

1 STATE OF OKLAHOMA

2 2nd Session of the 56th Legislature (2018)

3 HOUSE BILL 2842

By: Meredith

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5
6 AS INTRODUCED

7 An Act relating to revenue and taxation; amending 68
8 O.S. 2011, Sections 1001, as last amended by Section
9 1, Chapter 5, 1st Extraordinary Session, O.S.L. 2017,
10 and 1004, as last amended by Section 2, Chapter 355,
11 O.S.L. 2017 (68 O.S. Supp. 2017, Sections 1001 and
12 1004), which relate to the levy and apportionment of
13 gross production taxes; modifying rate of tax imposed
14 with respect to certain production of oil or gas or
15 oil and gas; creating the Teacher Compensation
16 Enhancement Revolving Fund; providing for
17 apportionment of gross production tax revenues to
18 fund; specifying purposes of expenditures; providing
19 for salary increase amount for certain teachers;
20 imposing duty on the State Department of Education
21 with respect to distribution of funds; providing for
22 codification; providing an effective date; and
23 declaring an emergency.
24

BE IT ENACTED BY THE PEOPLE OF THE STATE OF OKLAHOMA:

SECTION 1. AMENDATORY 68 O.S. 2011, Section 1001, as last
amended by Section 1, Chapter 5, 1st Extraordinary Session, O.S.L.
2017 (68 O.S. Supp. 2017, Section 1001), is amended to read as
follows:

1 Section 1001. A. There is hereby levied upon the production of
2 asphalt, ores bearing lead, zinc, jack and copper a tax equal to
3 three-fourths of one percent ($3/4$ of 1%) on the gross value thereof.

4 B. 1. Effective July 1, 2013, through June 30, 2015, except as
5 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of
6 this section, there shall be levied upon the production of oil a tax
7 equal to seven percent (7%) of the gross value of the production of
8 oil based on a per barrel measurement of forty-two (42) U.S. gallons
9 of two hundred thirty-one (231) cubic inches per gallon, computed at
10 a temperature of sixty (60) degrees Fahrenheit.

11 2. Effective July 1, 2013, through June 30, 2015, except as
12 otherwise exempted pursuant to subsections D, E, F, G, H, I and J of
13 this section, there shall be levied a tax equal to seven percent
14 (7%) of the gross value of the production of gas.

15 3. Effective July 1, ~~2015~~ 2018, except as otherwise provided in
16 this section, there shall be levied a tax on the gross value of the
17 production of oil and gas as follows:

18 a. upon the production of oil a tax equal to seven
19 percent (7%) of the gross value of the production of
20 oil based on a per barrel measurement of forty-two
21 (42) U.S. gallons of two hundred thirty-one (231)
22 cubic inches per gallon, computed at a temperature of
23 sixty (60) degrees Fahrenheit, and

24

1 b. upon the production of gas a tax equal to seven
2 percent (7%) of the gross value of the production of
3 gas, and

4 ~~c. notwithstanding the levies in subparagraphs a and b of
5 this paragraph, the production of oil, gas, or oil and
6 gas from wells spudded on or after July 1, 2015, shall
7 be taxed at a rate of two percent (2%) commencing with
8 the month of first production for a period of thirty-
9 six (36) months. Thereafter, the production shall be
10 taxed as provided in subparagraphs a and b of this
11 paragraph.~~

12 C. The taxes hereby levied shall also attach to, and are levied
13 on, what is known as the royalty interest, and the amount of such
14 tax shall be a lien on such interest.

15 D. 1. Except as otherwise provided in this section, for
16 secondary recovery projects approved or having an initial project
17 beginning date on or after July 1, 2000, and before July 1, 2017,
18 any incremental production attributable to the working interest
19 owners which results from such secondary recovery projects shall be
20 exempt from the gross production tax levied pursuant to this section
21 for a period not to exceed five (5) years from the initial project
22 beginning date or for a period ending upon the termination of the
23 secondary recovery process, whichever occurs first; provided

1 however, that the exemption provided by this paragraph shall not
2 apply to production occurring on or after July 1, 2017.

3 2. Except as otherwise provided in this section, for tertiary
4 recovery projects approved and having a project beginning date on or
5 after July 1, 1993, and before July 1, 2017, any incremental
6 production attributable to the working interest owners which results
7 from such tertiary recovery projects shall be exempt from the gross
8 production tax levied pursuant to this section from the project
9 beginning date until project payback is achieved, but not to exceed
10 a period of ten (10) years; provided however, that the exemption
11 provided by this paragraph shall not apply to production occurring
12 on or after July 1, 2017. Project payback pursuant to this
13 paragraph shall be determined by appropriate payback indicators
14 which will provide for the recovery of capital expenses and
15 operating expenses, excluding administrative expenses, in
16 determining project payback. The capital expenses of pipelines
17 constructed to transport carbon dioxide to a tertiary recovery
18 project shall not be included in determining project payback
19 pursuant to this paragraph.

20 3. The provisions of this subsection shall also not apply to
21 any enhanced recovery project using fresh water as the primary
22 injectant, except when using steam.

23 4. For purposes of this subsection:
24

1 a. "incremental production" means the amount of crude oil
2 or other liquid hydrocarbons which is produced during
3 an enhanced recovery project and which is in excess of
4 the base production amount of crude oil or other
5 liquid hydrocarbons. The base production amount shall
6 be the average monthly amount of production for the
7 twelve-month period immediately prior to the project
8 beginning date minus the monthly rate of production
9 decline for the project for each month beginning one
10 hundred eighty (180) days prior to the project
11 beginning date. The monthly rate of production
12 decline shall be equal to the average extrapolated
13 monthly decline rate for the twelve-month period
14 immediately prior to the project beginning date as
15 determined by the Corporation Commission based on the
16 production history of the field, its current status,
17 and sound reservoir engineering principles, and

18 b. "project beginning date" means the date on which the
19 injection of liquids, gases, or other matter begins on
20 an enhanced recovery project.

21 5. The Corporation Commission shall promulgate rules for the
22 qualification for this exemption which shall include, but not be
23 limited to, procedures for determining incremental production as
24 defined in subparagraph a of paragraph 4 of this subsection, and the

1 establishment of appropriate payback indicators as approved by the
2 Tax Commission for the determination of project payback for each of
3 the exemptions authorized by this subsection.

4 6. For new secondary recovery projects and tertiary recovery
5 projects approved by the Corporation Commission on or after July 1,
6 1993, and before July 1, 2017, such approval shall constitute
7 qualification for an exemption.

8 7. Any person seeking an exemption shall file an application
9 for such exemption with the Tax Commission which, upon determination
10 of qualification by the Corporation Commission, shall approve the
11 application for such exemption.

12 8. The Tax Commission may require any person requesting such
13 exemption to furnish information or records concerning the exemption
14 as is deemed necessary by the Tax Commission.

15 9. Upon the expiration of the exemption granted pursuant to
16 this subsection, the Tax Commission shall collect the gross
17 production tax levied pursuant to this section.

18 E. 1. Except as otherwise provided in this section, the
19 production of oil, gas or oil and gas from a horizontally drilled
20 well producing prior to July 1, 2011, which production commenced
21 after July 1, 2002, shall be exempt from the gross production tax
22 levied pursuant to subsection B of this section from the project
23 beginning date until project payback is achieved but not to exceed a
24 period of forty-eight (48) months commencing with the month of

1 initial production from the horizontally drilled well. For purposes
2 of subsection D of this section and this subsection, project payback
3 shall be determined as of the date of the completion of the well and
4 shall not include any expenses beyond the completion date of the
5 well, and subject to the approval of the Tax Commission.

6 2. Claims for refund for the production periods within the
7 fiscal years ending June 30, 2010, and June 30, 2011, shall be filed
8 and received by the Tax Commission no later than December 31, 2011.

9 3. For production commenced on or after July 1, 2011, and prior
10 to July 1, 2015, the tax levied pursuant to the provisions of this
11 section on the production of oil, gas or oil and gas from a
12 horizontally drilled well shall be reduced to a rate of one percent
13 (1%) for a period of forty-eight (48) months from the month of
14 initial production; provided however, such production occurring on
15 or after July 1, ~~2017~~ 2018, for the remainder of such forty-eight-
16 month period shall be subject to a ~~reduced~~ rate of ~~four percent~~
17 ~~(4%); further provided, any reduced rate provided by this paragraph~~
18 ~~shall not apply to production occurring during or after the first~~
19 ~~full month following the effective date of this act~~ seven percent
20 (7%). The taxes collected from the production of oil shall be
21 apportioned pursuant to the provisions of paragraph 7 of subsection
22 B of Section 1004 of this title. The taxes collected from the
23 production of gas shall be apportioned pursuant to the provisions of
24 paragraph 3 of subsection B of Section 1004 of this title.

1 4. The production of oil, gas or oil and gas on or after July
2 1, 2011, and prior to July 1, 2015, from these qualifying wells
3 shall be taxed at a rate of one percent (1%) until the expiration of
4 forty-eight (48) months commencing with the month of initial
5 production.

6 5. As used in this subsection, "horizontally drilled well"
7 shall mean an oil, gas or oil and gas well drilled or recompleted in
8 a manner which encounters and subsequently produces from a
9 geological formation at an angle in excess of seventy (70) degrees
10 from vertical and which laterally penetrates a minimum of one
11 hundred fifty (150) feet into the pay zone of the formation.

12 F. 1. Except as otherwise provided by this section, the
13 severance or production of oil, gas or oil and gas from an inactive
14 well shall be exempt from the gross production tax levied pursuant
15 to subsection B of this section for a period of twenty-eight (28)
16 months from the date upon which production is reestablished;
17 provided however, that the exemption provided by this paragraph
18 shall not apply to production occurring on or after July 1, 2017.
19 This exemption shall take effect July 1, 1994, and shall apply to
20 wells for which work to reestablish or enhance production began on
21 or after July 1, 1994, and for which production is reestablished
22 prior to July 1, 2017. For all such production, a refund against
23 gross production taxes shall be issued as provided in subsection L
24 of this section.

1 2. As used in this subsection, for wells for which production
2 is reestablished prior to July 1, 1997, "inactive well" means any
3 well that has not produced oil, gas or oil and gas for a period of
4 not less than two (2) years as evidenced by the appropriate forms on
5 file with the Corporation Commission reflecting the well's status.
6 As used in this subsection, for wells for which production is
7 reestablished on or after July 1, 1997, and prior to July 1, 2017,
8 "inactive well" means any well that has not produced oil, gas or oil
9 and gas for a period of not less than one (1) year as evidenced by
10 the appropriate forms on file with the Corporation Commission
11 reflecting the well's status. Wells which experience mechanical
12 failure or loss of mechanical integrity, as defined by the
13 Corporation Commission, including but not limited to, casing leaks,
14 collapse of casing or loss of equipment in a wellbore, or any
15 similar event which causes cessation of production, shall also be
16 considered inactive wells.

17 G. 1. Except as otherwise provided by this section, any
18 incremental production which results from a production enhancement
19 project shall be exempt from the gross production tax levied
20 pursuant to subsection B of this section for a period of twenty-
21 eight (28) months from the date of first sale after project
22 completion of the production enhancement project; provided however,
23 that the exemption provided by this paragraph shall not apply to
24 production occurring on or after July 1, 2017. This exemption shall

1 take effect July 1, 1994, and shall apply to production enhancement
2 projects having a project beginning date on or after July 1, 1994,
3 and prior to July 1, 2017. For all such production, a refund
4 against gross production taxes shall be issued as provided in
5 subsection L of this section.

6 2. As used in this subsection:

- 7 a. for production enhancement projects having a project
8 beginning date on or after July 1, 1997, and prior to
9 July 1, 2017, "production enhancement project" means
10 any workover as defined in this paragraph,
11 recompletion as defined in this paragraph, reentry of
12 plugged and abandoned wellbores, or addition of a well
13 or field compression,
- 14 b. "incremental production" means the amount of crude
15 oil, natural gas or other hydrocarbons which are
16 produced as a result of the production enhancement
17 project in excess of the base production,
- 18 c. "base production" means the average monthly amount of
19 production for the twelve-month period immediately
20 prior to the commencement of the project or the
21 average monthly amount of production for the twelve-
22 month period immediately prior to the commencement of
23 the project less the monthly rate of production
24 decline for the project for each month beginning one

1 hundred eighty (180) days prior to the commencement of
2 the project. The monthly rate of production decline
3 shall be equal to the average extrapolated monthly
4 decline rate for the twelve-month period immediately
5 prior to the commencement of the project based on the
6 production history of the well. If the well or wells
7 covered in the application had production for less
8 than the full twelve-month period prior to the filing
9 of the application for the production enhancement
10 project, the base production shall be the average
11 monthly production for the months during that period
12 that the well or wells produced,

13 d. for production enhancement projects having a project
14 beginning date on or after July 1, 1997, and prior to
15 July 1, 2017, "recompletion" means any downhole
16 operation in an existing oil or gas well that is
17 conducted to establish production of oil or gas from
18 any geologic interval not currently completed or
19 producing in such existing oil or gas well within the
20 same or a different geologic formation, and

21 e. "workover" means any downhole operation in an existing
22 oil or gas well that is designed to sustain, restore
23 or increase the production rate or ultimate recovery
24 in a geologic interval currently completed or

1 producing in the existing oil or gas well. For
2 production enhancement projects having a project
3 beginning date on or after July 1, 1997, and prior to
4 July 1, 2017, "workover" includes, but is not limited
5 to:

- 6 (1) acidizing,
- 7 (2) reperforating,
- 8 (3) fracture treating,
- 9 (4) sand/paraffin/scale removal or other wellbore
10 cleanouts,
- 11 (5) casing repair,
- 12 (6) squeeze cementing,
- 13 (7) installation of compression on a well or group of
14 wells or initial installation of artificial lifts
15 on gas wells, including plunger lifts, rod pumps,
16 submersible pumps and coiled tubing velocity
17 strings,
- 18 (8) downsizing existing tubing to reduce well
19 loading,
- 20 (9) downhole commingling,
- 21 (10) bacteria treatments,
- 22 (11) upgrading the size of pumping unit equipment,
- 23 (12) setting bridge plugs to isolate water production
24 zones, or

1 (13) any combination thereof.

2 "Workover" shall not mean the routine maintenance,
3 routine repair, or like for like replacement of
4 downhole equipment such as rods, pumps, tubing,
5 packers, or other mechanical devices.

6 H. 1. For purposes of this subsection, "depth" means the
7 length of the maximum continuous string of drill pipe utilized
8 between the drill bit face and the drilling rig's kelly bushing.

9 2. Except as otherwise provided in subsection K of this
10 section:

11 a. the production of oil, gas or oil and gas from wells
12 spudded between July 1, 1997, and July 1, 2005, and
13 drilled to a depth of twelve thousand five hundred
14 (12,500) feet or greater and wells spudded between
15 July 1, 2005, and July 1, 2015, and drilled to a depth
16 between twelve thousand five hundred (12,500) feet and
17 fourteen thousand nine hundred ninety-nine (14,999)
18 feet shall be exempt from the gross production tax
19 levied pursuant to subsection B of this section from
20 the date of first sales for a period of twenty-eight
21 (28) months; provided however, that the exemption
22 provided by this subparagraph shall not apply to
23 production occurring on or after July 1, 2017,
24

1 b. the production of oil, gas or oil and gas from wells
2 spudded between July 1, 2002, and July 1, 2005, and
3 drilled to a depth of fifteen thousand (15,000) feet
4 or greater and wells spudded between July 1, 2005, and
5 July 1, 2011, and drilled to a depth between fifteen
6 thousand (15,000) feet and seventeen thousand four
7 hundred ninety-nine (17,499) feet shall be exempt from
8 the gross production tax levied pursuant to subsection
9 B of this section from the date of first sales for a
10 period of forty-eight (48) months,

11 c. the production of oil, gas or oil and gas from wells
12 spudded between July 1, 2002, and July 1, 2011, and
13 drilled to a depth of seventeen thousand five hundred
14 (17,500) feet or greater shall be exempt from the
15 gross production tax levied pursuant to subsection B
16 of this section from the date of first sales for a
17 period of sixty (60) months,

18 d. the tax levied pursuant to the provisions of this
19 section on the production of oil, gas or oil and gas
20 from wells spudded between July 1, 2011, and July 1,
21 2015, and drilled to a depth between fifteen thousand
22 (15,000) feet and seventeen thousand four hundred
23 ninety-nine (17,499) feet shall be reduced to a rate
24 of four percent (4%) for a period of forty-eight (48)

1 months from the date of first sales; provided, the
2 reduced rate provided by this subparagraph shall not
3 apply to production occurring during or after the
4 first full month following the effective date of this
5 act. The taxes collected from the production of oil
6 shall be apportioned pursuant to the provisions of
7 paragraph 7 of subsection B of Section 1004 of this
8 title. The taxes collected from the production of gas
9 shall be apportioned pursuant to the provisions of
10 paragraph 3 of subsection B of Section 1004 of this
11 title,

12 e. the tax levied pursuant to the provisions of this
13 section on the production of oil, gas or oil and gas
14 from wells spudded between July 1, 2011, and July 1,
15 2015, and drilled to a depth of seventeen thousand
16 five hundred (17,500) feet or greater shall be reduced
17 to a rate of four percent (4%) for a period of sixty
18 (60) months from the date of first sales; provided
19 however, the reduced rate provided by this
20 subparagraph shall not apply to production occurring
21 during or after the first full month following the
22 effective date of this act. The taxes collected from
23 the production of oil shall be apportioned pursuant to
24 the provisions of paragraph 7 of subsection B of

1 Section 1004 of this title. The taxes collected from
2 the production of gas shall be apportioned pursuant to
3 the provisions of paragraph 3 of subsection B of
4 Section 1004 of this title, and

5 f. the provisions of subparagraphs b and c of this
6 paragraph shall only apply to the production of wells
7 qualifying for the exemption provided under these
8 subparagraphs prior to July 1, 2011. The production
9 of oil, gas or oil and gas on or after July 1, 2011,
10 and before July 1, 2015, from wells qualifying under
11 subparagraph b of this paragraph shall be taxed at a
12 rate of four percent (4%) until the expiration of
13 forty-eight (48) months from the date of first sales
14 and the production of oil, gas or oil and gas on or
15 after July 1, 2011, and before July 1, 2015, from
16 wells qualifying under subparagraph c of this
17 paragraph shall be taxed at a rate of four percent
18 (4%) until the expiration of sixty (60) months from
19 the date of first sales.

20 3. Except as otherwise provided for in this subsection, for all
21 such wells spudded, a refund against gross production taxes shall be
22 issued as provided in subsection L of this section.

23 I. Except as otherwise provided by this section, the production
24 of oil, gas or oil and gas from wells spudded or reentered between

1 July 1, 1995, and July 1, 2015, which qualify as a new discovery
2 pursuant to this subsection shall be exempt from the gross
3 production tax levied pursuant to subsection B of this section from
4 the date of first sales for a period of twenty-eight (28) months;
5 provided however, that the exemption provided by this subsection
6 shall not apply to production occurring on or after July 1, 2017.
7 For all such wells spudded or reentered, a refund against gross
8 production taxes shall be issued as provided in subsection L of this
9 section. As used in this subsection, "new discovery" means
10 production of oil, gas or oil and gas from:

11 1. For wells spudded or reentered on or after July 1, 1997, and
12 prior to July 1, 2015, a well that discovers crude oil in paying
13 quantities that is more than one (1) mile from the nearest oil well
14 producing from the same producing interval of the same formation;

15 2. For wells spudded or reentered on or after July 1, 1997, and
16 prior to July 1, 2015, a well that discovers crude oil in paying
17 quantities beneath current production in a deeper producing interval
18 that is more than one (1) mile from the nearest oil well producing
19 from the same deeper producing interval;

20 3. For wells spudded or reentered on or after July 1, 1997, and
21 prior to July 1, 2015, a well that discovers natural gas in paying
22 quantities that is more than two (2) miles from the nearest gas well
23 producing from the same producing interval; or
24

1 4. For wells spudded or reentered on and after July 1, 1997,
2 and prior to July 1, 2015, a well that discovers natural gas in
3 paying quantities beneath current production in a deeper producing
4 interval that is more than two (2) miles from the nearest gas well
5 producing from the same deeper producing interval.

6 J. Except as otherwise provided by this section, the production
7 of oil, gas or oil and gas from any well, drilling of which is
8 commenced after July 1, 2000, and prior to July 1, 2015, located
9 within the boundaries of a three-dimensional seismic shoot and
10 drilled based on three-dimensional seismic technology, shall be
11 exempt from the gross production tax levied pursuant to subsection B
12 of this section from the date of first sales as follows:

13 1. If the three-dimensional seismic shoot is shot prior to July
14 1, 2000, for a period of eighteen (18) months; and

15 2. If the three-dimensional seismic shoot is shot on or after
16 July 1, 2000, for a period of twenty-eight (28) months; provided
17 however, that the exemption provided by this subsection shall not
18 apply to production occurring on or after July 1, 2017. For all
19 such production, a refund against gross production taxes shall be
20 issued as provided in subsection L of this section.

21 K. 1. The exemptions provided for in subsections F, G, I and J
22 of this section, the exemption provided for in subparagraph a of
23 paragraph 2 of subsection H of this section, and the exemptions
24 provided for in subparagraphs b and c of paragraph 2 of subsection H

1 of this section for production from wells spudded before July 1,
2 2005, shall not apply:

3 a. to the severance or production of oil, upon
4 determination by the Tax Commission that the average
5 annual index price of Oklahoma oil exceeds Thirty
6 Dollars (\$30.00) per barrel calculated on an annual
7 calendar year basis, as adjusted for inflation using
8 the Consumer Price Index-All Urban Consumers (CPI-U)
9 as published by the Bureau of Labor Statistics of the
10 U.S. Department of Labor or its successor agency.

11 Such adjustment shall be based on the most current
12 data available for the preceding twelve-month period
13 and shall be applied for the fiscal year which begins
14 on the July 1 date immediately following the release
15 of the CPI-U data by the Bureau of Statistics.

16 (1) The "average annual index price" will be
17 calculated by multiplying the West Texas
18 Intermediate closing price by the "index price
19 ratio". The index price ratio is defined as the
20 immediate preceding three-year historical average
21 ratio of the actual weighted average wellhead
22 price to the West Texas Intermediate close price
23 published on the last business day of each month.

24

1 (2) The average annual index price will be updated
2 annually by the Oklahoma Tax Commission no later
3 than March 31 of each year.

4 (3) If the West Texas Intermediate Crude price is
5 unavailable for any reason, an industry benchmark
6 price may be substituted and used for the
7 calculation of the index price as determined by
8 the Tax Commission,

9 b. to the severance or production of oil or gas upon
10 which gross production taxes are paid at a rate of one
11 percent (1%) pursuant to the provisions of subsection
12 B of this section, and

13 c. to the severance or production of gas, upon
14 determination by the Tax Commission that the average
15 annual index price of Oklahoma gas exceeds Five
16 Dollars (\$5.00) per thousand cubic feet (mcf)
17 calculated on an annual calendar year basis as
18 adjusted for inflation using the Consumer Price Index-
19 All Urban Consumers (CPI-U) as published by the Bureau
20 of Labor Statistics of the U.S. Department of Labor or
21 its successor agency. Such adjustment shall be based
22 on the most current data available for the preceding
23 twelve-month period and shall be applied for the
24 fiscal year which begins on the July 1 date

1 immediately following the release of the CPI-U data by
2 the Bureau of Statistics.

3 (1) The "average annual index price" will be
4 calculated by multiplying the Henry Hub 3-Day
5 Average Close price by the "index price ratio".
6 The index price ratio is defined as the immediate
7 preceding three-year historical average ratio of
8 the actual weighted average wellhead price to the
9 Henry Hub 3-Day Average Close price published on
10 the last business day of each month.

11 (2) The average annual index price will be updated
12 annually by the Oklahoma Tax Commission no later
13 than March 31 of each year.

14 (3) If the Henry Hub 3-Day Average Close price is
15 unavailable for any reason, an industry benchmark
16 price may be substituted and used for the
17 calculation of the index price as determined by
18 the Tax Commission.

19 2. Notwithstanding the exemptions granted pursuant to
20 subsections F, G, I, J, paragraph 1 of subsection E, and
21 subparagraph a of paragraph 2 of subsection H of this section, there
22 shall continue to be levied upon the production of petroleum or
23 other crude or mineral oil or natural gas or casinghead gas, as
24 provided in subsection B of this section, from any wells provided

1 for in subsections F, G, I, J, paragraph 1 of subsection E, and
2 subparagraph a of paragraph 2 of subsection H of this section, a tax
3 equal to one percent (1%) of the gross value of the production of
4 petroleum or other crude or mineral oil or natural gas or casinghead
5 gas. The tax hereby levied shall be apportioned as follows:

6 a. fifty percent (50%) of the sum collected shall be
7 apportioned to the County Highway Fund as provided in
8 subparagraph b of paragraph 1 of subsection B of
9 Section 1004 of this title, and

10 b. fifty percent (50%) of the sum collected shall be
11 apportioned to the appropriate school district as
12 provided in subparagraph c of paragraph 1 of
13 subsection B of Section 1004 of this title.

14 Upon the expiration of the exemption granted pursuant to
15 subsection E, F, G, H, I or J of this section, the provisions of
16 this paragraph shall have no force or effect.

17 L. 1. Prior to July 1, 2015, and except as provided in
18 subsection M of this section, for all oil and gas production exempt
19 from gross production taxes pursuant to subsections E, F, G, H, I
20 and J of this section during a given fiscal year, a refund of gross
21 production taxes shall be issued to the well operator or a designee
22 in the amount of such gross production taxes paid during such
23 period, subject to the following provisions:

24

- 1 a. a refund shall not be claimed until after the end of
2 such fiscal year. As used in this subsection, a
3 fiscal year shall be deemed to begin on July 1 of one
4 calendar year and shall end on June 30 of the
5 subsequent calendar year,
- 6 b. unless otherwise specified, no claims for refunds
7 pursuant to the provisions of this subsection shall be
8 filed more than eighteen (18) months after the first
9 day of the fiscal year in which the refund is first
10 available,
- 11 c. no claims for refunds pursuant to the provisions of
12 this subsection shall be filed by or on behalf of
13 persons other than the operator or a working interest
14 owner of record at the time of production,
- 15 d. no refunds shall be claimed or paid pursuant to the
16 provisions of this subsection for oil or gas
17 production upon which a tax is paid at a rate of one
18 percent (1%) as specified in subsection B of this
19 section, and
- 20 e. no refund shall be paid unless the person making the
21 claim for refund demonstrates by affidavit or other
22 means prescribed by the Tax Commission that an amount
23 equal to or greater than the amount of the refund has
24 been invested in the exploration for or production of

1 crude oil or natural gas in this state by such person
2 not more than three (3) years prior to the date of the
3 claim. No amount of investment used to qualify for a
4 refund pursuant to the provisions of this subsection
5 may be used to qualify for another refund pursuant to
6 the provisions of this subsection.

7 If there are insufficient funds collected from the production of
8 oil to satisfy the refunds claimed for oil production pursuant to
9 subsection E, F, G, H, I or J of this section, the Tax Commission
10 shall pay the balance of the refund claims out of the gross
11 production taxes collected from the production of gas.

12 2. On or after July 1, 2015, for all oil and gas production
13 exempt from gross production taxes pursuant to subsections F and G
14 of this section during a given fiscal year, a refund of gross
15 production taxes shall be issued to the well operator or a designee
16 in the amount of such gross production taxes paid during such
17 period, subject to the following provisions:

18 a. a refund shall not be claimed until after the end of
19 such fiscal year. As used in this subsection, a
20 fiscal year shall be deemed to begin on July 1 of one
21 calendar year and shall end on June 30 of the
22 subsequent calendar year,

23 b. unless otherwise specified, no claims for refunds
24 pursuant to the provisions of this subsection shall be

1 filed more than eighteen (18) months after the first
2 day of the fiscal year in which the refund is first
3 available, or September 30, 2017, whichever is sooner,

4 c. no claims for refunds pursuant to the provisions of
5 this subsection shall be filed by or on behalf of
6 persons other than the operator or a working interest
7 owner of record at the time of production,

8 d. no refunds shall be claimed or paid pursuant to the
9 provisions of this subsection for oil or gas
10 production upon which a tax is paid at a rate of two
11 percent (2%), and

12 e. no refund shall be paid unless the person making the
13 claim for refund demonstrates by affidavit or other
14 means prescribed by the Tax Commission that an amount
15 equal to or greater than the amount of the refund has
16 been invested in the exploration for or production of
17 crude oil or natural gas in this state by such person
18 not more than three (3) years prior to the date of the
19 claim. No amount of investment used to qualify for a
20 refund pursuant to the provisions of this paragraph
21 may be used to qualify for another refund pursuant to
22 the provisions of this paragraph.

23 If there are insufficient funds collected from the production of
24 oil or gas to satisfy the refunds claimed for oil or gas production

1 pursuant to subsection F or G of this section, the Tax Commission
2 shall pay the balance of the refund claims out of the gross
3 production taxes collected from either the production of oil or gas,
4 as necessary.

5 3. Notwithstanding any other provisions of law, after the
6 effective date of this act, no refund of gross production taxes
7 shall be claimed for oil and gas production exempt from gross
8 production taxes pursuant to subsections E, F, G, H, I and J of this
9 section for production occurring prior to July 1, 2003.

10 4. Notwithstanding any other provision of this section, no
11 claims for refunds pursuant to the provisions of subsections F, G, I
12 and J and subparagraph a of paragraph 2 of subsection H of this
13 section shall be filed or accepted on or after October 1, 2017.

14 M. Claims for refunds pursuant to the provisions of subsections
15 F, G, I and J and subparagraph a of paragraph 2 of subsection H of
16 this section for production periods ending on or before June 30,
17 2017, shall be paid pursuant to the provisions of this subsection.
18 The claims for refunds referenced herein shall be paid in equal
19 payments over a period of thirty-six (36) months. The first payment
20 shall be made after July 1, 2018, but prior to August 1, 2018. The
21 Tax Commission shall provide, not later than June 30, 2018, to the
22 operator or designated interest owner, a schedule of rebates to be
23 paid out over the thirty-six-month period.

24

1 N. 1. The Corporation Commission and the Tax Commission shall
2 promulgate joint rules for the qualification for the exemptions
3 provided for in this section and the rules shall contain provisions
4 for verification of any wells from which production may be qualified
5 for the exemptions. The Tax Commission shall adopt rules and
6 regulations which establish guidelines for production of oil or gas
7 after July 1, 2011, which is exempt from tax pursuant to the
8 provisions of paragraph 1 of subsection E and subparagraphs b and c
9 of paragraph 2 of subsection H of this section to remit tax at the
10 reduced rate provided in paragraph 2 of subsection E and
11 subparagraphs d and e of paragraph 2 of subsection H of this section
12 until the end of the qualifying exemption period.

13 2. Any person requesting any exemption shall file an
14 application for qualification for the exemption with the Corporation
15 Commission which, upon finding that the well meets the requirements
16 of this section, shall approve the application for qualification.

17 3. Any person seeking an exemption shall:

18 a. file an application for the exemption with the Tax
19 Commission which, upon determination of qualification
20 by the Corporation Commission, shall approve the
21 application for an exemption, and

22 b. provide a copy of the approved application to the
23 remitter of the gross production tax.
24

1 4. The Tax Commission may require any person requesting an
2 exemption to furnish necessary financial and other information or
3 records in order to determine and justify the refund.

4 5. Upon the expiration of an exemption granted pursuant to this
5 section, the Tax Commission shall collect the gross production tax
6 levied pursuant to this section. If a person who qualifies for the
7 exemption elects to remit his or her own gross production tax during
8 the exemption period, the first purchaser shall not be liable to
9 withhold or remit the tax until the first day of the month following
10 the receipt of written notification from the person who is qualified
11 for such exemption stating that such exemption has expired and
12 directing the first purchaser to resume tax remittance on his or her
13 behalf.

14 O. 1. Prior to July 1, 2015, persons shall only be entitled to
15 either the exemption granted pursuant to subsection D of this
16 section or the exemption granted pursuant to subsection E, F, G, H,
17 I or J of this section for each oil, gas or oil and gas well drilled
18 or recompleted in this state. However, any person who qualifies for
19 the exemption granted pursuant to subsection E, F, G, H, I or J of
20 this section shall not be prohibited from qualification for the
21 exemption granted pursuant to subsection D of this section, if the
22 exemption granted pursuant to subsection E, F, G, H, I or J of this
23 section has expired.

1 2. On or after July 1, 2015, all persons shall only be entitled
2 to either the exemption granted pursuant to subsection D of this
3 section or the exemption granted pursuant to subsection F or G of
4 this section for each oil, gas, or oil and gas well drilled or
5 recompleted in this state. However, any person who qualifies for
6 the exemption granted pursuant to subsections F and G of this
7 section shall not be prohibited from qualification for the exemption
8 granted pursuant to subsection D of this section if the exemption
9 granted pursuant to subsection F or G of this section has expired.
10 Further, the exemption granted pursuant to subsection D of this
11 section shall not apply to any production upon which a tax is paid
12 at a rate of two percent (2%).

13 P. The Tax Commission shall have the power to require any such
14 person engaged in mining or the production or the purchase of such
15 asphalt, mineral ores aforesaid, oil, or gas, or the owner of any
16 royalty interest therein to furnish any additional information by it
17 deemed to be necessary for the purpose of correctly computing the
18 amount of the tax; and to examine the books, records and files of
19 such person; and shall have power to conduct hearings and compel the
20 attendance of witnesses, and the production of books, records and
21 papers of any person.

22 Q. Any person or any member of any firm or association, or any
23 officer, official, agent or employee of any corporation who shall
24 fail or refuse to testify; or who shall fail or refuse to produce

1 any books, records or papers which the Tax Commission shall require;
2 or who shall fail or refuse to furnish any other evidence or
3 information which the Tax Commission may require; or who shall fail
4 or refuse to answer any competent questions which may be put to him
5 or her by the Tax Commission, touching the business, property,
6 assets or effects of any such person relating to the gross
7 production tax imposed by this article or exemption authorized
8 pursuant to this section or other laws, shall be guilty of a
9 misdemeanor, and, upon conviction thereof, shall be punished by a
10 fine of not more than Five Hundred Dollars (\$500.00), or
11 imprisonment in the jail of the county where such offense shall have
12 been committed, for not more than one (1) year, or by both such fine
13 and imprisonment; and each day of such refusal on the part of such
14 person shall constitute a separate and distinct offense.

15 R. The Tax Commission shall have the power and authority to
16 ascertain and determine whether or not any report herein required to
17 be filed with it is a true and correct report of the gross products,
18 and of the value thereof, of such person engaged in the mining or
19 production or purchase of asphalt and ores bearing minerals
20 aforesaid and of oil and gas. If any person has made an untrue or
21 incorrect report of the gross production or value or volume thereof,
22 or shall have failed or refused to make such report, the Tax
23 Commission shall, under the rules prescribed by it, ascertain the
24 correct amount of either, and compute the tax.

1 S. The payment of the taxes herein levied shall be in full, and
2 in lieu of all taxes by the state, counties, cities, towns, school
3 districts and other municipalities upon any property rights attached
4 to or inherent in the right to the minerals, upon producing leases
5 for the mining of asphalt and ores bearing lead, zinc, jack or
6 copper, or for oil, or for gas, upon the mineral rights and
7 privileges for the minerals aforesaid belonging or appertaining to
8 land, upon the machinery, appliances and equipment used in and
9 around any well producing oil, or gas, or any mine producing asphalt
10 or any of the mineral ores aforesaid and actually used in the
11 operation of such well or mine. The payment of gross production tax
12 shall also be in lieu of all taxes upon the oil, gas, asphalt or
13 ores bearing minerals hereinbefore mentioned during the tax year in
14 which the same is produced, and upon any investment in any of the
15 leases, rights, privileges, minerals or other property described
16 herein. Any interest in the land, other than that herein
17 enumerated, and oil in storage, asphalt and ores bearing minerals
18 hereinbefore named, mined, produced and on hand at the date as of
19 which property is assessed for general and ad valorem taxation for
20 any subsequent tax year, shall be assessed and taxed as other
21 property within the taxing district in which such property is
22 situated at the time.

23 T. No equipment, material or property shall be exempt from the
24 payment of ad valorem tax by reason of the payment of the gross

1 production tax except such equipment, machinery, tools, material or
2 property as is actually necessary and being used and in use in the
3 production of asphalt or of ores bearing lead, zinc, jack or copper
4 or of oil or gas. Provided, the exemption shall include the
5 wellbore and non-recoverable down-hole material, including casing,
6 actually used in the disposal of waste materials produced with such
7 oil or gas. It is expressly declared that no ice plants, hospitals,
8 office buildings, garages, residences, gasoline extraction or
9 absorption plants, water systems, fuel systems, rooming houses and
10 other buildings, nor any equipment or material used in connection
11 therewith, shall be exempt from ad valorem tax.

12 U. The exemption from ad valorem tax set forth in subsections S
13 and T of this section shall continue to apply to all property from
14 which production of oil, gas or oil and gas is exempt from gross
15 production tax pursuant to subsection D, E, F, G, H, I or J of this
16 section.

17 SECTION 2. AMENDATORY 68 O.S. 2011, Section 1004, as
18 last amended by Section 2, Chapter 355, O.S.L. 2017 (68 O.S. Supp.
19 2017, Section 1004), is amended to read as follows:

20 Section 1004. A. As used in this section:

21 1. "Moving five-year average amount for gas" means, for
22 purposes of the apportionments prescribed by this section, the
23 amount of gross production tax on natural gas collected for each of
24 the five (5) complete fiscal years, as computed by the State Board

1 of Equalization pursuant to Section 34.103 of Title 62 of the
2 Oklahoma Statutes; and

3 2. "Moving five-year average amount for oil" means, for
4 purposes of the apportionments prescribed by this section, the
5 amount of gross production tax on oil collected for each of the five
6 (5) complete fiscal years, as computed by the State Board of
7 Equalization pursuant to Section 34.103 of Title 62 of the Oklahoma
8 Statutes.

9 B. Notwithstanding any other provisions of this section to the
10 contrary, for the fiscal year beginning July 1, 2018, and each
11 fiscal year thereafter, the first Three Hundred Fifty Million
12 Dollars (\$350,000,000.00) of revenue from the gross production tax
13 levied by Section 1001 of this title shall be apportioned to the
14 Teacher Compensation Enhancement Revolving Fund created by Section 3
15 of this act.

16 C. Beginning July 1, 2017, the gross production tax provided
17 for in Section 1001 of this title is hereby levied and shall be
18 collected and apportioned as follows:

19 1. For all monies collected from the tax levied on asphalt or
20 ores bearing uranium, lead, zinc, jack, gold, silver or copper:

21 a. eighty-five and seventy-two one-hundredths percent
22 (85.72%) shall be paid to the State Treasurer of the
23 state to be placed in the General Revenue Fund of the
24 state and used for the general expense of state

1 government, to be paid out pursuant to direct
2 appropriation by the Legislature,

3 b. seven and fourteen one-hundredths percent (7.14%) of
4 the sum collected from natural gas and/or casinghead
5 gas or asphalt or ores bearing uranium, lead, zinc,
6 jack, gold, silver or copper shall be paid to the
7 various county treasurers to be credited to the County
8 Highway Fund as follows: Each county shall receive a
9 proportionate share of the funds available based upon
10 the proportion of the total value of production from
11 such county in the corresponding month of the
12 preceding year, and

13 c. seven and fourteen one-hundredths percent (7.14%)
14 shall be allocated to each county as provided for in
15 subparagraph b of this paragraph and shall be
16 apportioned, on an average daily attendance per capita
17 distribution basis, as certified by the State
18 Superintendent of Public Instruction to the school
19 districts of the county where such pupils attend
20 school regardless of residence of such pupil, provided
21 the school district makes an ad valorem tax levy of
22 fifteen (15) mills for the current year and maintains
23 twelve (12) years of instruction;

1 2. For all monies collected from the tax levied on natural gas
2 and/or casinghead gas at a tax rate of seven percent (7%) pursuant
3 to the provisions of subsection B of Section 1001 of this title:

4 a. after the total revenue apportioned to the General
5 Revenue Fund as prescribed by subparagraph b of this
6 paragraph equals the moving five-year average amount
7 for gas as defined by paragraph 1 of subsection A of
8 this section, there shall be apportioned from the
9 gross production tax levy imposed pursuant to Section
10 1001 of this title on natural gas and/or casinghead
11 gas to the Revenue Stabilization Fund created by
12 Section 34.102 of Title 62 of the Oklahoma Statutes,
13 the amount of revenue, if any, which exceeds the
14 moving five-year average amount for gas as defined
15 pursuant to paragraph 1 of subsection A of this
16 section,

17 b. until the apportionment to the General Revenue Fund
18 equals the moving five-year average amount for gas as
19 prescribed by paragraph 1 of subsection A of this
20 section, eighty-five and seventy-two one-hundredths
21 percent (85.72%) shall be paid to the State Treasurer
22 of the state to be placed in the General Revenue Fund
23 of the state and used for the general expense of state
24

1 government, to be paid out pursuant to direct
2 appropriation by the Legislature,

3 c. before any other apportionment of revenue has been
4 made pursuant to this paragraph, seven and fourteen
5 one-hundredths percent (7.14%) of the sum collected
6 from natural gas and/or casinghead gas shall be paid
7 to the various county treasurers to be credited to the
8 County Highway Fund as follows: Each county shall
9 receive a proportionate share of the funds available
10 based upon the proportion of the total value of
11 production from such county in the corresponding month
12 of the preceding year, and

13 d. before any other apportionment of revenue has been
14 made pursuant to this paragraph, seven and fourteen
15 one-hundredths percent (7.14%) shall be allocated to
16 each county as provided for in subparagraph c of this
17 paragraph and shall be apportioned, on an average
18 daily attendance per capita distribution basis, as
19 certified by the State Superintendent of Public
20 Instruction to the school districts of the county
21 where such pupils attend school regardless of
22 residence of such pupil, provided the school district
23 makes an ad valorem tax levy of fifteen (15) mills for
24

1 the current year and maintains twelve (12) years of
2 instruction;

3 3. For all monies collected from the tax levied on natural gas
4 and/or casinghead gas at a tax rate of four percent (4%) pursuant to
5 the provisions of subsections B and E of Section 1001 of this title:

6 a. after the total revenue apportioned to the General
7 Revenue Fund as prescribed by subparagraph b of this
8 paragraph equals the moving five-year average amount
9 for gas as defined by paragraph 1 of subsection A of
10 this section, there shall be apportioned from the
11 gross production tax levy imposed pursuant to Section
12 1001 of this title on natural gas and/or casinghead
13 gas to the Revenue Stabilization Fund created pursuant
14 to Section 34.102 of Title 62 of the Oklahoma
15 Statutes, the amount of revenue, if any, which exceeds
16 the moving five-year average amount for gas as defined
17 pursuant to paragraph 1 of subsection A of this
18 section,

19 b. until the apportionment to the General Revenue Fund
20 equals the moving five-year average amount for gas as
21 prescribed by paragraph 1 of subsection A of this
22 section, seventy-five percent (75%) shall be paid to
23 the State Treasurer of the state to be placed in the
24 General Revenue Fund of the state and used for the

- 1 general expense of state government, to be paid out
2 pursuant to direct appropriation by the Legislature,
3 c. before any other apportionment of revenue has been
4 made pursuant to this paragraph, twelve and one-half
5 percent (12.5%) of the sum collected from natural gas
6 and/or casinghead gas shall be paid to the various
7 county treasurers to be credited to the County Highway
8 Fund as follows: Each county shall receive a
9 proportionate share of the funds available based upon
10 the proportion of the total value of production from
11 such county in the corresponding month of the
12 preceding year, and
- 13 d. before any other apportionment of revenue has been
14 made pursuant to this paragraph, twelve and one-half
15 percent (12.5%) shall be allocated to each county as
16 provided for in subparagraph c of this paragraph and
17 shall be apportioned, on an average daily attendance
18 per capita distribution basis, as certified by the
19 State Superintendent of Public Instruction to the
20 school districts of the county where such pupils
21 attend school regardless of residence of such pupil,
22 provided the school district makes an ad valorem tax
23 levy of fifteen (15) mills for the current year and
24 maintains twelve (12) years of instruction;

1 4. For all monies collected from the tax levied on natural gas
2 and/or casinghead gas at a tax rate of one percent (1%) pursuant to
3 the provisions of subsection B of Section 1001 of this title:

4 a. fifty percent (50%) of the sum collected from natural
5 gas and/or casinghead gas shall be paid to the various
6 county treasurers to be credited to the County Highway
7 Fund as follows: Each county shall receive a
8 proportionate share of the funds available based upon
9 the proportion of the total value of production from
10 such county in the corresponding month of the
11 preceding year, and

12 b. fifty percent (50%) shall be allocated to each county
13 as provided for in subparagraph a of this paragraph
14 and shall be apportioned, on an average daily
15 attendance per capita distribution basis, as certified
16 by the State Superintendent of Public Instruction to
17 the school districts of the county where such pupils
18 attend school regardless of residence of such pupil,
19 provided the school district makes an ad valorem tax
20 levy of fifteen (15) mills for the current year and
21 maintains twelve (12) years of instruction;

22 5. For all monies collected from the tax levied on natural gas
23 and/or casinghead gas at a tax rate of two percent (2%) pursuant to
24

1 the provisions of subparagraph c of paragraph 3 of subsection B of
2 Section 1001 of this title:

- 3 a. after the total revenue apportioned to the General
4 Revenue Fund as prescribed by subparagraph b of this
5 paragraph equals the moving five-year average amount
6 for gas as defined by paragraph 1 of subsection A of
7 this section, there shall be apportioned from the
8 gross production tax levy imposed pursuant to Section
9 1001 of this title on gas to the Revenue Stabilization
10 Fund created by Section 34.102 of Title 62 of the
11 Oklahoma Statutes, the amount of revenue, if any,
12 which exceeds the moving five-year average amount for
13 natural gas and/or casinghead gas as defined pursuant
14 to paragraph 1 of subsection A of this section,
- 15 b. until the apportionment to the General Revenue Fund
16 equals the moving five-year average amount for gas as
17 prescribed by paragraph 1 of subsection A of this
18 section, fifty percent (50%) shall be paid to the
19 State Treasurer to be placed in the General Revenue
20 Fund of the state and used for the general expense of
21 state government, to be paid out pursuant to direct
22 appropriation by the Legislature,
- 23 c. before any other apportionment of revenue has been
24 made pursuant to this paragraph, twenty-five percent

1 (25%) of the sum collected from natural gas and/or
2 casinghead gas shall be paid to the various county
3 treasurers to be credited to the County Highway Fund
4 as follows: Each county shall receive a proportionate
5 share of the funds available based upon the proportion
6 of the total value of production from such county in
7 the corresponding month of the preceding year, and

8 d. before any other apportionment of revenue has been
9 made pursuant to this paragraph, twenty-five percent
10 (25%) shall be allocated to each county as provided
11 for in subparagraph c of this paragraph and shall be
12 apportioned on an average daily attendance per capita
13 distribution basis, as certified by the State
14 Superintendent of Public Instruction, to the school
15 districts of the county where such pupils attend
16 school regardless of residence of such pupil, provided
17 the school district makes an ad valorem tax levy of
18 fifteen (15) mills for the current year and maintains
19 twelve (12) years of instruction;

20 6. For all monies collected from the tax levied on oil at a tax
21 rate of seven percent (7%) pursuant to the provisions of subsection
22 B of Section 1001 of this title:

23 a. there shall be apportioned from the gross production
24 tax levy imposed pursuant to Section 1001 of this

1 title on oil to the Revenue Stabilization Fund created
2 by Section 34.102 of Title 62 of the Oklahoma
3 Statutes, after the applicable maximum amount
4 prescribed by subsection C D of this section has been
5 deposited to the funds therein specified, the amount
6 of revenue, if any, which would otherwise be
7 apportioned to the General Revenue Fund and which
8 exceeds the moving five-year average amount for oil as
9 defined pursuant to paragraph 2 of subsection A of
10 this section,

11 b. before any other apportionment of revenue has been
12 made pursuant to this paragraph, twenty-five and
13 seventy-two one-hundredths percent (25.72%) shall be
14 paid to the State Treasurer to be placed in the Common
15 Education Technology Revolving Fund created in Section
16 34.90 of Title 62 of the Oklahoma Statutes,

17 c. before any other apportionment of revenue has been
18 made pursuant to this paragraph, twenty-five and
19 seventy-two one-hundredths percent (25.72%) shall be
20 paid to the State Treasurer to be placed in the Higher
21 Education Capital Revolving Fund created in Section
22 34.91 of Title 62 of the Oklahoma Statutes,

23 d. before any other apportionment of revenue has been
24 made pursuant to this paragraph, twenty-five and

1 seventy-two one-hundredths percent (25.72%) shall be
2 paid to the State Treasurer to be placed in the
3 Oklahoma Student Aid Revolving Fund created in Section
4 34.92 of Title 62 of the Oklahoma Statutes,

5 e. before any other apportionment of revenue has been
6 made pursuant to this paragraph, three and seven
7 hundred forty-five one-thousandths percent (3.745%)
8 shall be distributed to the various counties of the
9 state for deposit into the County Bridge and Road
10 Improvement Fund of each county based on a formula
11 developed by the Department of Transportation and
12 approved by the Department of Transportation County
13 Advisory Board created pursuant to Section 302.1 of
14 Title 69 of the Oklahoma Statutes to be used for the
15 purposes set forth in the County Bridge and Road
16 Improvement Act. The formula shall be similar to the
17 formula currently used for the distribution of monies
18 in the County Bridge Program funds, but shall also
19 take into consideration the effect of the terrain and
20 traffic volume as related to county road improvement
21 and maintenance costs,

22 f. before any other apportionment of revenue has been
23 made pursuant to this paragraph, four and twenty-eight
24

1 one-hundredths percent (4.28%) shall be paid to the
2 State Treasurer to be apportioned to:

3 (1) the following sources and in the following
4 amounts through the fiscal year ending June 30,
5 2019:

6 (a) thirty-three and one-third percent (33 1/3%)
7 to the Oklahoma Tourism and Recreation
8 Department Capital Expenditure Revolving
9 Fund created pursuant to Section 2254.1 of
10 Title 74 of the Oklahoma Statutes,

11 (b) thirty-three and one-third percent (33 1/3%)
12 to the Oklahoma Conservation Commission
13 Infrastructure Revolving Fund created
14 pursuant to Section 3-2-110 of Title 27A of
15 the Oklahoma Statutes, and

16 (c) thirty-three and one-third percent (33 1/3%)
17 to the Community Water Infrastructure
18 Development Revolving Fund created pursuant
19 to Section 1085.7A of Title 82 of the
20 Oklahoma Statutes, and

21 (2) the Oklahoma Water Resources Board Rural Economic
22 Action Plan Water Projects Fund for the fiscal
23 year beginning July 1, 2019, and for each fiscal
24 year thereafter,

1 g. before any other apportionment of revenue has been
2 made pursuant to this paragraph, seven and fourteen
3 one-hundredths percent (7.14%) of the sum collected
4 from oil shall be paid to the various county
5 treasurers, to be credited to the County Highway Fund
6 as follows: Each county shall receive a proportionate
7 share of the funds available based upon the proportion
8 of the total value of production from such county in
9 the corresponding month of the preceding year,

10 h. before any other apportionment of revenue has been
11 made pursuant to this paragraph, seven and fourteen
12 one-hundredths percent (7.14%) shall be allocated to
13 each county as provided in subparagraph g of this
14 paragraph and shall be apportioned, on an average
15 daily attendance per capita distribution basis, as
16 certified by the State Superintendent of Public
17 Instruction, to the school districts of the county
18 where such pupils attend school regardless of
19 residence of such pupil, provided the school district
20 makes an ad valorem tax levy of fifteen (15) mills for
21 the current year and maintains twelve (12) years of
22 instruction, and

23 i. before any other apportionment of revenue has been
24 made pursuant to this paragraph, five hundred thirty-

1 five one-thousandths percent (0.535%) of the levy
2 shall be transmitted by the Oklahoma Tax Commission to
3 the Statewide Circuit Engineering District Revolving
4 Fund as created in Section 687.2 of Title 69 of the
5 Oklahoma Statutes;

6 7. For all monies collected from the tax levied on oil at a tax
7 rate of four percent (4%) pursuant to the provisions of subsections
8 B and E of Section 1001 of this title:

9 a. there shall be apportioned from the gross production
10 tax levy imposed pursuant to Section 1001 of this
11 title on oil to the Revenue Stabilization Fund created
12 by Section 34.102 of Title 62 of the Oklahoma
13 Statutes, after the applicable maximum amount
14 prescribed by subsection C D of this section has been
15 deposited to the funds therein specified, the amount
16 of revenue, if any, which would otherwise be
17 apportioned to the General Revenue Fund and which
18 exceeds the moving five-year average amount for oil as
19 defined pursuant to paragraph 2 of subsection A of
20 this section,

21 b. before any other apportionment of revenue has been
22 made pursuant to this paragraph, twenty-two and one-
23 half percent (22.5%) shall be paid to the State
24 Treasurer to be placed in the Common Education

1 Technology Revolving Fund created in Section 34.90 of
2 Title 62 of the Oklahoma Statutes,

3 c. before any other apportionment of revenue has been
4 made pursuant to this paragraph, twenty-two and one-
5 half percent (22.5%) shall be paid to the State
6 Treasurer to be placed in the Higher Education Capital
7 Revolving Fund created in Section 34.91 of Title 62 of
8 the Oklahoma Statutes,

9 d. before any other apportionment of revenue has been
10 made pursuant to this paragraph, twenty-two and one-
11 half percent (22.5%) shall be paid to the State
12 Treasurer to be placed in the Oklahoma Student Aid
13 Revolving Fund created in Section 34.92 of Title 62 of
14 the Oklahoma Statutes,

15 e. before any other apportionment of revenue has been
16 made pursuant to this paragraph, three and twenty-
17 eight one-hundredths percent (3.28%) shall be
18 distributed to the various counties of the state for
19 deposit into the County Bridge and Road Improvement
20 Fund of each county based on a formula developed by
21 the Department of Transportation and approved by the
22 Department of Transportation County Advisory Board
23 created pursuant to Section 302.1 of Title 69 of the
24 Oklahoma Statutes to be used for the purposes set

1 forth in the County Bridge and Road Improvement Act.
2 The formula shall be similar to the formula currently
3 used for the distribution of monies in the County
4 Bridge Program funds, but shall also take into
5 consideration the effect of the terrain and traffic
6 volume as related to county road improvement and
7 maintenance costs,

8 f. before any other apportionment of revenue has been
9 made pursuant to this paragraph, three and seventy-
10 five one-hundredths percent (3.75%) shall be paid to
11 the State Treasurer to be apportioned to:

12 (1) the following sources and in the following
13 amounts through the fiscal year ending June 30,
14 2019:

15 (a) thirty-three and one-third percent (33 1/3%)
16 to the Oklahoma Tourism and Recreation
17 Department Capital Expenditure Revolving
18 Fund created pursuant to Section 2254.1 of
19 Title 74 of the Oklahoma Statutes,

20 (b) thirty-three and one-third percent (33 1/3%)
21 to the Oklahoma Conservation Commission
22 Infrastructure Revolving Fund created
23 pursuant to Section 3-2-110 of Title 27A of
24 the Oklahoma Statutes, and

1 (c) thirty-three and one-third percent (33 1/3%)
2 to the Community Water Infrastructure
3 Development Revolving Fund created pursuant
4 to Section 1085.7A of Title 82 of the
5 Oklahoma Statutes, and

6 (2) the Oklahoma Water Resources Board Rural Economic
7 Action Plan Water Projects Fund for the fiscal
8 year beginning July 1, 2019, and for each fiscal
9 year thereafter,

10 g. before any other apportionment of revenue has been
11 made pursuant to this paragraph, twelve and one-half
12 percent (12.5%) of the sum collected from oil shall be
13 paid to the various county treasurers, to be credited
14 to the County Highway Fund as follows: Each county
15 shall receive a proportionate share of the funds
16 available based upon the proportion of the total value
17 of production from such county in the corresponding
18 month of the preceding year,

19 h. before any other apportionment of revenue has been
20 made pursuant to this paragraph, twelve and one-half
21 percent (12.5%) shall be allocated to each county as
22 provided in subparagraph g of this paragraph and shall
23 be apportioned on an average daily attendance per
24 capita distribution basis, as certified by the State

1 Superintendent of Public Instruction, to the school
2 districts of the county where such pupils attend
3 school regardless of residence of such pupil, provided
4 the school district makes an ad valorem tax levy of
5 fifteen (15) mills for the current year and maintains
6 twelve (12) years of instruction, and

- 7 i. before any other apportionment of revenue has been
8 made pursuant to this paragraph, forty-seven one-
9 hundredths percent (0.47%) of the levy shall be
10 transmitted by the Tax Commission to the Statewide
11 Circuit Engineering District Revolving Fund as created
12 in Section 687.2 of Title 69 of the Oklahoma Statutes;

13 8. For all monies collected from the tax levied on oil at a tax
14 rate of one percent (1%) pursuant to the provisions of subsection B
15 of Section 1001 of this title:

- 16 a. fifty percent (50%) of the sum collected shall be paid
17 to the various county treasurers, to be credited to
18 the County Highway Fund as follows: Each county shall
19 receive a proportionate share of the funds available
20 based upon the proportion of the total value of
21 production from such county in the corresponding month
22 of the preceding year, and
- 23 b. fifty percent (50%) shall be allocated to each county
24 as provided for in subparagraph a of this paragraph

1 and shall be apportioned on an average daily
2 attendance per capita distribution basis, as certified
3 by the State Superintendent of Public Instruction, to
4 the school districts of the county where such pupils
5 attend school regardless of residence of such pupil,
6 provided the school district makes an ad valorem tax
7 levy of fifteen (15) mills for the current year and
8 maintains twelve (12) years of instruction;

9 9. For all monies collected from the tax levied on oil at a tax
10 rate of two percent (2%) pursuant to the provisions of subparagraph
11 c of paragraph 3 of subsection B of Section 1001 of this title:

12 a. there shall be apportioned from the gross production
13 tax levy imposed pursuant to Section 1001 of this
14 title on oil to the Revenue Stabilization Fund created
15 by Section 34.102 of Title 62 of the Oklahoma
16 Statutes, the amount of revenue, if any, which exceeds
17 the moving five-year average amount for oil as defined
18 pursuant to paragraph 2 of subsection A of this
19 section,

20 b. until the apportionment to the General Revenue Fund
21 equals the moving five-year average amount for oil as
22 prescribed by paragraph 2 of subsection A of this
23 section, fifty percent (50%) shall be paid to the
24 State Treasurer to be placed in the General Revenue

1 Fund of the state and used for the general expense of
2 state government, to be paid out pursuant to direct
3 appropriation by the Legislature,

4 c. before any other apportionment of revenue has been
5 made pursuant to this paragraph, twenty-five percent
6 (25%) of the sum collected from oil shall be paid to
7 the various county treasurers, to be credited to the
8 County Highway Fund as follows: Each county shall
9 receive a proportionate share of the funds available
10 based upon the proportion of the total value of
11 production from such county in the corresponding month
12 of the preceding year, and

13 d. before any other apportionment of revenue has been
14 made pursuant to this paragraph, twenty-five percent
15 (25%) shall be allocated to each county as provided in
16 subparagraph c of this paragraph and shall be
17 apportioned on an average daily attendance per capita
18 distribution basis, as certified by the State
19 Superintendent of Public Instruction, to the school
20 districts of the county where such pupils attend
21 school regardless of residence of such pupil, provided
22 the school district makes an ad valorem tax levy of
23 fifteen (15) mills for the current year and maintains
24 twelve (12) years of instruction.

1 ~~C.~~ D. Provided, notwithstanding any other provision of this
2 section, the total amounts deposited to the Common Education
3 Technology Revolving Fund, the Higher Education Capital Revolving
4 Fund, the Oklahoma Student Aid Revolving Fund, the Rural Economic
5 Action Plan Water Projects Fund, the Oklahoma Tourism and Recreation
6 Department Capital Expenditure Revolving Fund, the Oklahoma
7 Conservation Commission Infrastructure Revolving Fund and the
8 Community Water Infrastructure Development Revolving Fund pursuant
9 to paragraphs 6 and 7 of subsection ~~B~~ C of this section shall not
10 exceed One Hundred Fifty Million Dollars (\$150,000,000.00) in any
11 fiscal year. Except as otherwise provided in this subsection, all
12 sums in excess of One Hundred Fifty Million Dollars
13 (\$150,000,000.00) in any fiscal year which would otherwise be
14 deposited in such funds shall be apportioned by the Oklahoma Tax
15 Commission to the General Revenue Fund of the state.

16 SECTION 3. NEW LAW A new section of law to be codified
17 in the Oklahoma Statutes as Section 18-114.100 of Title 70, unless
18 there is created a duplication in numbering, reads as follows:

19 There is hereby created in the State Treasury a revolving fund
20 for the State Department of Education to be designated the "Teacher
21 Compensation Enhancement Revolving Fund". The fund shall be a
22 continuing fund, not subject to fiscal year limitations, and shall
23 consist of all monies apportioned to the Teacher Compensation
24 Enhancement Revolving Fund from gross production tax revenues as

1 prescribed by Section 1001 of Title 68 of the Oklahoma Statutes.
2 All monies accruing to the credit of said fund are hereby
3 appropriated and shall be distributed by the State Department of
4 Education for the purpose of increasing, with respect to the fiscal
5 year ending June 30, 2019, or for maintaining, with respect to all
6 subsequent fiscal years, the salary paid to each and every classroom
7 teacher in an amount which shall be not less than Five Thousand
8 Dollars (\$5,000.00) in addition to the salary paid to each such
9 teacher during the fiscal year ending June 30, 2018, or for teachers
10 who did not receive compensation in that fiscal year, in addition to
11 the salary otherwise required pursuant to Section 18-114.14 of Title
12 70 of the Oklahoma Statutes as of July 1, 2017.

13 SECTION 4. This act shall become effective July 1, 2018.

14 SECTION 5. It being immediately necessary for the preservation
15 of the public peace, health or safety, an emergency is hereby
16 declared to exist, by reason whereof this act shall take effect and
17 be in full force from and after its passage and approval.

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