	$ 1,806,881	$ 5,180,805	5.3%
Burleigh	$ 3,776,247	$ 4,813,070	$ 8,589,317	3.3%
Cass	$ 6,272,476	$ 8,370,735	$ 14,643,211	3.3%
Cavalier	$ 2,957,575	$ 2,323,879	$ 5,281,454	4.2%
Dickey	$ 2,735,403	$ 2,820,562	$ 5,555,965	3.7%
Eddy	$ 1,063,270	$ 1,096,989	$ 2,160,259	3.7%
Emmons	$ 2,169,558	$ 590,987	$ 2,760,545	8.7%
Foster	$ 1,461,167	$ 1,164,083	$ 2,625,250	4.2%
Golden Valley	$ 1,946,309	$ 1,951,134	$ 3,897,443	3.7%
Grand Forks	$ 4,587,116	$ 6,211,237	$ 10,798,353	3.2%
Grant	$ 1,964,920	$ 1,403,758	$ 3,368,678	4.5%
Griggs	$ 1,817,190	$ 1,258,760	$ 3,075,950	4.6%
Hettinger	$ 2,321,315	$ 1,047,786	$ 3,369,101	6.0%
Kidder	$ 2,572,174	$ 1,503,281	$ 4,075,455	5.1%
LaMoure	$ 3,105,730	$ 1,549,874	$ 4,655,604	5.6%
Logan	$ 1,724,921	$ 491,092	$ 2,216,013	8.4%
McHenry	$ 3,186,873	$ 5,466,119	$ 8,652,992	3.0%
McIntosh	$ 1,697,523	$ 968,951	$ 2,666,474	5.1%
McLean	$ 3,627,880	$ 5,861,043	$ 9,488,923	3.0%
Mercer	$ 2,696,799	$ 3,010,102	$ 5,706,901	3.5%
Morton	$ 4,028,489	$ 3,475,661	$ 7,504,150	4.0%
Nelson	$ 2,285,888	$ 1,625,168	$ 3,911,056	4.5%
Oliver	$ 1,379,586	$ 969,137	$ 2,348,723	4.5%
Pembina	$ 2,223,409	$ 3,731,923	$ 5,955,332	3.0%
Pierce	$ 1,529,415	$ 1,762,152	$ 3,291,567	3.5%
Ramsey	$ 2,395,811	$ 1,893,731	$ 4,289,542	4.2%
Ransom	$ 2,099,010	$ 932,981	$ 3,031,991	6.1%
Renville	$ 2,042,646	$ 1,601,499	$ 3,644,145	4.2%
Richland	$ 2,539,180	$ 5,591,175	$ 8,130,355	2.7%
Rolette	$ 1,755,642	$ 2,245,975	$ 4,001,617	3.3%
Sargent	$ 2,595,623	$ 1,753,206	$ 4,348,829	4.6%
Sheridan	$ 1,756,307	$ 596,951	$ 2,353,258	7.3%
Sioux	$ 1,128,328	$ 1,310,758	$ 2,439,086	3.5%
Slope	$ 1,942,587	$ 1,003,430	$ 2,946,017	5.5%
Steele	$ 1,678,886	$ 1,495,080	$ 3,173,966	4.0%
Stutsman	$ 4,286,154	$ 3,196,661	$ 7,482,815	4.4%
Towner	$ 1,568,485	$ 1,057,664	$ 2,626,149	4.6%
Traill	$ 2,555,677	$ 2,995,193	$ 5,550,870	3.5%
Walsh	$ 3,729,747	$ 6,940,699	$ 10,670,446	2.9%
Ward	$ 5,177,382	$ 6,780,045	$ 11,957,427	3.3%
Wells	$ 2,140,392	$ 1,866,521	$ 4,006,913	4.0%
Totals	$ 112,000,000	$ 112,000,000	$ 224,000,000	3.7%

5.1

Prepared by the Legislative Council staff for
Senator Heckaman

April 1, 2015

#6

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PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

Page 5, line 6, after the period insert "However, if the average statewide production of oil meets or exceeds one million two hundred thousand barrels of oil per day in the month of February 2016, allocations to the county occurring after June 30, 2016, must be increased to forty percent of all annual revenue exceeding five million dollars. An additional five percent of all annual revenue exceeding five million dollars also must be allocated to the department of transportation for allocation among non-oil-producing counties at the times revenues are distributed to oil-producing counties under this section. The allocation to each non-oil-producing county must be proportional to each non-oil-producing county's estimated unmet road and bridge investment needs relative to the combined total of estimated unmet road and bridge investment needs of all the eligible non-oil-producing counties. For purposes of this subdivision:

(1) "Average statewide production" means the number of barrels of oil produced from wells within this state during the calendar month divided by the number of calendar days in that month, as determined by the industrial commission.

(2) "Estimated unmet road and bridge investment needs" means a county's total estimated road and bridge investment needs for the years 2015 to 2034 identified in the most recently completed report by the upper great plains transportation institute less the amount distributed to the county under subsection 2 of section 2 of Senate Bill No. 2103, as approved by the sixty-fourth legislative assembly.

(3) "Non-oil-producing counties" means the forty-three counties that received no allocation of funding or a total allocation under this subsection of less than five million dollars for the period beginning September 1, 2013, and ending August 31, 2014."

Renumber accordingly

6.1

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15.0329.05019
Title.
Fiscal No. 1

Prepared by the Legislative Council staff for
Representative Delzer
April 20, 2015

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1176

That the Senate recede from its amendments as printed on pages 1147-1153 of the Senate Journal and pages 1363-1369 of the House Journal and that Engrossed House Bill No. 1176 be amended as follows:

Page 1, line 1, after "sections" insert "15-08.1-08,"

Page 1, line 1, after "57-51-01" insert a comma

Page 1, line 2, after the first "to" insert "the unobligated balance of the strategic investment and improvements fund and"

Page 1, line 3, after third semicolon insert "to provide for a legislative management study;"

Page 1, after line 5, insert:

"**SECTION 1. AMENDMENT.** Section 15-08.1-08 of the North Dakota Century Code is amended and reenacted as follows:

15-08.1-08. Income - Expenses - Reimbursement - Creation of strategic investment and improvements fund - Legislative intent~~- Contingent transfer to legacy fund~~.

The income derived from the sale, lease, and management of the mineral interests acquired by the board of university and school lands pursuant to this chapter and other funds as provided by law must, after deducting the expenses of sale, lease, and management of the property, be deposited in a fund to be known as the strategic investment and improvements fund. The corpus and interest of such trust may be expended as the legislative assembly may provide for one-time expenditures relating to improving state infrastructure or for initiatives to improve the efficiency and effectiveness of state government. It is the intent of the legislative assembly that moneys in the fund may be included in draft appropriation acts under section 54-44.1-06 and may be appropriated by the legislative assembly, but only to the extent that the moneys are estimated to be available at the beginning of the biennium in which the appropriations are authorized. ~~If the unobligated balance in the fund at the end of any month exceeds three hundred million dollars, twenty-five percent of any revenues received for deposit in the fund in the subsequent month must be deposited instead into the legacy fund. For purposes of this section, "unobligated balance in the fund" means the balance in the fund reduced by appropriations or transfers from the fund authorized by the legislative assembly, guarantee reserve fund requirements under section 6-09.7-05, and any fund balance designated by the board of university and school lands relating to potential title disputes related to certain riverbed leases.~~"

Page 1, line 17, after "means" insert "<u>, for the period beginning September 1, 2015, and ending August 31, 2017,</u>"

Page 1, line 18, remove the overstrike over "one"

Page 1, line 18, remove "<u>seven</u>"

Page 1, line 19, remove "<u>and one-half</u>"

Page 1, line 21, after "Dakota" insert ". "Hub city" means, after August 31, 2017, a city with a population of twelve thousand five hundred or more, according to the last official decennial federal census, which has more than one percent of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota"

Page 4, line 4, after "Allocate" insert ", for the period beginning September 1, 2015, and ending August 31, 2017,"

Page 4, line 4, after "city" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 8, after "Dakota" insert "and after August 31, 2017, allocate to each hub city, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of three hundred seventy-five thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota"

Page 4, line 9, after "b." insert "Allocate, for the period beginning September 1, 2015, and ending August 31, 2017, to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in oil and gas-related employment, according to annual data compiled by job service North Dakota and after August 31, 2017, allocate to each hub city, which is located in a county that did not receive an allocation under subsection 2, a monthly amount that will provide a total allocation of two hundred fifty thousand dollars per fiscal year for each full or partial percentage point of its private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota;

c."

Page 4, line 9, after "Allocate" insert ", for the period beginning September 1, 2015, and ending August 31, 2017,"

Page 4, line 9, after "district" insert ", which is located in a county that received an allocation under subsection 2,"

Page 4, line 13, after "Dakota" insert " and after August 31, 2017, allocate to each hub city school district, which is located in a county that received an allocation under subsection 2, a monthly amount that will provide a total allocation of one hundred twenty-five thousand dollars per fiscal year for each full or partial percentage point of the hub city's private covered employment engaged in the mining industry, according to annual data compiled by job service North Dakota, provided that hub city school districts, which are located in a county that did not receive an allocation under subsection 2, must be excluded from the allocations under this subdivision"

Page 4, line 14, replace "c." with "d."

Page 4, line 19, replace "d." with "e."

Page 4, line 20, after "biennium" insert "for the 2015-17 biennium, and not in an amount exceeding one hundred million dollars per biennium thereafter"

Page 4, line 21, replace "e." with "f."

Page 4, line 25, replace "f." with "g."

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Page 4, line 30, replace "g." with "h."

Page 6, line 16, remove the overstrike over "Sixty"

Page 6, line 16, remove "Sixty-four"

Page 7, line 6, remove the overstrike over "Three"

Page 7, line 6, remove "Two"

Page 7, line 16, remove the overstrike over "Three"

Page 7, line 16, remove "Two"

Page 7, line 26, remove the overstrike over "Nine"

Page 7, line 26, remove "Seven"

Page 14, line 17, replace "The" with "One-half of the"

Page 14, line 19, after "county" insert "based on county major collector roadway miles"

Page 14, line 22, after the period insert "One-half of the distributions must be based on the most recent data compiled by the upper great plains transportation institute regarding North Dakota's county, township, and tribal road and bridge infrastructure needs. The distribution to each non-oil-producing county based on total estimated road and bridge investment needs must be proportional to each non-oil-producing county's total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute relative to the combined total estimated road and bridge investment needs for the years 2015 to 2034 identified by the upper great plains transportation institute of all the eligible non-oil-producing counties under this subsection."

Page 15, line 2, after "state" insert "or which improve traffic safety"

Page 15, replace lines 3 through 5 with

"(1) Roadways and bridges must provide at least one of the following:

(a) Continuity and connectivity to efficiently integrate and improve major paved and unpaved corridors within the county and across county borders;

(b) Connectivity to significant traffic generators; or

(c) Direct improvement in traffic safety."

Page 15, line 31, replace the first comma with "and"

Page 15, line 31, replace the second comma with "costs incurred on related projects as of July 1, 2015,"

Page 15, line 31, after "and" insert "may be applied to"

Page 16, line 14, replace "$139,626,588" with "$139,300,000"

Page 16, line 20, remove "to taxing districts"

Page 16, line 25, replace "$10,000,000" with "$48,000,000"

Page 16, line 27, after "office" insert ", in consultation with the aeronautics commission,"

Page 17, line 1, remove "$10,000,000, or so much of the sum as may be necessary, for grants to hub cities. A"

Page 17, remove lines 2 through 6

Page 17, line 7, replace "3. $20,000,000" with "$30,000,000"

Page 17, line 9, remove ". A school district is eligible"

Page 17, replace lines 10 through 13 with "and must be distributed based on oil and gas gross production tax distribution payments to school districts. The distribution to each school district must be proportional to each school district's total distribution payments under subdivision b of subsection 1, subdivision b of subsection 4, or subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014, relative to the combined total of all distribution payments to school districts under subdivision b of subsection 1, subdivision b of subsection 4, and subdivision b of subsection 5 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

3. $10,000,000, or so much of the sum as may be necessary, for grants to law enforcement agencies impacted by oil and gas development. The director of the energy infrastructure and impact office, in consultation with the drug and violent crime policy board of the attorney general's office, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed to law enforcement agencies in oil-impacted counties where crime-related activities have increased or in other counties if the crime-related activities in oil-impacted counties originated in any of those counties.

4. Notwithstanding chapter 57-62, $10,000,000, or so much of the sum as may be necessary, for grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county to address the effects of oil and gas-related economic development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. One-half of the grant funding must be distributed in January of each year of the biennium.

5. Notwithstanding chapter 57-62, $8,000,000, or so much of the sum as may be necessary, for grants to certain eligible counties. The grants must be distributed in equal amounts to each eligible county. For purposes of this subsection, "eligible counties" means the two counties that received the fifth and sixth highest amount of total allocations under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

6. Notwithstanding chapter 57-62, $6,000,000, or so much of the sum as may be necessary, for grants to emergency medical services providers for expenditures that would mitigate negative effects of oil and gas-related development affecting emergency medical services providers providing services in oil-producing counties, including the need for increased emergency medical services providers services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure

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and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

7. $5,000,000, or so much of the sum as may be necessary, for grants to eligible political subdivisions. For purposes of this subsection, "eligible political subdivisions" means counties, cities, organized townships, or other taxing districts in the seven counties that individually received total allocations of less than $5,000,000 under subsection 2 of section 57-51-15, for the period beginning September 1, 2013, and ending August 31, 2014.

8. Notwithstanding chapter 57-62, $4,000,000, or so much of the sum as may be necessary, for grants to nursing homes, basic care facilities, and providers of home health services and hospice programs in oil-producing counties to address the effects of oil and gas and related development activities. The director of the energy infrastructure and impact office, in consultation with key stakeholders, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. Of the $4,000,000, up to $500,000 must be distributed to home health services and hospice programs in the two hub cities as defined under section 57-51-01 that received the two highest total allocations under subsection 1 of section 57-51-15 for the period beginning September 1, 2013, and ending August 31, 2014. The remaining amount must be distributed to nursing homes and basic care facilities.

9. $3,000,000, or so much of the sum as may be necessary, for grants to fire protection districts for expenditures that would mitigate negative effects of oil and gas-related development affecting fire protection districts providing services in oil-producing counties, including the need for increased fire protection district services, staff, equipment, coverage, and personnel training. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for the distribution of grants under this subsection.

10. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to providers that serve individuals with developmental disabilities located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of human services, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection. The grants must be distributed in January of each year of the biennium, based on the number of full-time equivalent positions of each provider as determined by the department of human services. When setting rates for the entities receiving grants under this section, the department of human services shall exclude grant income received under this section as an offset to costs.

11. Notwithstanding chapter 57-62, $2,000,000, or so much of the sum as may be necessary, for grants to domestic violence sexual assault organizations as defined in section 14-07.1-01 that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the department of commerce, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection.

The requirements must include required local matching funds of at least two dollars of nonstate funds for each dollar of grant funds.

12. $2,000,000, or so much of the sum as may be necessary, for grants to local district health units that are located in oil-producing counties to address the effects of oil and gas-related development activities. The director of the energy infrastructure and impact office, in consultation with the state department of health, shall adopt grant procedures and requirements necessary for the distribution of grants under this subsection.

13. $1,700,000, or so much of the sum as may be necessary, to each eligible city. For purposes of this subsection, an "eligible city" means a city in an area impacted by oil and gas development with a population of more than 1,453, but fewer than 1,603 according to the last official decennial federal census."

Page 17, line 14, replace "4." with "14."

Page 17, line 18, replace "5." with "15."

Page 17, line 22, replace "6." with "16."

Page 17, after line 25, insert:

"**SECTION 6. LEGISLATIVE MANAGEMENT STUDY - OIL AND GAS TAX REVENUE ALLOCATION FORMULAS.** During the 2015-16 interim, the legislative management shall consider studying the oil and gas tax revenue allocation formulas. The study must include consideration of current and historical allocations to political subdivisions and the appropriate level of oil and gas tax revenue allocations to political subdivisions based on infrastructure and other needs. The legislative management shall report its findings and recommendations, together with any legislation required to implement the recommendations, to the sixty-fifth legislative assembly."

Page 17, line 26, after the second boldfaced period insert "Section 1 of this Act is effective for tax collections received by the tax commissioner and for royalty, bonus, and other revenues received for deposit into the strategic investment and improvements fund after June 30, 2015."

Page 17, line 26, replace "1" with "2"

Page 17, line 26, replace "2" with "3"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

House Bill No. 1176 - Summary of Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Department of Trust Lands						
Total all funds	$0	$139,626,588	($326,588)	$139,300,000	$139,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$0	$0	$0	$0	$0
Department of Transportation						
Total all funds	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0
Less estimated income	0	0	0	0	0	0
General fund	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0

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	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Bill total						
Total all funds	$0	$251,626,588	($326,588)	$251,300,000	$251,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$112,000,000	$0	$112,000,000	$112,000,000	$0

House Bill No. 1176 - Department of Trust Lands - Conference Committee Action

	Base Budget	House Version	Conference Committee Changes	Conference Committee Version	Senate Version	Comparison to Senate
Oil and gas impact grants		$139,626,588	($326,588)	$139,300,000	$139,300,000	
Total all funds	$0	$139,626,588	($326,588)	$139,300,000	$139,300,000	$0
Less estimated income	0	139,626,588	(326,588)	139,300,000	139,300,000	0
General fund	$0	$0	$0	$0	$0	$0
FTE	0.00	0.00	0.00	0.00	0.00	0.00

Department No. 226 - Department of Trust Lands - Detail of Conference Committee Changes

	Adjusts Funding for Administrative Costs[1]	Total Conference Committee Changes
Oil and gas impact grants	($326,588)	($326,588)
Total all funds	($326,588)	($326,588)
Less estimated income	(326,588)	(326,588)
General fund	$0	$0
FTE	0.00	0.00

[1] The Senate reduced the funding for grants to provide additional funding for administrative costs.

The Conference Committee version provides additional designations for grants from the oil and gas impact grant fund compared to the House and Senate versions as shown in the schedule below.

House Bill No. 1176 - Department of Transportation - Conference Committee Action

The Conference Committee version provides for distributing $56 million based on county major collector roadway miles and $56 million based on total estimated road and bridge investment needs. The House version was based on county major collector roadway miles, and the Senate version was based on estimated unmet road and bridge investment needs.

House Bill No. 1176 - Other Changes - Conference Committee Action

House Version [15.0329.05000]	Senate Version [15.0329.05013]	Proposed Conference Committee Version [15.0329.05019]
Contingent transfers to legacy fund	**Contingent transfers to legacy fund**	**Contingent transfers to legacy fund**
• Same as current law.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.	• Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million. (Same as Senate)

Hub cities and hub city school districts	**Hub cities and hub city school districts**	**Hub cities and hub city school districts**
• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.	• Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment only for the 2015-17 biennium and clarifies that the hub cities' allocation percentages be updated annually.
	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
Additional school district allocation	**Additional school district allocation**	**Additional school district allocation**
• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)	• Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House and Senate)
Oil and gas impact grant fund allocations	**Oil and gas impact grant fund allocations**	**Oil and gas impact grant fund allocations**
• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium. (Same as House)	• Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium for the 2015-17 biennium and decreases the allocation to $100 million in subsequent bienniums.
North Dakota outdoor heritage fund allocations	**North Dakota outdoor heritage fund allocations**	**North Dakota outdoor heritage fund allocations**
• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House)	• Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year. (Same as House and Senate)
Allocations and distributions to political subdivisions	**Allocations and distributions to political subdivisions**	**Allocations and distributions to political subdivisions**
• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358.	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House)	• Removes the June 30, 2015, expiration date of the oil and gas gross production tax formula changes made by the 2013 Legislative Assembly in House Bill No. 1358. (Same as House and Senate)

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7/21/15

- Technical corrections to the distributions to political subdivisions in North Dakota Century Code Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency.
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations.
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million.
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014.
- Changes the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax as follows:

	Proposed Changes
County general fund	64%
Cities	20%
Schools	5%
Townships (equal)	2%
Townships (road miles)	2%
Hub cities	7%

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.

- Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House)
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House)
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House)
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House)
- Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax:

	Current Law
County general fund	60%
Cities	20%
Schools	5%
Townships (equal)	3%
Townships (road miles)	3%
Hub cities	9%

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.

- Technical corrections to the distributions to political subdivisions in Sections 57-51-15(4) and 57-51-15(5) to provide clarity and consistency. (Same as House and Senate)
- Provides additional reporting requirements for counties and school districts, including requirements to report revenues and expenditures, ending fund balances, and detailed information on the amounts expended from the allocations. (Same as House and Senate)
- Increases the amount allocated to counties related to the 4 percent of the 5 percent oil and gas gross production tax from 25 to 30 percent of all revenue above $5 million. (Same as House and Senate)
- Changes the determination of counties that received $5 million or more from the total allocations received in the most recently completed state fiscal year to the total allocations received in state fiscal year 2014. (Same as House and Senate)
- Uses the following current law percentages for the amounts allocated to political subdivisions within counties that received $5 million or more of oil and gas tax (Same as Senate):

	Current Law
County general fund	60%
Cities	20%
Schools	5%
Townships (equal)	3%
Townships (road miles)	3%
Hub cities	9%

Other sections

- Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. One-half of the funding distributions are based on county major collector roadway miles and one-half of the distributions are based on data compiled by the Upper Great Plains Transportation Institute related to estimated road and bridge investment needs.

•Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows: $10 million for airports $10 million for hub cities $20 million for school districts $800,000 to certain eligible cities	•Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.5 million is undesignated and $130.8 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $800,000 to certain eligible cities	•Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $6.8 million is undesignated and $132.5 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $1.7 million to an eligible city $800,000 to certain eligible cities •Provides for a legislative management study of oil and gas tax allocations

HB 1176 Attach #2
4/2/15

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS - PROPOSED CHANGES TO ENGROSSED HOUSE BILL NO. 1176

The schedule below compares the House Version of Engrossed House Bill No. 1176 [15.0329.05000], the Senate Version [15.0329.05013], and the proposed Conference Committee Version [15.0329.05019].

House Version [15.0329.05000]	Senate Version [15.0329.05013]	Proposed Conference Committee Version [15.0329.05019]
Contingent transfers to legacy fund • Same as current law.	**Contingent transfers to legacy fund** • Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million.	**Contingent transfers to legacy fund** • Removes the contingent transfer of 25 percent of revenue from the strategic investment and improvements fund to the legacy fund when the unobligated balance of the strategic investment and improvements fund exceeds $300 million. (Same as Senate)
Hub cities and hub city school districts • Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment, increases the required employment percentage from 1 to 7.5 percent, and clarifies that the hub cities' allocation percentages be updated annually.	**Hub cities and hub city school districts** • Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment and clarifies that the hub cities' allocation percentages be updated annually.	**Hub cities and hub city school districts** • Changes the definition of a hub city related to employment percentages from employment in the mining industry to oil and gas-related employment only for the 2015-17 biennium and clarifies that the hub cities' allocation percentages be updated annually.
	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties.	• Allocates $375,000 per full or partial employment percentage point to hub cities located in oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties.	• Allocates $250,000 per full or partial employment percentage point to hub cities located in non-oil-producing counties based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from allocations.	• Allocates $125,000 per full or partial employment percentage point to hub city school districts located in oil-producing counties and excludes hub city school districts located in non-oil-producing counties from-allocations based on oil and gas-related employment for the 2015-17 biennium and based on mining employment after the 2015-17 biennium.
Additional school district allocation • Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts.	**Additional school district allocation** • Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House)	**Additional school district allocation** • Allocates $1.5 million each fiscal year to each county that received more than $5 million, but less than $30 million of oil and gas tax collections in the prior state fiscal year for distributions to school districts, excluding hub city school districts. (Same as House and Senate)

<table>
<tr><th>House Version [15.0329.05000]</th><th>Senate Version [15.0329.05013]</th><th>Proposed Conference Committee Version [15.0329.05019]</th></tr>
<tr><td>Oil and gas impact grant fund allocations
Decreases the oil and gas gross production tax revenue collections allocated to the oil and gas impact grant fund from $240 million per biennium to $140 million per biennium.</td><td>Oil and gas impact grant fund allocations
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<tr><td>North Dakota outdoor heritage fund allocations
Increases the amount allocated to the North Dakota outdoor heritage fund from 4 to 8 percent and increases the allocation limit from $15 million per fiscal year to $20 million per fiscal year.</td><td>North Dakota outdoor heritage fund allocations
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HB 1176 Attach #2 4/12/15

House Version [15.0329.05000]	Senate Version [15.0329.05013]	Proposed Conference Committee Version [15.0329.05019]
Other sections	**Other sections**	**Other sections**
• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on county major collector roadway miles.	• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. The funding distributions are based on estimated unmet road and bridge investment needs.	• Provides funding of $112 million from the general fund to the Department of Transportation for paved and unpaved road and bridge projects in counties that received no allocation or less than $5 million in annual oil tax allocations in state fiscal year 2014. One-half of the funding distributions are based on county major collector roadway miles and one-half of the distributions are based on data compiled by the Upper Great Plains Transportation Institute related to estimated road and bridge investment needs.
• Appropriates $139.6 million ($140 million allocated to the fund less approximately $400,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $98.8 million is undesignated and $40.8 million is designated as follows: $10 million for airports $10 million for hub cities $20 million for school districts $800,000 to certain eligible cities	• Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $8.5 million is undesignated and $130.8 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $800,000 to certain eligible cities	• Appropriates $139.3 million ($140 million allocated to the fund less approximately $700,000 for administrative costs) from the oil and gas impact grant fund to the Department of Trust Lands for oil impact grants. Based on the proposed changes, approximately $6.8 million is undesignated and $132.5 million is designated as follows: $48 million for airports $30 million for school districts $10 million for law enforcement agencies $10 million for critical access hospitals $8 million for certain eligible counties $6 million for emergency medical services providers $5 million for eligible political subdivisions $4 million for nursing homes, basic care facilities, and hospice programs $3 million for fire protection districts $2 million for providers serving individuals with developmental disabilities $2 million for domestic violence sexual assault organizations $2 million local district health units $1.7 million to an eligible city $800,000 to certain eligible cities • Provides for a legislative management study of oil and gas tax allocations.

2015-17 BIENNIUM ESTIMATED OIL TAX ALLOCATIONS

The schedule below provides information on 2015-17 biennium estimated oil tax allocations based on current law and the provisions of Engrossed House Bill No. 1176. The 2015-17 biennium estimated oil tax allocations are based on the March 2015 revised revenue forecast, which reflects **oil prices increasing from $41.97 to $52.56 per barrel and average daily oil production of 1.1 million barrels per day during the 2015-17 biennium**. The amounts shown reflect allocations for August 2015 through July 2017 and are based on current law for the allocation of the state's share of oil and gas tax revenue. The employment percentages shown for the hub cities reflect data provided by Job Service North Dakota.

2015-17 Biennium March 2015 Revised Revenue Forecast Estimates - House Bill No. 1176	House Version [15.0329.05000]	Senate Version [15.0329.05013]	Proposed Conference Committee Version [15.0329.05019]
Legacy fund	$965,610,000	$940,730,000	$940,730,000
Three Affiliated Tribes	262,640,000	262,640,000	262,640,000
Oil and gas research fund	10,000,000	10,000,000	10,000,000
Oil and gas impact grant fund	140,000,000	140,000,000	140,000,000
Political subdivisions[1]	629,360,000	630,790,000	630,790,000
Abandoned well reclamation fund	10,000,000	10,000,000	10,000,000
North Dakota heritage fund	27,500,000	27,500,000	27,500,000
Foundation aid stabilization fund	131,180,000	131,180,000	131,180,000
Common schools trust fund	131,180,000	131,180,000	131,180,000
Resources trust fund	262,370,000	262,370,000	262,370,000
General fund	300,000,000	300,000,000	300,000,000
Property tax relief sustainability fund	341,790,000	341,790,000	341,790,000
Strategic investment and improvements fund	164,760,000	188,210,000	188,210,000
State disaster relief fund	22,000,000	22,000,000	22,000,000
Total oil and gas tax revenue allocations	$3,398,390,000	$3,398,390,000	$3,398,390,000

[1]The amounts shown for the allocations to political subdivisions include the following:

	Employment Percentages: House Version	Employment Percentages: Senate Version	Employment Percentages: Proposed Conference Committee Changes	House Version [15.0329.05000]	Senate Version [15.0329.05013]	Proposed Conference Committee Version [15.0329.05019]
Hub Cities						
Williston	64	64	64	$67,370,000	$72,940,000	$72,940,000
Dickinson	39	39	39	38,780,000	41,560,000	41,560,000
Minot	12	12	12	12,170,000	13,090,000	13,090,000
Mandan	9	9	9	6,470,000	4,310,000	4,310,000
Bismarck		3	3		1,440,000	1,440,000
West Fargo		3	3		1,440,000	1,440,000
Jamestown		2	2		960,000	960,000
Fargo		2	2		960,000	960,000
Grand Forks		2	2		960,000	960,000
Total hub cities	124	136	136	$124,790,000	$137,660,000	$137,660,000
Hub city school districts				30,420,000	28,260,000	28,260,000
Counties				310,600,000	292,050,000	292,050,000
Cities (excluding hub cities)				98,090,000	98,090,000	98,090,000
Schools (excluding hub city school districts)				46,190,000	46,190,000	46,190,000
Townships				19,270,000	28,540,000	28,540,000
Total				$629,360,000	$630,790,000	$630,790,000

NOTE: The amounts reflected in this schedule are preliminary estimates. **The actual amounts allocated for the 2015-17 biennium may differ significantly from these amounts** based on actual oil price and oil production.