

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

**GOVERNMENT SERVICES COMMITTEE**

Wednesday, March 14, 2012  
 Roughrider Room, State Capitol  
 Bismarck, North Dakota

Representative Jeff Delzer, Chairman, called the meeting to order at 9:00 a.m.

**Members present:** Representatives Jeff Delzer, Duane DeKrey, Ed Gruchalla, Matthew M. Klein, Curtiss Kreun, Todd Porter, Blair Thoreson, Don Vigesaa, Alon Wieland; Senators Ron Carlisle, Lonnie J. Laffen, Gary A. Lee, Donald Schaible

**Members absent:** Representatives Glen Froseth, Bob Martinson, Lisa Meier, Phillip Mueller, David S. Rust, Vicky Steiner; Senator David O'Connell

**Others present:** Becky Keller, Sara E. Pahlke, Jim W. Smith; Legislative Council, Bismarck

See [Appendix A](#) for additional persons present.

**It was moved by Representative Porter, seconded by Representative Wieland, and carried on a voice vote that the minutes of the December 14, 2011, meeting be approved as distributed.**

**STATE BUDGET INFORMATION**

**Status of Major State Funds and**

**2013-15 Executive Budget Development**

Ms. Pam Sharp, Director, Office of Management and Budget, presented information ([Appendix B](#)) regarding the status of major state funds and the development of the 2013-15 executive budget recommendation. She presented the following information on the status of the state general fund for the 2011-13 biennium:

Unobligated general fund balance - July 1, 2011		\$996,832,711
Add		
General fund collections through February 2012	\$1,689,600,274	
Forecasted general fund revenue for the remainder of the 2011-13 biennium	2,163,020,626	
Total estimated general fund revenue for the 2011-13 biennium		\$3,852,620,900
Balance obligated for authorized carryover from the 2009-11 biennium		106,945,443
Total estimated available		\$4,956,399,054
Less		
2011-13 biennium ongoing general fund appropriations (regular session)	(\$3,532,895,032)	
2011-13 biennium one-time general fund appropriations (regular session)	(533,958,760)	

2011-13 biennium general fund appropriations (November 2011 special session)	(169,832,668)	
Balance obligated for authorized carryover from the 2009-11 biennium	(106,945,443)	
2011-13 emergency appropriations utilized in the 2009-11 biennium	519,254	
Total appropriations		(\$4,343,112,649)
Estimated 2011-13 biennium deficiency appropriation requests		(21,200,000)
Estimated general fund balance - June 30, 2013		\$592,086,405 <sup>1</sup>

<sup>1</sup>Pursuant to North Dakota Century Code Section 54-27.2-02, any end-of-biennium balance in excess of \$65 million must be transferred to the budget stabilization fund, up to a maximum amount equal to 9.5 percent of general fund appropriations.

Ms. Sharp presented the following schedule detailing the balance of selected special funds as of February 29, 2012:

Budget stabilization fund	\$386,351,110
Legacy fund	\$219,528,326
Foundation aid stabilization fund	\$181,935,870
Property tax relief sustainability fund	\$101,487,950

In response to a question from Representative Delzer, Ms. Sharp said the federal medical assistance percentage (FMAP) for the state is anticipated to be approximately 50 percent. She said an estimated \$91 million of additional state funding will be needed during the 2013-15 biennium to continue Medicaid program services at the current level.

In response to a question from Senator Laffen, Ms. Sharp said the 2011-13 biennium legislative budget forecast anticipates that \$2.1 billion of general fund revenue will be collected through the remainder of the biennium. She said a revised revenue forecast for the 2011-13 biennium will be made in November 2012 which will be used to develop the 2013-15 biennium executive budget recommendation. Prior to that, she said, the preliminary revenue forecast is released in late July or early August 2012 which updates the 2011-13 biennium revenue forecast and includes the first information on anticipated 2013-15 biennium revenues.

In response to a question from Representative Delzer, Ms. Sharp said \$300 million of oil and gas tax collections will be deposited in the general fund during the 2011-13 biennium. She said the first \$200 million

of collections have already been deposited in the fund.

In response to a question from Representative Delzer, the legislative budget analyst and auditor said the state share of oil and gas tax collections is allocated to various state funds. He said after the allocations are made to those funds, any additional oil and gas tax collections are deposited in the strategic investment and improvements fund. He said if the strategic investment and improvements fund reaches a balance of \$300 million, 25 percent of the state share of oil and gas tax collections is instead deposited in the legacy fund.

Ms. Sharp said the Office of Management and Budget will be releasing 2013-15 biennium budget guidelines to state agencies in April 2012. She said agency budget requests are due in July 2012 and will be used to prepare the executive budget recommendation. She said the 2013-15 biennium executive budget recommendation will be released in December 2012.

### Sales Tax Collections

Ms. Kathryn Strombeck, Research Analyst, Tax Department, presented information ([Appendix C](#)) regarding sales and use tax collections by region and industry. She said counties in areas affected by oil and gas development have experienced an increase in sales and use tax collections. She said 4.92 percent of total state sales and use tax collections in 2007 were attributable to Williams County while 16.74 percent of total state sales and use taxes were attributable to the county in the third quarter of 2011.

Ms. Strombeck said sales and use tax collections are also categorized by industry sector. She said sales and use tax collections in the mining and oil extraction sector increased by 98.51 percent between the third quarter of 2010 and the third quarter of 2011.

In response to a question from Representative Delzer, Ms. Strombeck said industry sectors are determined by the North American Industry Classification System (NAICS). She said she will provide the committee with additional information regarding the specific NAICS codes that are included in each industry sector.

In response to a question from Representative Delzer, Ms. Strombeck said materials and supplies used in oil and gas production, including drilling mud and pipe, are generally subject to sales or use tax. She said a local sales or use tax may also be imposed depending on where the materials and supplies are delivered.

In response to a question from Representative Delzer, Ms. Strombeck said a portion of sales and use tax collections are deposited in the state aid distribution fund for allocation to counties and cities. She said the allocations are based on the population of each county and city as reported in the last regular census.

In response to a question from Representative Delzer, Ms. Strombeck said she will provide the committee with information regarding census estimates that are used between regular census dates.

### Transportation Information

Mr. Francis Ziegler, Director, Department of Transportation, presented information ([Appendix D](#)) regarding various transportation issues. He said the department is addressing infrastructure needs in western North Dakota caused by oil and gas development. He said the department spent approximately \$635 million on state projects in the western part of the state between 2008 and 2011. He said the department plans to spend an additional \$305 million for state road projects in the western part of the state in 2012.

Mr. Ziegler presented the following schedule detailing motor vehicle registrations in the state since 2007:

Total Motor Vehicle Registrations				
2007	2008	2009	2010	2011
902,581	960,125	952,616	945,282	1,048,240

Mr. Ziegler said the Department of Transportation and Highway Patrol implemented a new online process to allow nonresidents employed in the state to obtain a temporary motor vehicle registration. He said during 2011 there were 6,849 temporary motor vehicle registrations issued which generated fee collections of approximately \$1.64 million.

Mr. Ziegler presented the following information regarding estimated and actual deposits in the highway tax distribution fund from July 2011 through January 2012:

Highway Tax Distribution Fund Revenue - July 2011 Through January 2012 (Amounts Shown In Millions)				
	Estimated	Actual	Difference	
Motor fuels taxes	\$86.5	\$116.6	\$30.1	34.8%
Motor vehicle registration fees	38.0	55.6	17.6	46.3%
Total	\$124.5	\$172.2	\$47.7	38.3%

Mr. Ziegler presented the following information regarding original and revised estimates for distributions from the highway tax distribution fund during the 2011-13 biennium.

Distributions From the Highway Tax Distribution Fund - 2011-13 Biennium (Amounts Shown In Millions)				
	Original Estimate	Revised Estimate <sup>1</sup>	Difference	
State highway fund	\$252.9	\$314.6	\$61.7	24.4%
Counties	90.8	112.9	22.1	24.3%
Cities	51.5	64.1	12.6	24.5%
Townships	11.1	13.9	2.8	25.2%
Transit	6.2	7.7	1.5	24.2%
Total	\$412.5	\$513.2	\$100.7	24.4%

<sup>1</sup>Revised estimate for the 2011-13 biennium is based on the amount of allocations from the highway tax distribution fund during the first seven months of the biennium.

In response to a question from Senator Carlisle, Mr. Ziegler said temporary repairs have been made to several damaged roadways in western North Dakota.

He said permanent repairs to the roadways will be made during the 2012 construction season.

In response to a question from Representative Porter, Mr. Ziegler said replacing an asphalt roadway with a concrete roadway is difficult due to the cost of concrete and the inability to allow traffic through the construction area.

In response to a question from Representative Kreun, Mr. Ziegler said the state is eligible to receive federal emergency relief funding to repair roadways damaged by natural disasters. He said the federal funding is limited to \$100 million for each natural disaster event.

In response to a question from Representative Delzer, Mr. Ziegler said the state has received \$317 million of 2011 emergency relief funding as a result of recent disasters. He said the department plans to use borrowing authority granted by the Legislative Assembly in 2011 to pay for the state match required to receive the funding.

In response to a question from Representative Delzer, Mr. Grant Levi, Deputy Director for Engineering, Department of Transportation, said emergency road repair work projects completed within 180 days following a disaster event may be eligible for 100 percent federal funding. He said other emergency relief road projects on state highways generally require 20 percent state matching funds.

In response to a question from Representative Delzer, Mr. Ziegler said the Legislative Assembly in 2011 provided \$142 million for a county and township road reconstruction program in areas affected by oil and gas development. He said \$19.5 million of the funding was used during the 2011 construction season, and the remaining \$122.5 million of funding will be used during the 2012 construction season.

In response to a question from Representative Delzer, Mr. Ziegler said roadways in the western part of the state were not constructed to handle the current traffic volumes. He said many roadways were designed before the increase in oil activity and were built to handle traffic volumes projected at the time.

Representative Kreun said traffic volumes are increasing across the state. He said the roadway needs in the eastern part of the state should also be considered during the 2013 legislative session.

In response to a question from Representative Delzer, Mr. Ziegler said he will provide the committee with information regarding trailers that are licensed in the state but have not been used in the state.

In response to a question from Representative Delzer, Mr. Ziegler said the department received Emergency Commission and Budget Section approval to distribute an additional \$2 million of funding from the public transportation fund to local public transit agencies during the 2011-13 biennium. He said allocations from the highway tax distribution fund to the public transportation fund have been exceeding estimates. He said he will provide the committee with information regarding how much of the increased allocations to the public transportation fund are attributable to the 2011-13 biennium and how much is attributable to previous bienniums.

### Energy Infrastructure and Impact Grant Program

Mr. Lance Gaebe, Commissioner, Department of Trust Lands, provided an overview ([Appendix E](#)) of the energy infrastructure and impact grant program. He said the program is used to meet emergency and extraordinary needs of political subdivisions resulting from energy development activities. He said the Legislative Assembly in 2011 provided for the deposit of \$100 million of oil and gas production tax collections in the oil and gas impact grant fund for regular grant distributions. He said \$5 million is also being provided to the grant program from the state general fund for new oil-producing counties, and an additional \$30 million is being provided to the grant program from the state general fund for grant distributions with an emphasis on meeting the needs of emergency services.

Mr. Gaebe said a total of \$55,820,998 of 2011-13 biennium energy impact grant awards have been provided to date as follows:

July 2011 - City infrastructure - Hub cities <sup>1</sup>	\$21,000,000
July 2011 - City infrastructure - Smaller cities	32,500,000
August 2011 - Firefighters training	20,000
December 2011 - Township transportation	2,000,998
December 2011 - Housing and Urban Development communities planning grant	300,000
Total	\$55,820,998

<sup>1</sup>Hub cities include Dickinson, Minot, and Williston.

In response to a question from Representative Delzer, Mr. Gaebe said the \$5 million provided for grants to new oil-producing counties is available to counties that produced fewer than 100,000 barrels of oil in November 2011 and have more than four active oil drilling rigs operating in the county in any one month after November 2011. He said no counties have met the distribution criteria yet.

## STUDY OF THE USE OF STATE-OWNED AIRPLANES

### Airplane Hangars Leased By State Agencies

At the request of Chairman Delzer, the Legislative Council staff presented a memorandum entitled

[Airplane Hangars Leased by State Agencies](#). The Legislative Council staff provided the following summary of airplane hangars leased by state agencies, including the aircraft stored in the hangar and fiscal year 2011 lease and utility costs of the hangars:

	Aeronautics Commission	Attorney General	Game and Fish Department	Highway Patrol	North Dakota State University	Department of Transportation	Department of Transportation
Location of hangar	Bismarck Airport	Bismarck Airport	Bismarck Airport	Bismarck Airport	Fargo Airport	Bismarck Airport	Bismarck Airport
Hangar owner	Bismarck Aero Center	Bismarck Aero Center	Fargo Jet Center	Fargo Jet Center	Fargo Jet Center	City of Bismarck	Bismarck Aero Center
Private or shared hangar	Shared	Shared	Shared <sup>2</sup>	Shared <sup>2</sup>	Shared	Private	Shared
Airplane(s) stored in hangar	2008 Cessna 206	1965 Beechcraft Baron	2006 American Champion Scout, 2006 Cessna 182	2007 Cessna 206	1991 Beechcraft KingAir B200	1998 Beechcraft KingAir B200, 1977 Piper Cheyenne	1975 Cessna Skymaster
Fiscal year 2011 lease costs	\$4,730 <sup>1</sup>	\$3,260	\$7,275	\$5,820	\$11,940	\$25,003	\$5,000
Fiscal year 2011 utilities cost			6,544	2,119			
Total fiscal year 2011 costs	\$4,730	\$3,260	\$13,819	\$7,939	\$11,940	\$25,003	\$5,000

<sup>1</sup>The Aeronautics Commission obtained the Cessna 206 airplane in September 2011. The amount shown is an estimate based on the hangar lease rate for the previous airplane owned by the commission.

<sup>2</sup>The Game and Fish Department and Highway Patrol jointly lease an aircraft hangar which is used to store airplanes owned by each agency. The hangar is also used by the Game and Fish Department pilot/mechanic to perform maintenance on the department's aircraft.

### Costs of Airplanes Owned by State Agencies

The Legislative Council staff presented a memorandum entitled [Survey of State Agency Airplane Costs](#). The Legislative Council staff said

state agencies were surveyed regarding flight hours and costs of each state-owned airplane. The following is a summary of the survey of fiscal year 2011 airplane expenses:

Summary of Fiscal Year 2011 Airplane Expenses									
	Aeronautics Commission	Attorney General	Game and Fish Department		Highway Patrol	North Dakota State University	Department of Transportation		
	2008 Cessna 206 (Estimated) <sup>1</sup>	1965 Beechcraft Baron	2006 American Champion Scout	2006 Cessna 182	2007 Cessna 206	1991 KingAir B200	1975 Cessna Skymaster	1977 Piper Cheyenne	1998 KingAir B200
	Total flight hours	200.00	21.60	533.50	216.30	156.00	69.00	414.10	94.50
Variable costs	\$19,100.00	\$4,883.00	\$51,699.00	\$31,143.00	\$20,223.00	\$87,099.33	\$114,259.00	\$48,385 <sup>5</sup>	\$155,071.00
Variable cost per flight hour	\$95.50	\$226.06	\$96.91	\$143.98	\$129.63	\$1,262.31	\$275.92	\$512.01 <sup>5</sup>	\$547.95
Fixed costs	\$15,421.00	\$8,928.00	\$79,213.00	\$35,803.00	\$34,679.00	\$140,271.28	\$196,605.00	\$166,043.00	\$280,251.00
Fixed costs per flight hour	\$77.11	\$413.33	\$148.48	\$165.52	\$222.30	\$2,032.92	\$474.78	\$1,757.07	\$990.29
Funding allocated to reserve accounts	\$7,533.00	\$0.00	\$0.00	\$0.00	\$5,928.00	\$0.00	\$19,458.00	\$10,962.00	\$50,343.00
Reserve account allocation per hour	\$37.67	\$0.00	\$0.00	\$0.00	\$38.00	\$0.00	\$46.99	\$116.00	\$177.89
Total costs, excluding depreciation	\$42,054.00	\$13,811.00	\$130,912.00	\$66,946.00	\$60,830.00	\$227,370.61	\$330,322.00	\$225,390 <sup>5</sup>	\$485,665.00
Total costs per hour, excluding depreciation	\$210.27	\$639.40	\$245.38	\$309.51	\$389.94	\$3,295.23	\$797.69	\$2,385.08 <sup>5</sup>	\$1,716.13
Depreciation cost	\$0.00 <sup>2</sup>	\$4,666.00	\$18,119.00	\$4,687.00 <sup>3</sup>	\$19,305.00	\$164,360.00	\$0.00 <sup>4</sup>	\$43,225.00	\$69,833.00
Depreciation cost per hour	\$0.00	\$216.02	\$33.96	\$21.67	\$123.75	\$2,382.03	\$0.00	\$457.41	\$246.76
Total costs, including depreciation	\$42,054.00	\$18,477.00	\$149,031.00	\$71,633.00	\$80,135.00	\$391,730.61	\$330,322.00	\$268,615 <sup>5</sup>	\$555,498.00
Total per hour costs, including depreciation	\$210.27	\$855.42	\$279.35	\$331.17	\$513.69	\$5,677.26	\$797.69	\$2,842.49 <sup>5</sup>	\$1,962.89

<sup>1</sup>The Aeronautics Commission purchased the Cessna 206 airplane in September 2011. The amounts listed are based on estimated flight hours and expenses for fiscal year 2012.

<sup>2</sup>The agency did not calculate depreciation on the airplane because the agency estimates the residual value of the aircraft to be greater than the purchase price.

<sup>3</sup>The airplane was purchased in October 2010. The amount shown does not reflect a full year of depreciation.

<sup>4</sup>The airplane has been fully depreciated.

<sup>5</sup>Amounts revised from survey response to reflect an insurance reimbursement paid in fiscal year 2012 for expenses incurred in fiscal year 2011.

The Legislative Council staff said airplane expenses can vary significantly between similar airplanes due to the intended use of the airplane and airplane flight hours. He said airplane expenses can also vary significantly between years due to timing of certain expenses related to items, such as major repairs or special aircraft uses.

Mr. Dave Leftwich, Deputy Director for Business Support, Department of Transportation, said engine repairs were made to the department's Piper Cheyenne airplane in fiscal year 2011. He said the department received insurance proceeds in fiscal year 2012 for reimbursement of the engine repair costs.

In response to a question from Representative Delzer, Mr. Larry Taborsky, Director, North Dakota Aeronautics Commission, said the agency previously owned a 1980 Cessna Skymaster. He said the airplane was purchased in 1987 for \$83,500 and was sold in 2011 for \$109,600. He said he will provide the committee with information regarding the operating costs of the airplane.

In response to a question from Representative Delzer, Colonel James J. Prochniak, Superintendent, Highway Patrol, said the Highway Patrol pilots are also ground troopers. He said the troopers that serve as pilots do not receive any additional pay related to the pilot duties.

Mr. Tom Trenbeath, Deputy Attorney General, Attorney General's office, said the airplane owned by the office was received free of charge through a federal program. He said permission is needed from the federal government to sell the airplane, but the state could retain the proceeds from the sale.

In response to a question from Representative Porter, Mr. Trenbeath said the Attorney General's office would have no objection to using an aircraft pool. However, he said, the office needs to have an aircraft available for immediate use for emergency situations.

Mr. Terry Steinwand, Director, Game and Fish Department, said the department owns two airplanes. He said the department's Cessna 182 airplane is used for enforcement and transportation purposes, and the department's American Champion Scout airplane is specialized for use in conducting wildlife surveys.

In response to a question from Representative Porter, Mr. Steinwand said the department has a pilot who also performs airplane maintenance duties. He said the pilot does not provide airplane maintenance services to other state agencies.

In response to a question from Representative Klein, Mr. Leftwich said the Department of Transportation's KingAir B200 and Piper Cheyenne airplanes are used for passenger transportation purposes. He said the department's Cessna Skymaster airplane is used for surveying.

Representative Porter expressed concern with the high operating costs of the Piper Cheyenne airplane. He said the hourly rate charged by the department to other agencies for using the airplane is not at a level that provides for all airplane costs.

In response to a question from Representative Delzer, Mr. Leftwich said the flight hours of an aircraft only includes the time from when an airplane leaves the ground to when it lands. He said it does not include time spent on the ground preparing the aircraft before a flight. He said the department charges other agencies separately for pilot hours, including the time required to prepare an aircraft before a flight and the time to store an aircraft after a flight.

### **North Dakota State University Airplane**

Mr. Bruce Bollinger, Vice President for Finance and Administration, North Dakota State University, presented information ([Appendix F](#)) regarding the airplane used by the university. He said the university entered an agreement with the North Dakota State University (NDSU) Development Foundation in 2007 to lease a KingAir B200 airplane. He said the university makes quarterly lease payments of \$80,730 and may purchase the airplane for \$1 at the end of the lease term in July 2017.

Mr. Bollinger said most major higher education institutions in the country use airplanes to transport personnel. He said NDSU uses its airplane to transport personnel to campus facilities located across the state. He said the use of air travel significantly increases the productivity of campus personnel.

Mr. Bollinger said from March 1, 2011, to March 2, 2012, 55 percent of the passengers on the NDSU airplane were campus personnel. He said the remaining passengers were non-NDSU personnel, including members of the State Board of Higher Education and personnel from other institutions.

Mr. Bollinger said NDSU paid a total of \$2,675,956 in commercial air travel costs in fiscal year 2011. He said the total includes commercial air travel costs of all entities under the control of the university, including agricultural research centers.

In response to a question from Representative Delzer, Mr. Bollinger said NDSU has entered an agreement with the Fargo Jet Center to sublease the NDSU airplane at a cost of \$660 per hour. He said the agreement provides that the Fargo Jet Center pay fuel and other variable costs when using the airplane.

In response to a question from Representative Delzer, Mr. Bollinger said the cost of chartering an airplane similar to the one operated by NDSU would vary depending on various factors, including the destination of the aircraft and the time spent at the destination. He said chartering an aircraft from Fargo to Bismarck for a day trip would cost approximately \$2,280 per flight hour.

In response to a question from Senator Lee, Mr. Bollinger said he does not believe subleasing the airplane to the Fargo Jet Center is violating any statutes relating to state agencies providing services that compete with private businesses.

In response to a question from Senator Carlisle, Mr. Bollinger said NDSU did not previously charge a fee to the non-NDSU personnel who were passengers

on the airplane. He said the university is now charging non-NDSU passengers a fee.

In response to a question from Representative Porter, Mr. Bollinger said he will provide the committee with information regarding the amount of insurance premiums paid on the NDSU airplane.

In response to a question from Representative Porter, Mr. Randy Jenson, Vice President and Chief Financial Officer, Fargo Jet Center, Fargo, said the Fargo Jet Center manages the NDSU airplane for the university. He said NDSU and Fargo Jet Center are both covered under the insurance policy for the airplane.

In response to a question from Representative Wieland, Mr. Bollinger said the NDSU airplane is used primarily to transport personnel to locations within the state.

In response to a question from Representative Porter, Mr. Bollinger said NDSU does not employ any pilots. He said NDSU pays the Fargo Jet Center an airplane management fee which includes pilot services for the plane as needed.

In response to a question from Senator Lee, Mr. Jenson said it may be difficult to charter an airplane on short notice. He said some entities schedule airplane trips months in advance.

Representative Porter said it appears it would be more economical for NDSU to charter its own aircraft back from Fargo Jet Center than for the university to operate it on its own.

Chairman Delzer asked Mr. Bollinger to provide information to the committee regarding the feasibility of selling the NDSU airplane and using charter air services instead.

The committee recessed for lunch at 12:15 p.m. and reconvened at 1:00 p.m.

## OIL AND GAS INFORMATION

Mr. Lynn Helms, Director, Department of Mineral Resources, presented information ([Appendix G](#)) regarding oil and gas development in the state, including the impact on infrastructure. He said an estimated 32,000 new wells will be drilled in the Bakken and Three Forks Formations in western North Dakota. He said oil companies are estimated to drill 4,500 of the new wells to secure oil and gas leases during the next two years and will drill the remaining 27,500 wells during the following 16 years to develop each spacing unit.

Mr. Helms said approximately 8,000 miles of gravel roads will need to be built to develop the oil and gas fields. However, he said, the amount of needed roads can be reduced to 4,000 miles through the use of spacing units and by drilling multiple wells on one location. He said the spacing units will allow for the use of east-west transportation corridors every four miles which can be used to access the wells and to place pipelines and other utilities. He said the focus on transportation in the upcoming biennium will be developing the gravel roads to access the drilling locations.

Mr. Helms said increased need for housing and related infrastructure will continue through the year 2020. He said after 2020 the majority of jobs in the oilfield will shift from drilling-related to production-related.

Mr. Helms said there are currently 205 drilling rigs in the state, and the number of drilling rigs is expected to peak at 225 this year. He said the drilling rigs are moving frequently in order to secure oil and gas leases. He said the movement of drilling rigs will decrease once the leases are secured and further development of spacing units begins.

In response to a question from Representative Delzer, Mr. Helms said the number of truckloads per well should decrease from 2,000 to 650 once the oil and gas leases have been secured. He said most roadways and drilling pads will be in place, and additional gathering infrastructure will be available to transport oil, gas, and water.

In response to a question from Representative Delzer, Mr. Helms said the state needs to be cautious when projecting the impact of oil and gas development on the state budget. He said the price of oil may decrease which would affect oil and gas development in the state.

In response to a question from Representative DeKrey, Mr. Helms said he will provide the committee with information regarding the potential impact to the state if the Keystone XL pipeline is not constructed.

In response to a question from Senator Laffen, Mr. Helms said the state produced approximately 546,000 barrels of oil per day in January 2012. He said production has been increasing each month by an average of 11,000 barrels to 12,000 barrels per day.

In response to a question from Representative Delzer, Mr. Helms said drilling activity in northeast Montana also has been increasing. He said the Montana drilling activities will affect Williston and the surrounding areas.

In response to a question from Representative DeKrey, Mr. Helms said oil companies are exploring methods to increase oil recovery from the Bakken Formation. He said two enhanced recovery pilot projects have been approved for the Parshall field which will use a recovery method similar to water flooding.

In response to a question from Representative Kreun, Mr. Helms said it does not appear the United States Environmental Protection Agency will place a moratorium on the use of hydraulic fracturing in oil and gas development.

In response to a question from Representative Delzer, Mr. Helms said the infrastructure in oil and gas development areas is currently at a level to support slightly under 30,000 equivalent oilfield positions. He said temporary housing can be used for the expected spike of temporary workers in the next 10 years. He said he will provide information to the committee regarding the number of estimated oilfield jobs projected for each county.

In response to a question from Representative Porter, Mr. Helms said the Department of Mineral Resources was authorized an additional 17 full-time equivalent (FTE) positions for the 2011-13 biennium. He said some of the positions are contingent upon the number of drilling rigs operating in the state and the number of oil wells in the state. He said the department may request funding for the 2013-15 biennium for additional FTE positions and subsidies for employee housing in oil and gas development areas.

### **STUDY OF OPTIONS FOR RELOCATING THE HIGHWAY PATROL TRAINING ACADEMY**

Ms. Sara E. Pahlke, Fiscal Analyst, Legislative Council, presented a memorandum entitled [Emergency Services Training Facilities](#). She said the memorandum provides information regarding emergency services training facilities operated by selected state agencies and political subdivisions.

Chairman Delzer asked the Legislative Council staff to obtain more information regarding the Department of Corrections and Rehabilitation shooting range.

Colonel Prochniak presented information ([Appendix H](#)) regarding training provided by the Highway Patrol training academy that utilizes an emergency vehicle operations course or gun range. He said during 2010 and 2011, a total of 372 individuals received training that involved an emergency vehicle operations course or gun range. He said the training was provided to state and local law enforcement personnel.

Representative Kreun said the Grand Forks Public Safety Center has training facilities that can serve some of the training needs of the Highway Patrol. He said it may be beneficial to hold multiagency training sessions to allow officers the opportunity to interact with personnel from other agencies.

Colonel Prochniak said the Highway Patrol currently utilizes the training sessions held at the Grand Forks Public Safety Center. However, he said, it is important to have a centralized training facility.

In response to a question from Representative Delzer, Colonel Prochniak said the Highway Patrol has not reviewed options for moving the training academy from Bismarck to another location. He said the Highway Patrol prefers the academy to be located in Bismarck because of the proximity to Highway Patrol headquarters and because the city of Bismarck is willing to donate land for a new facility.

### **STATE REVENUE ALLOCATIONS**

Ms. Becky Keller, Senior Fiscal Analyst, Legislative Council, presented a memorandum entitled [Oil and Gas Tax Revenue Collections - Estimates - 2011-13 Biennium](#). She said the memorandum provides information regarding 2011 legislative session estimates for oil and gas tax collections during the 2011-13 biennium, actual collections through

February 2012, and estimates for collections through the end of the biennium based on February 2012 revenue collection levels. She said the memorandum also provides estimated distributions to state funds and political subdivisions based on each of the revenue collection estimates.

In response to a question from Representative Delzer, Ms. Keller said the allocation of oil and gas production taxes to counties is based on a tiered system. She said the first \$2 million of tax collections attributable to a county each year are allocated 100 percent to the county. She said the percentage of tax collections allocated to a county decreases as total tax collections reach certain levels throughout the year.

In response to a question from Representative Porter, Representative Delzer said any oil and gas tax revenues deposited in the resources trust fund that exceed original legislative estimates may be used by the State Water Commission subject to Budget Section approval.

Ms. Keller presented a memorandum entitled [State Aid Distribution Percentages](#). She said Section 57-39.2-26.1 provides that a portion of sales, use and motor vehicle excise tax collections equal to 40 percent of an equivalent one-cent sales tax be deposited in the state aid distribution fund for distribution to counties and cities. She said 53.7 percent of funds deposited in the state aid distribution fund are distributed to counties, and 46.3 percent of funds are distributed to cities.

In response to a question from Representative Delzer, Ms. Keller said distributions to counties and cities from the state aid distribution fund are based on population.

### **COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

Representative Porter suggested the committee receive information regarding the passengers that used the NDSU airplane in previous years. He also suggested the committee receive information regarding the aircraft sublease between NDSU and the Fargo Jet Center.

Representative Porter requested the Legislative Council staff prepare a bill draft to create a state aircraft pool for state airplanes used for passenger transportation purposes for consideration at the next committee meeting.

No further business appearing, Chairman Delzer adjourned the meeting at 3:00 p.m.

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Brady A. Larson  
Senior Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

ATTACH:8