Prepared by the Legislative Council staff for Senator Sorvaag
April 2, 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 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 "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, line 9, after "b." insert "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;

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, 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;

(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.

<table>
<tr><td></td><td>• 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.</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, 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)</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><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)
• 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></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></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>
<tr><th></th><th>Current Law</th></tr>
<tr><td>County general fund</td><td>60%</td></tr>
<tr><td>Cities</td><td>20%</td></tr>
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</table></td></tr>
</table>

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: $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