

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

1013

2007 HOUSE APPROPRIATIONS

HB 1013

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

House Appropriations Committee  
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/12/07

Recorder Job Number: 1004

Committee Clerk Signature

*Monya Voegle*

Minutes:

Chairman Carlson opened the hearing on House Bill 1013. A bill for an act to provide appropriation for defraying the expenses of the commissioner of university and school lands; and to provide for distribution amounts from permanent funds.

Rick D. Larson, Director of the Energy Development Impact Office, testified in support of the bill. See attached testimony 1013.1.12.07A.

**Chairman Carlson:** How do you get your money?

**Rick D. Larson:** There are two formulas. One percent of the production tax is distributed 33.3% to this program up to \$5million. The other 2/3 goes into the general fund. Then there is four percent of the production tax that is distributed to the counties.

**Representative Thoreson:** Is there a specific area in the state where the numbers of requests are higher?

**Rick D. Larson:** More from the oil and gas producing counties.

**Chairman Carlson:** Are there any other bills floating around that would change any of these numbers?

**Rick D. Larson:** Not that I know of.

**Representative Skarphol:** Isn't the configuration of drilling substantially different now than it was two years ago and don't you think you are going see a real change on how much demand you are going to have for the monies next time around?

**Rick D. Larson:** It is becoming more and more of a problem for these subdivisions of government to meet these caps. Prices are going up. The commodities are getting harder to find. If the demand is up their prices go up.

**Representative Skarphol:** What I was trying to get at is that with the Backen Horizontal Plate, they are drilling all over in places they have never drilled before. We are going to see the demand for this money rise throughout the area as opposed to being concentrated on certain areas in Western ND.

**Vicky Steiner,** representing the ND Association of Oil and Gas Producing Counties, spoke in support of the bill. See attached testimony 1013.1.12.07B and 1013.1.12.07C.

**Vice Chairman Carlisle:** What are the other bills dealing with this issue?

**Vicky Steiner:** Representative Drovdal's bill is 1044, Senator Bowman's bill is 2178.

**Chairman Carlson:** Are there any other bills that affect this?

**Vicky Steiner:** No

Carrol Gjovik, Director of Dunn County Development Authority, spoke in support of the bill. See attached testimony 1013.1.12.07D. Ms. Gjovik discussed the poor road conditions in Dunn County.

Reinhard Hauck, Dunn County Auditor, spoke in support of the bill. See attached testimony 1013.1.12.07E.

**Chairman Carlson:** What amount of money does your county receive from the Highway Distribution Fund?

**Reinhard Hauck:** About \$300,000 per year.

**Chairman Carlson:** What is your solution to the deficit?

**Reinhard Hauck:** It would have be hoping on House Bill 1044 which would raise the production tax money back into the counties. If we get another hit like this, we can stand this one, but if we have to go another year then we would have to go to our taxpayers. I am optimistic that our production will continue to grow.

**Representative Skarphol:** How much money is left in the interim fund?

**Reinhard Hauck:** About \$390,000 at the end of this year.

**Representative Williams:** Countywide mill levy for 2006 where does that compare with the state average?

**Reinhard Hauck:** I believe it is right at state average.

Brad Beckenal, City Finance Commissioner for the city of Williston, spoke in support of the bill. See attached testimony 1013.1.12.07F.

**Representative Glasheim:** Is there any way of knowing how much in property taxes and tax base you have increased because of the oil boom?

**Brad Beckenal:** I don't have those numbers with me but there has been an increase.

**Chairman Carlson:** How about new construction and the availability of housing. We hear throughout the oil country that there is a shortage of housing in many areas. How is that happening in Williston?

**Brad Beckenal:** That is our biggest issue right now. It is an issue we have talked to the Governor's office about. At this point what we have done is that we have a two year property

tax exemption for new home building which we are allowed to do understate law up to the first \$75,000. We have city lots available for sale. We had approximately 100 houses permitted and built in Williston and the six townships surrounding us last year.

John Kautzman, Williston City Auditor, testified in support of the bill.

**Representative Kroeber:** Your special revenue fund, is that your one cent sales tax?

**John Kautzman:** No, it is a number of different things. The Municipal Highway Truss, cemetery, airport.

**Representative Kroeber:** And your Enterprise Fund?

**John Kautzman:** Water sewer and garbage and landfill and refuse collection.

Gary Preszler, State Land Commissioner, spoke in favor of the bill. See attached testimony 1013.1.12.07G.

**Chairman Carlson:** The nominations that you have for the oil and gas lease auctions, is that for natural gas?

**Gary Preszler:** Yes that is for shallow gas.

Mr. Pressler discussed Constitutional Measure No. 1. (See page 4 of 1013.1.12.07G)

**Chairman Carlson:** Give me an example of what would be an anticipated change; take the Common Schools Trust Fund. If you took the new formula based on the change by Constitutional Measure #1, how much would have that distribution changed?

**Gary Preszler:** It would be basically the same. We are within five percent right now. We would parallel the growth.

**Chairman Carlson:** Does that measure allow you to get into the principle at all?

**Gary Preszler:** We can get into it now from the stand point of a stock investment.

**Chairman Carlson:** With that averaging system could you dig into the principle of the funds to complete your formula?

**Gary Preszler:** Only in the event of an economic depression.

**Representative Skarphol:** Do these federal restrictions apply to any permanent trust fund that would be constitutionally established or only to the schools?

**Gary Preszler:** Only to the schools.

**Representative Skarphol:** How long does it take to accumulate that kind of money in the trust funds?

**Gary Preszler:** The day of statehood.

**Representative Skarphol:** The imaging project (page 4 of 1013.1.12.07G) that you are referring to merely allows for better and easier access to the documents. Do you still have to retain the paper documents and store them someplace?

**Gary Preszler:** Not in all cases. A lot of these records will be destroyed once we have the copy file. Some of the documents will be turned over to the archives but some of them have no historical value. There are some records that we will not store electronically like patents for deeds from the 1900s. We don't have a reason to access them.

Chairman Carlson closed the hearing.

## 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

House Appropriations Committee  
Government Operations Division

Check here for Conference Committee

Hearing Date: 1/25/07

Recorder Job Number: 1992

Committee Clerk Signature

*Cheryl Vaegle*

Minutes:

Representative Kempenich discussed the highlights of the Executive Budget.

1. Adds funding for increase in Energy Development Impact Office grants. (\$1,000,000)
2. Provides funding for equipment over \$5,000. (\$10,000)
3. Increases operating expenses primarily due to increased information technology rates.  
(\$27,000)

**Chairman Carlson:** Remind me what this Energy Development Impact Office grants are for.

**Representative Kempenich:** There is a pool of money to help with local impacts such as roads in the counties.

**Representative Skarphol:** The counties and the cities and all political subdivisions apply for grants from them. Typically the grant requests exceed \$20million and they only have \$5million to grant out.

**Chairman Carlson:** What is the total that is in the fund now?

**Representative Kempenich:** It will be \$6million when it is all said and done.

**Representative Skarphol:** They are not asking for that. We passed that legislation last session with a delayed effective date. It is actually just going into code.

**Chairman Carlson:** I don't see any new FTEs. I do see a \$1.3million increase. I am not getting that to total.

**Representative Kroeber:** The direct impact comes out of the five percent on the gross production tax. Right now that is capped at \$5million. This bill will raise it to \$6million.

**Chairman Carlson:** How do we get to the \$1.3million increase?

**Representative Kempenich:** The salaries (\$272,000), grants (\$1million). The rest is from the other items.

**Vice Chairman Carlisle:** There is a breakdown in the bill.

**Chairman Carlson:** No new programs involved?

**Representative Kempenich:** No.

**Chairman Carlson:** What is the formula for the distribution of funds to the schools?

**Representative Skarphol:** I think what it is, there is a certain amount of money invested for each one of those institutions and it is not in the same accounts so the interest rates for each of them vary that is why the numbers seem to vary and fluctuate from biennium to biennium.

**A motion was made by Representative Kempenich it was seconded by Representative Glasheim to recommend a DO PASS to the House Appropriation Full Committee. The committee voted Y=8 N=0 A=0. The bill will be carried by Representative Kempenich.**

# 2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1013

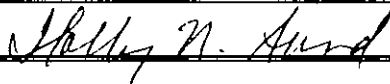
House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 29, 2007

Recorder Job Number: 2099

Committee Clerk Signature



Minutes:

**Chm. Svedjan** opened the hearing on HB 1013. This bill comes to the Full House Appropriations Committee from Government Operation.

**Rep. Kempenich** reviewed the Department 226 – Land Department budget green sheet and described the \$1 million increase. Government Operations gave this a Do Pass.

**Rep. Kempenich motioned a Do Pass to HB 1013. Rep. Thoreson seconded the motion.**

**Rep. Klein:** Would you expand on the Impact Office?

**Rep. Kempenich:** This is for increased oil activity – most goes for roads.

**Chm. Svedjan:** Why is there a delay to this biennium?

**Rep. Kempenich:** Last session, the representative that sponsored it felt that at that time they wanted to wait and see the oil projections.

**Chm. Svedjan:** What is the derivation of the funds?

**Rep. Kempenich:** About 8 different funds. State Land Department is getting \$2.9 million/day from different sources – mostly energy development.

**Rep. Aarsvold:** They also manage the unclaimed property division I understand. Proceeds from that fund go to the Common Schools Trust Fund?

**Rep. Kempenich:** Yes.

**Rep. Aarsvold:** Is there a point that the principal amount of those assets goes to the state or do we hold them forever?

**Rep. Kempenich:** It's my understanding that we hold them forever.

**Rep. Kerzman:** How much is left in the DD loan programs? I thought that was phased out.

**Allen Knudson, Legislative Council:** That relates to loans made years ago to DD facilities.

This is a repayment of those loans.

**Rep. Kerzman:** Didn't we take money out of the BND to repay those loans a couple of bienniums ago?

**Mr. Knudson:** That was DD loan for no. 1.

**The motion passed by a roll call vote of 22 ayes, 0 nays and 2 absent and not voting.**

**Rep. Kempenich was designated to carry the bill.**



Date: January 29, 2007  
 Roll Call Vote #: 141

**2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES  
 BILL/RESOLUTION NO. 1013**

House Appropriations Full Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken Do Pass

Motion Made By Kempenich Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Representative Wald	✓		Representative Aarsvold	✓	
Representative Monson	✓		Representative Gulleon	✓	
Representative Hawken	✓				
Representative Klein	✓				
Representative Martinson	✓				
Representative Carlson	✓		Representative Glassheim	✓	
Representative Carlisle	✓		Representative Kroeber	✓	
Representative Skarphol	✓		Representative Williams	✓	
Representative Thoreson	✓				
Representative Pollert	✓		Representative Ekstrom	✓	
Representative Bellew	✓		Representative Kerzman	✓	
Representative Kreidt	✓		Representative Metcalf	✓	
Representative Nelson	✓				
Representative Wieland	✓				

Total (Yes) 20 27 No 0

Absent 0 0 2

Floor Assignment Kempenich

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

**REPORT OF STANDING COMMITTEE (410)**  
January 31, 2007 2:57 p.m.

**Module No: HR-19-1699**  
**Carrier: Kempenich**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1013: Appropriations Committee (Rep. Svedjan, Chairman) recommends DO PASS**  
**(22 YEAS, 0 NAYS, 2 ABSENT AND NOT VOTING). HB 1013 was placed on the**  
**Eleventh order on the calendar.**

2007 SENATE APPROPRIATIONS

HB 1013

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

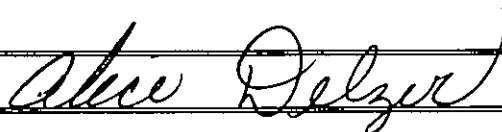
Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 02-23-07

Recorder Job Number: 3761

Committee Clerk Signature



Minutes:

**Vice Chairman Bowman** opened the hearing on HB 1013 on February 23, 2007 regarding the expenses of the commissioner of university and school lands and provide permanent funds.

**Gary D. Preszler, State Land Commissioner of North Dakota state Land Department**

presented written testimony (1) and gave oral testimony in support of HB 1013. He shared about the EDIO grant and investments, the fact some trusts are going up and some down, some of the federal laws and the language in those laws, FTE's and the estimated spending for 2007-2009.

**Senator Seymour** asked who he has to report to. He was told there is a Board he reports to.

**Senator Bowman** asked if there were changes from what the House did.

**Rick D. Larson, Director of the Energy Development Impact Office (EDIO)** presented written testimony (2) and oral testimony in support of HB 1013. He stated the mission of the EDIO is to provide financial assistance to local units of government affected by energy activity. Each year we report the results of the grant round. Charts are included in this handout regarding this issue.

**Vicki Steiner, Representative North Dakota Association of Oil and Gas Producing Counties** presented written testimony (3) and oral testimony in support of HB 1013.

**Vice Chairman Bowman** closed the hearing on HB 1013.

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1013

Senate Appropriations Committee

Check here for Conference Committee

Hearing Date: 03-09-07

Recorder Job Number: 4751

Committee Clerk Signature



Minutes:

Chairman Holmberg opened the hearing on HB 1013.

Senator Mathern moved a DO PASS, Senator Seymour seconded. There was discussion. A roll call vote was taken resulting in 14 yes, 0 no, 0 absent. The motion passed and Senator Mathern will carry the bill.

Chairman Holmberg closed the hearing on HB 1013.

Date: 3/2/07  
Roll Call Vote #: 1

2007 SENATE STANDING COMMITTEE ROLL CALL VOTES  
BILL/RESOLUTION NO. 1013

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number \_\_\_\_\_

Action Taken DP

Motion Made By Mather Seconded By Seymour

Senators	Yes	No	Senators	Yes	No
Chairman Ray Holmberg	✓		Senator Aaron Krauter	✓	
Vice Chairman Bill Bowman	✓		Senator Elroy N. Lindaas	✓	
Vice Chairman Tony Grindberg	✓		Senator Tim Mathern	✓	
Senator Randel Christmann	✓		Senator Larry J. Robinson	✓	
Senator Tom Fischer	✓		Senator Tom Seymour	✓	
Senator Ralph L. Kilzer	✓		Senator Harvey Tallackson	✓	
Senator Karen K. Krebsbach	✓				
Senator Rich Wardner	✓				

Total (Yes) 14 No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment Mather

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

**REPORT OF STANDING COMMITTEE (410)**  
March 9, 2007 11:19 a.m.

**Module No: SR-45-4859**  
**Carrier: Mathern**  
**Insert LC: . Title: .**

**REPORT OF STANDING COMMITTEE**

**HB 1013: Appropriations Committee (Sen. Holmberg, Chairman) recommends DO PASS**  
(14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1013 was placed on the  
Fourteenth order on the calendar.

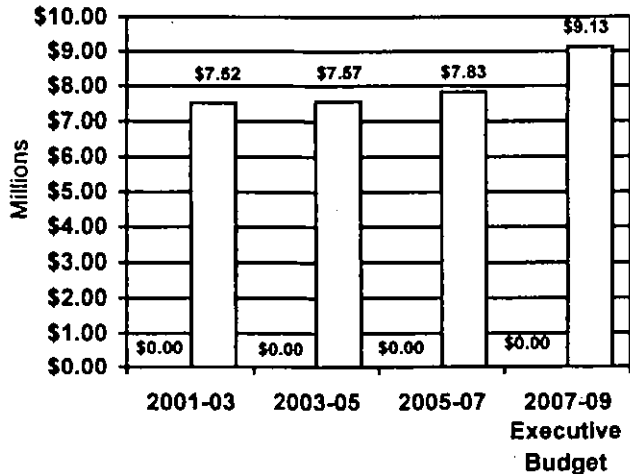
2007 TESTIMONY

HB 1013

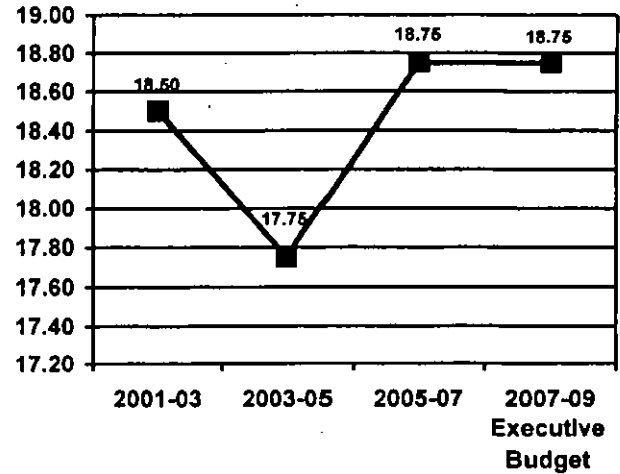
**Department 226 - Land Department  
 House Bill No. 1013**

	FTE Positions	General Fund	Other Funds	Total
2007-09 Executive Budget	18.75	\$0	\$9,126,688	\$9,126,688
2005-07 Legislative Appropriations	18.75	0	7,826,022	7,826,022
Increase (Decrease)	0.00	\$0	\$1,300,666	\$1,300,666

**Agency Funding**



**FTE Positions**



■ General Fund □ Other Funds

**Executive Budget Highlights**

	General Fund	Other Funds	Total
1. Adds funding for increase in Energy Development Impact Office grants		\$1,000,000	\$1,000,000
2. Provides funding for equipment over \$5,000		\$10,000	\$10,000
3. Increases operating expenses primarily due to increased information technology rates		\$27,000	\$27,000

**Continuing Appropriations**

**Unclaimed property** - NDCC Section 47-30.1-23 - Payments made to owners of unclaimed property.

**Investments and farm loans** - NDCC Sections 15-03-13 and 15-03-04.1 - Money manager and custodial fees and loan administration fees to maintain and enhance income earning potential of trusts financial assets.

**County services** - NDCC Section 15-04-23 - Payments made to counties for various services provided that benefit school trust lands.

**Land expenses** - NDCC Sections 15-04-24 and 15-07-22 - Payments for appraisal fees, survey costs, surface lease refunds, weed and insect control, cleanup costs, capital improvement rent credits, fire protection, land rent, value survey costs, and other expenses.

**In lieu of taxes** - NDCC Section 57-02.3-07 - Payments made in lieu of property taxes.

**DD loan programs** - NDCC Section 15-08.1-09 - Repayment of DD loan programs Nos. 2 and 3 from the lands and minerals trust fund to the common schools trust fund.

**Major Related Legislation**

At this time, no major legislation has been introduced affecting this agency.

**TESTIMONY OF GARY D. PRESZLER  
STATE LAND COMMISSIONER  
North Dakota State Land Department**

**IN SUPPORT OF HOUSE BILL NO. 1013**

**HOUSE APPROPRIATIONS COMMITTEE  
GOVERNMENT OPERATIONS DIVISION  
January 13, 2007**

Chairman Carlson, members of the Government Operations Division Committee, I am Gary D. Preszler, Secretary for the Board of University and School Lands and Commissioner for the State Land Department.

I am here to testify in support of the Land Department's requested total special funds appropriation. Within the total appropriation request is \$6,000,000 (\$5,000,000 plus the additional \$1,000,000 added by the 2005 Legislative Assembly less \$111,900 in administrative expenses) to fund the oil and gas development impact grants under the Energy Development Impact Office (EDIO). Rick Larson, the Director of EDIO will cover the grant fund appropriation request. The remaining request of \$3,238,588 covers the administrative expenses to operate the Land Department.

The budget request essentially provides for the Department to continue with the current level of services and programs.

**DEPARTMENT PURPOSE**

The Land Grant to the State from the federal government and the State Constitution provides that the Board of University and School Lands shall manage the land, minerals and proceeds from the land for the exclusive benefit of the institutions for which they were granted. The income earned is to be distributed for the exclusive benefit of those trust beneficiaries.

Income is generated through prudent management of trust assets, consisting of over 714,000 surface acres, over 2.5 million mineral acres, approximately \$877 million in trust fund financial assets, and nearly \$30 million in unclaimed property. The surface acres are leased to ranchers and farmers across the state. The 2.5 million mineral acres are offered for oil, gas, coal, gravel and scoria leasing. Revenues from all sources are deposited in trust funds and are invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury and foreign notes and bonds, and corporate bonds and stocks. The income from these investments, together with surface and mineral rentals, is distributable to North Dakota schools (public grades K-12), educational and other public institutions at specified intervals throughout the biennium.

The following is a list of beneficiaries of the various trust funds administered by the Land Department pursuant to Article IX of the North Dakota Constitution:

- |                                  |                                |
|----------------------------------|--------------------------------|
| 1) Common Schools                | 2) Capitol Building            |
| 3) North Dakota State University | 4) Mayville State University   |
| 5) School for the Blind          | 6) Industrial School           |
| 7) School of the Deaf            | 8) State College of Science    |
| 9) State Hospital                | 10) School of Mines            |
| 11) Ellendale State College *    | 12) Veteran's Home             |
| 13) Valley City State University | 14) University of North Dakota |

\* The Ellendale State College Trust is split equally between 7 beneficiaries: Dickinson State University, Minot State University, MSU-Bottineau, Veteran's Home, School of the Blind, State Hospital, and State College of Science.

## REVENUE ACTIVITY

### Minerals Division - Oil And Gas Robust Activity Continues

Since early 2004, activity in the oil patch has increased considerably due to the current Bakken and other plays spurred on by technology advances and the higher price of oil. We are still enjoying sizable acreage nominations for our quarterly oil and gas lease auctions. Good competition exists, resulting in large total bonus collections. With the higher price of oil, and new wells being drilled, we are receiving royalties of over \$2.6 million per month. Currently, about one-half of the money added to trust corpus is coming from oil-related activity.

### Investments

Total permanent trust financial assets as of December 31, 2006 were approximately \$877 million, up \$177 million (25.3%) since December 31, 2004. The financial asset numbers do not include values for surface acres or mineral holdings. The growth in trust assets has been driven by both strong equity markets and increased revenues from oil-related activities.

Higher interest rates and improved market returns in the past two years have helped the trusts to grow significantly and recover from the period of low interest rates and poor equity returns received in 2000-02. Additionally, changes made to several asset classes, such as diversifying into Real Estate Investment Trusts (REITs) have further added value.

### Distributions (See Section 7)

At its April 2006 Land Board meeting, the Board approved distributions for all permanent trusts for the 2007-2009 biennium. The distributions were determined based on the principles outlined in NDCC 15-03-05.2, which states that:

*"The board shall distribute only that portion of a fund's income that is consistent with the long-term goals of preserving the purchasing power of the fund while maintaining income stability to the fund beneficiaries."*

The table below outlines both budgeted permanent trust distributions for the 2005-07 biennium and projected distributions for the 2007-09 biennium. Actual distributions will equal budgeted amounts

for all trusts during the current biennium. The table shows total proposed distributions for 2007-09 are approximately \$4.4 million (6.6%) greater than actual distributions for the current biennium.

Trust Fund	Budgeted 2005-2007 Bi. Distributions	Proposed 2007-2009 Bi. Distributions	Proposed Inc./Dec. in Distributions	Percentage Inc./Dec. in Distributions
COMMON	\$ 62,200,000	\$ 66,800,000	\$ 4,600,000	7.4%
NDSU	1,146,000	1,070,000	(76,000)	-6.6%
BLIND	208,000	176,000	(32,000)	-15.4%
DEAF	322,000	310,000	(12,000)	-3.7%
ST HOSP	310,000	390,000	80,000	25.8%
ELLEDALE	235,200	168,000	(67,200)	-28.6%
VALLEY	268,000	226,000	(42,000)	-15.7%
MAYVILLE	176,000	156,000	(20,000)	-11.4%
INDUSTRIAL	404,000	378,000	(26,000)	-6.4%
SCIENCE	306,000	338,000	32,000	10.5%
MINES	322,000	370,000	48,000	14.9%
VETERANS	236,000	214,000	(22,000)	-9.3%
UND	664,000	604,000	(60,000)	-9.0%
Total	\$ 66,797,200	\$ 71,200,000	\$ 4,402,800	6.6%

To determine the distributions for the 2007-09 biennium, staff evaluated many factors including each trusts' asset balances, projected income and cash flows and expected future capital markets returns. They applied asset allocation and distribution principles used by many endowments and foundations. These principles include spending a portion (but not all) of capital gains earned and are designed to ensure both stable, growing distributions and increasing asset balances over the long term. When applied consistently, these principles should allow the Board to meet the dual responsibilities outlined in NDCC 15-03-05.2 (maintaining income stability and preserving the purchasing power of the trusts). However, if these principles are not followed, or are followed inconsistently, meeting the dual responsibilities outlined in NDCC 15-03-05.2 is very difficult, if not impossible.

Distributions for 2007-2009 from the Common Schools Trust fund are projected to be \$4.6 million more (7.4%) than distributions for the current biennium. Although total assets have recovered from the down markets of 2000 to 2002, the current low interest rate environment continues to have a direct impact on the amount of income those assets can generate.

Total distributions from the 12 other permanent trusts for 2007-2009 are projected to be \$197,200 lower (4.3%) than distributions for the current biennium. Distributions from 9 of the trusts will be less than the current biennium while distributions from 3 other trusts will be higher. The reason several of the trusts are unable to increase distributions for the 2007-09 biennium is that distributions from these trusts were set at levels too high to sustain during recent years, and they did not have the additional sources of growth as did the Common Schools Trust Fund.

The distribution levels set by the Board for all 13 permanent trusts for the 2007-09 biennium should allow the Board to meet its dual responsibilities under NDCC 15-03-05.2. They will also allow for a smooth transition when the Board implements Constitutional Measure No. 1 effective the 2009-11 biennium.

## **CONSTITUTIONAL MEASURE NO. 1**

On November 7, 2006, North Dakota voters overwhelmingly approved Constitutional Measure No. 1. The final vote was 67.23% for Measure No. 1 versus 32.77% against the Measure. Although North Dakota voters approved Measure No. 1, implementing it still requires federal legislation. Therefore, the next step in the process of implementing Constitutional Measure No. 1 is to go to the United States Congress and ask that they amend the 1889 Enabling Act and the 1862 Morrill Act to remove language that limits distributions from the permanent educational trust funds to "interest and income" and to allow for a distribution method that is based on the 5-year average value of the trust funds.

At the December 2006 Land Board meeting the Board decided to proceed with the Congressional request so that implementation of Constitutional Measure No. 1 will begin in the 2009-2011 biennium. Doing so will remove the uncertainty about distributions for the 2007-09 biennium.

## **DOCUMENT IMAGING PROJECT**

This past October, the Department commenced a project to scan and electronically store paper records that are frequently accessed. Existing electronic records will also be linked into the FileNet® system. The goal is to eliminate some physical storage costs and provide for greater efficiency in searching and retrieving file information.

The Enterprise FileNet® system maintained by ITD will provide the platform. Department staff provided much of the time for developing the index framework, and will perform the task of purging and scanning records. Implementation costs were estimated at \$23,000 with biennial maintenance estimated to cost about \$20,000. Both the implementation and maintenance costs are being paid for and included in the budget operating line.

## **FTEs**

The 2005 Legislative Assembly authorized one additional FTE. At the time of our budget request, the plans were to fill the position within our Audit Division. However, even before the start of the biennium we had shifted some positions and responsibilities to address audit needs. Consequently, we did not have a need to fill the authorized FTE in the audit area and instead have just recently filled a part-time position to address a void which occurred when we transferred an individual from an Administrative Assistant position to an Audit Technician position. The part-time position is currently being utilized to work mainly on our document imaging project.

Eventually as the scanning workload for document imaging project nears completion, other responsibilities will be reassigned and we will be able to determine at that time whether we can continue to use the position as part-time or increase the amount of hours to full-time. We want to retain the position as a full-time position in our budget request so we have the flexibility to match our workload needs.

### ESTIMATED 2005-07 SPENDING

The following table list is based on actual expenditures through November 30, 2006, and estimated expenses to the end of the biennium:

	2005-07 Appropriation	Biennial Projection	Remaining Appropriation
Salaries and Wages	2,229,222	2,109,789	119,433
Operating Expenses	648,700	548,173	100,527
Capital Assets	10,000	0	10,000
Contingencies	50,000	0	50,000
Other Grants	4,888,100	4,888,100	0
Total	7,826,022	7,546,062	279,960

### CONTINUING APPROPRIATION EXPENDITURES

Continuing appropriation authority is utilized for the payment of unclaimed property claims, investment related fees, the county service fee and in-lieu property taxes, and various expenses associated with land management. A schedule of the fees paid was prepared for the Office of Management and Budget with our budget submission.

### CONCLUSION

The Board's responsibility to preserve the purchasing power of the trusts and maintain income stability for the trust beneficiaries continues to be met as the funds have grown considerably in the past two years. All permanent and other trust funds remain in sound financial condition. Surface land is effectively managed providing for a fair market return of grazing lease income. Mineral leasing and development activity is continues to be very active with large bonuses being collected, and exploration potential is viewed as looking very promising for enhancing royalties received. Unclaimed property collections continue to accumulate assets held for owners and unclaimed property administration is efficient in the processing of a record number of claim applications.

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[www.nd.gov](http://www.nd.gov)



Gary D. Preszler, Commissioner

**TESTIMONY OF GARY D. PRESZLER  
STATE LAND COMMISSIONER  
North Dakota State Land Department**

**IN SUPPORT OF HOUSE BILL NO. 1013**

**SENATE APPROPRIATIONS COMMITTEE  
February 23, 2007**

Chairman Holmberg, members of the Senate Appropriations Committee, I am Gary D. Preszler, Secretary for the Board of University and School Lands and Commissioner for the State Land Department.

I am here to testify in support of the Land Department's requested total special funds appropriation. Within the total appropriation request is \$6,000,000 (\$5,000,000 plus the additional \$1,000,000 added by the 2005 Legislative Assembly less \$111,900 in administrative expenses) to fund the oil and gas development impact grants under the Energy Development Impact Office (EDIO). Rick Larson, the Director of EDIO will cover the grant fund appropriation request. The remaining request of \$3,238,588 covers the administrative expenses to operate the Land Department.

The budget request essentially provides for the Department to continue with the current level of services and programs.

**DEPARTMENT PURPOSE**

The Land Grant to the State from the federal government and the State Constitution provides that the Board of University and School Lands shall manage the land, minerals and proceeds from the land for the exclusive benefit of the institutions for which they were granted. The income earned is to be distributed for the exclusive benefit of those trust beneficiaries.

Income is generated through prudent management of trust assets, consisting of over 714,000 surface acres, over 2.5 million mineral acres, approximately \$877 million in trust fund financial assets, and nearly \$30 million in unclaimed property. The surface acres are leased to ranchers and farmers across the state. The 2.5 million mineral acres are offered for oil, gas, coal, gravel and scoria leasing. Revenues from all sources are deposited in trust funds and are invested in the Farm Loan Pool administered by the Bank of North Dakota, U.S. Treasury and foreign notes and bonds, and corporate bonds and stocks. The income from these investments, together with surface and mineral rentals, is distributable to North Dakota schools (public grades K-12), educational and other public institutions at specified intervals throughout the biennium.

The following is a list of beneficiaries of the various trust funds administered by the Land Department pursuant to Article IX of the North Dakota Constitution:

- |                                  |                                |
|----------------------------------|--------------------------------|
| 1) Common Schools                | 2) Capitol Building            |
| 3) North Dakota State University | 4) Mayville State University   |
| 5) School for the Blind          | 6) Industrial School           |
| 7) School of the Deaf            | 8) State College of Science    |
| 9) State Hospital                | 10) School of Mines            |
| 11) Ellendale State College *    | 12) Veteran's Home             |
| 13) Valley City State University | 14) University of North Dakota |

\* The Ellendale State College Trust is split equally between 7 beneficiaries: Dickinson State University, Minot State University, MSU-Bottineau, Veteran's Home, School of the Blind, State Hospital, and State College of Science.

## REVENUE ACTIVITY

### Minerals Division - Oil And Gas Robust Activity Continues

Since early 2004, activity in the oil patch has increased considerably due to the current Bakken and other plays spurred on by technology advances and the higher price of oil. We are still enjoying sizable acreage nominations for our quarterly oil and gas lease auctions. Good competition exists, resulting in large total bonus collections. With the higher price of oil, and new wells being drilled, we are receiving royalties of over \$2.6 million per month. Currently, about one-half of the money added to trust corpus is coming from oil-related activity.

### Investments

Total permanent trust financial assets as of December 31, 2006 were approximately \$877 million, up \$177 million (25.3%) since December 31, 2004. The financial asset numbers do not include values for surface acres or mineral holdings. The growth in trust assets has been driven by both strong equity markets and increased revenues from oil-related activities.

Higher interest rates and improved market returns in the past two years have helped the trusts to grow significantly and recover from the period of low interest rates and poor equity returns received in 2000-02. Additionally, changes made to several asset classes, such as diversifying into Real Estate Investment Trusts (REITs) have further added value.

### Distributions (See Section 7)

At its April 2006 Land Board meeting, the Board approved distributions for all permanent trusts for the 2007-2009 biennium. The distributions were determined based on the principles outlined in NDCC 15-03-05.2, which states that:

*"The board shall distribute only that portion of a fund's income that is consistent with the long-term goals of preserving the purchasing power of the fund while maintaining income stability to the fund beneficiaries."*

The table below outlines both budgeted permanent trust distributions for the 2005-07 biennium and projected distributions for the 2007-09 biennium. Actual distributions will equal budgeted amounts

for all trusts during the current biennium. The table shows total proposed distributions for 2007-09 are approximately \$4.4 million (6.6%) greater than actual distributions for the current biennium.

Trust Fund	Budgeted 2005-2007 Bi. Distributions	Proposed 2007-2009 Bi. Distributions	Proposed Inc./Dec. in Distributions	Percentage Inc./Dec. in Distributions
COMMON	\$ 62,200,000	\$ 66,800,000	\$ 4,600,000	7.4%
NDSU	1,146,000	1,070,000	(76,000)	-6.6%
BLIND	208,000	176,000	(32,000)	-15.4%
DEAF	322,000	310,000	(12,000)	-3.7%
ST HOSP	310,000	390,000	80,000	25.8%
ELLENDALE	235,200	168,000	(67,200)	-28.6%
VALLEY	268,000	226,000	(42,000)	-15.7%
MAYVILLE	176,000	156,000	(20,000)	-11.4%
INDUSTRIAL	404,000	378,000	(26,000)	-6.4%
SCIENCE	306,000	338,000	32,000	10.5%
MINES	322,000	370,000	48,000	14.9%
VETERANS	236,000	214,000	(22,000)	-9.3%
UND	664,000	604,000	(60,000)	-9.0%
Total	\$ 66,797,200	\$ 71,200,000	\$ 4,402,800	6.6%

To determine the distributions for the 2007-09 biennium, staff evaluated many factors including each trusts' asset balances, projected income and cash flows and expected future capital markets returns. They applied asset allocation and distribution principles used by many endowments and foundations. These principles include spending a portion (but not all) of capital gains earned and are designed to ensure both stable, growing distributions and increasing asset balances over the long term. When applied consistently, these principles should allow the Board to meet the dual responsibilities outlined in NDCC 15-03-05.2 (maintaining income stability and preserving the purchasing power of the trusts). However, if these principles are not followed, or are followed inconsistently, meeting the dual responsibilities outlined in NDCC 15-03-05.2 is very difficult, if not impossible.

Distributions for 2007-2009 from the Common Schools Trust fund are projected to be \$4.6 million more (7.4%) than distributions for the current biennium. Although total assets have recovered from the down markets of 2000 to 2002, the current low interest rate environment continues to have a direct impact on the amount of income those assets can generate.

Total distributions from the 12 other permanent trusts for 2007-2009 are projected to be \$197,200 lower (4.3%) than distributions for the current biennium. Distributions from 9 of the trusts will be less than the current biennium while distributions from 3 other trusts will be higher. The reason several of the trusts are unable to increase distributions for the 2007-09 biennium is that distributions from these trusts were set at levels too high to sustain during recent years, and they did not have the additional sources of growth as did the Common Schools Trust Fund.

The distribution levels set by the Board for all 13 permanent trusts for the 2007-09 biennium should allow the Board to meet its dual responsibilities under NDCC 15-03-05.2. The distribution amounts will also allow for a smooth transition when the Board implements Constitutional Measure No. 1 effective the 2009-11 biennium.

## CONSTITUTIONAL MEASURE NO. 1

On November 7, 2006, North Dakota voters overwhelmingly approved Constitutional Measure No. 1. The final vote was 67.23% for Measure No. 1 versus 32.77% against the Measure. Although North Dakota voters approved Measure No. 1, implementing it still requires federal legislation. Therefore, the next step in the process of implementing Constitutional Measure No. 1 is to go to the United States Congress and ask that they amend the 1889 Enabling Act and the 1862 Morrill Act to remove language that limits distributions from the permanent educational trust funds to "interest and income" and to allow for a distribution method that is based on the 5-year average value of the trust funds.

At the December 2006 Land Board meeting the Board decided to proceed with the Congressional request so that implementation of Constitutional Measure No. 1 will begin in the 2009-2011 biennium. Doing so will remove the uncertainty about distributions for the 2007-09 biennium.

## DOCUMENT IMAGING PROJECT

This past October, the Department commenced a project to scan and electronically store paper records that are frequently accessed. Existing electronic records will also be linked into the FileNet® system. The goal is to eliminate some physical storage costs and provide for greater efficiency in searching and retrieving file information.

The Enterprise FileNet® system maintained by ITD will provide the platform. Department staff provided much of the time for developing the index framework, and will perform the task of purging and scanning records. Implementation costs were estimated at \$23,000 with biennial maintenance estimated to cost about \$20,000. Both the implementation and maintenance costs are being paid for and included in the budget operating line.

## FTEs

The 2005 Legislative Assembly authorized one additional FTE. At the time of our budget request, the plans were to fill the position within our Audit Division. However, even before the start of the biennium we had shifted some positions and responsibilities to address audit needs. Consequently, we did not have a need to fill the authorized FTE in the audit area and instead have just recently filled a part-time position to address a void which occurred when we transferred an individual from an Administrative Assistant position to an Audit Technician position. The part-time position is currently being utilized to work mainly on our document imaging project.

Eventually as the scanning workload for document imaging project nears completion, other responsibilities will be reassigned and we will be able to determine at that time whether we can continue to use the position as part-time or increase the amount of hours to full-time. We want to retain the position as a full-time position in our budget request so we have the flexibility to match our workload needs.

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### ESTIMATED 2005-07 SPENDING

The following table list is based on actual expenditures through December 31, 2006, and estimated expenses to the end of the biennium:

	2005-07 Appropriation	Biennial Projection	Remaining Appropriation
Salaries and Wages	2,229,222	2,096,110	133,112
Operating Expenses	648,700	563,818	84,882
Capital Assets	10,000	0	10,000
Contingencies	50,000	0	50,000
Other Grants	4,888,100	4,888,100	0
Total	7,826,022	7,548,028	277,994

### CONTINUING APPROPRIATION EXPENDITURES

Continuing appropriation authority is utilized for the payment of unclaimed property claims, investment related fees, the county service fee and in-lieu property taxes, and various expenses associated with land management. A schedule of the fees paid was prepared for the Office of Management and Budget with our budget submission.

### CONCLUSION

The Board's responsibility to preserve the purchasing power of the trusts and maintain income stability for the trust beneficiaries continues to be met as the funds have grown considerably in the past two years. All permanent and other trust funds remain in sound financial condition. Surface land is effectively managed providing for a fair market return of grazing lease income. Mineral leasing and development activity continues to be very active with large bonuses being collected, and exploration potential is viewed as looking very promising for enhancing royalties received. Unclaimed property collections continue to accumulate assets held for owners and unclaimed property administration is efficient in the processing of a record number of claim applications.

TESTIMONY OF RICK D. LARSON  
Director of the Energy Development Impact Office  
North Dakota State Land Department

IN SUPPORT OF HOUSE BILL NO. 1013

Senate Appropriations Committee  
February 23, 2007

*Some testimony given to House*

PURPOSE

The Energy Development Impact Office (EDIO) was integrated into the Land Department in 1989. The mission of the EDIO is to provide financial assistance to local units of government affected by energy activity (NDCC 57-62-01). The EDIO has helped counties, schools, cities and other local units of government cope with the increased population due to energy development. Similarly, the EDIO has helped local units of government throughout the oil patch maintain roads, streets, and other facilities that have been impacted by oil-related traffic. It has also helped communities deal with the after effects when the oil boom turned to an oil bust.

The primary purpose for the office is to ensure that local subdivisions hosting energy activity are not required to bear a disproportionate share of the costs associated with that activity (both in its "boom" and "bust" cycles). The guiding principle of the office is to ensure that the benefit to all of the people of North Dakota, from the extraction of energy resources, will not be gained at the expense of those whose lives or property are disturbed, without adequate compensation, in the process.

Since 1991, the EDIO has made grants for oil impact only. Funding for these grants is appropriated by the State Legislature from a share of the Oil & Gas Gross Production Tax, and cannot exceed \$5,000,000 per biennium. (NDCC 57-51-15). In the 2005 the Legislature increased the funding to \$6,000,000 for the 2007-2009 biennium.

The Board of University and School Lands is the appeals body for applicants not satisfied with the decisions made by the director.

This program provides a flexible means of helping communities with their oil impacts by access to funds that they would not receive under a formula-type distribution. EDIO is able to help township supervisors with road impacts across their townships. Fire and ambulance districts can receive funding for additional training and equipment to be sure the volunteer firemen and ambulance personnel can respond to emergencies safely and professionally. Cities, schools and counties provide services and education to the cyclical oil and gas economy and sometimes transient workers and their families. This program works with those governments to provide some relief to their taxpayers. Each year applications requesting funds are much more than what has been made available.

Each year we report the results of the grant round. The report is posted on our website ([www.land.state.nd.us](http://www.land.state.nd.us)) and distributed to the media in the various communities. The website provides the criteria to be considered for a grant along with the appropriate application forms. In addition, the Board of University and School Lands prepares a biennial report of its activity which includes the activity of EDIO.

## SUMMARY OF ACTIVITY

### GRANT AWARD CRITERIA

- Each potential grantee must demonstrate the negative impact caused by oil and gas development in their area.
- Each potential grantee must demonstrate its tax effort and a financial need.
- Funds granted must be used to help alleviate the hardship.

### TYPES OF PROJECTS FUNDED

- Road repairs.
- Maintenance of property acquired by cities for non-payment of taxes following oil boom.
- Fire and ambulance equipment and training.
- Help with special assessment payments.

### 2006 GRANT ROUND SUMMARY

See attached charts

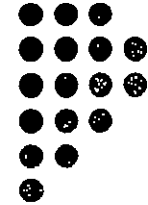
### PROPOSED BUDGET

Total request of \$6,000,000

-Grant authorization:  
Up to \$5,888,100 (based on Oil and Gas Production tax collections)

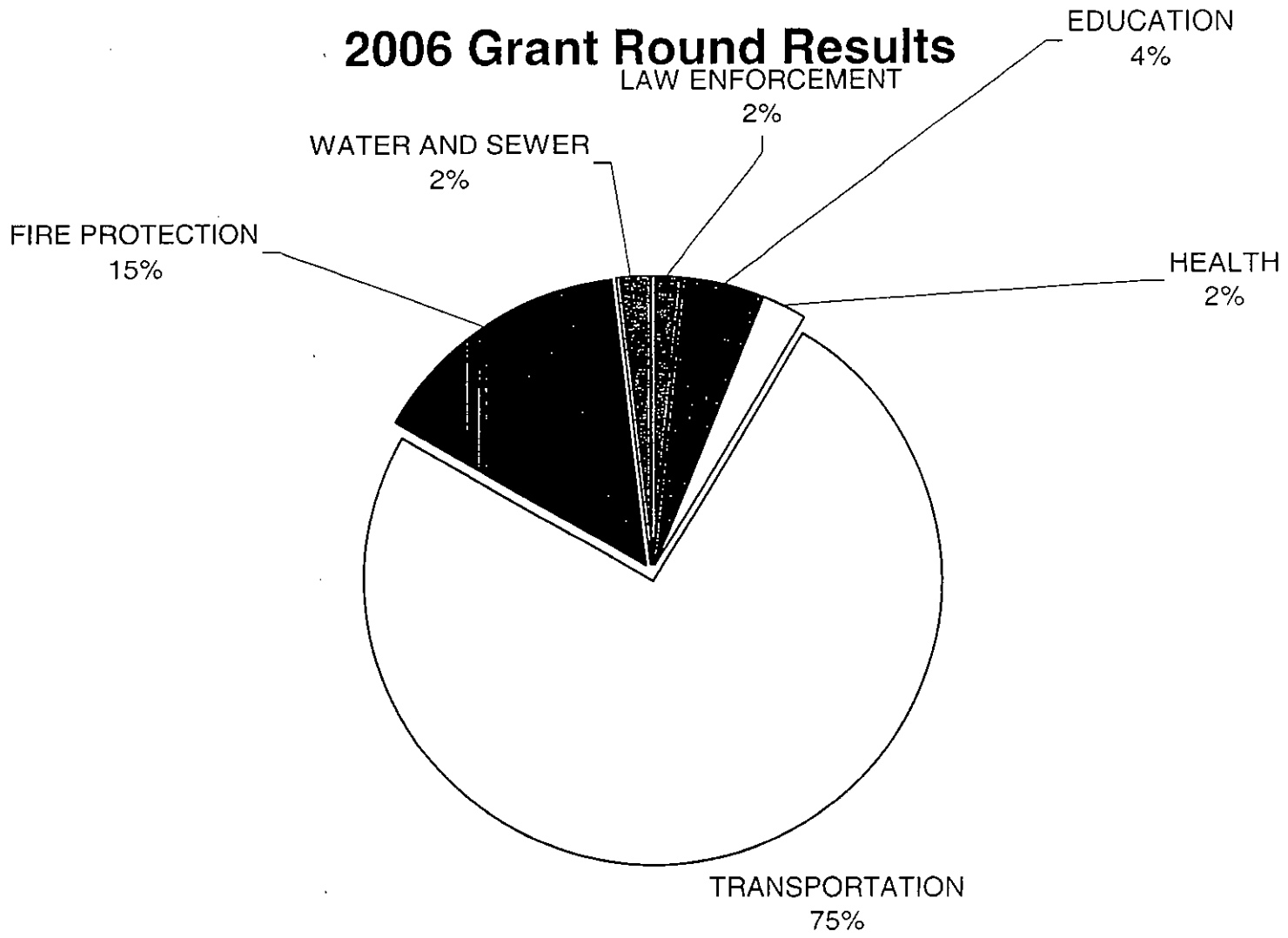
-Administrative authorization:  
\$111,900

# Energy Development Impact Office Results of the 2006 Grant Round Depicted by County

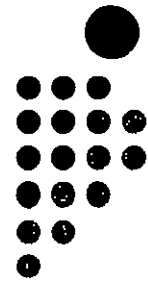


County	Requested	Awarded	Count	Percent of Awards
BILLINGS	\$67,000	\$5,000	4	.2%
BOTTINEAU	\$723,218	\$230,000	33	9.2%
BOWMAN	\$4,557,079	\$237,000	35	9.48%
BURKE	\$891,231	\$244,800	29	9.79%
DIVIDE	\$844,510	\$257,000	30	10.28%
DUNN	\$566,340	\$108,000	11	4.32%
GOLDEN VALLEY	\$636,140	\$171,000	12	6.84%
MCHENRY	\$39,600	25,000	2	1%
MCKENZIE	\$865,215	\$82,000	14	3.28%
MCLEAN	\$1,500	\$500	1	.02%
MERCER	\$25,000	\$7,000	2	.28%
MOUNTRAIL	\$896,904	\$260,500	34	10.42%
RENVILLE	\$1,093,244	\$214,200	39	8.57%
SLOPE	\$275,650	\$71,000	8	2.84%
STARK	\$2,363,811	\$137,000	23	5.48%
WARD	\$104,000	\$20,000	3	.8%
WILLIAMS	\$18,231,953	\$430,000	57	17.2%
	\$32,182,395	\$2,500,000	337	100%

# 2006 Grant Round Results



# Impact Energy Development Office Results of the 2006 Grant Round Depicted by Function



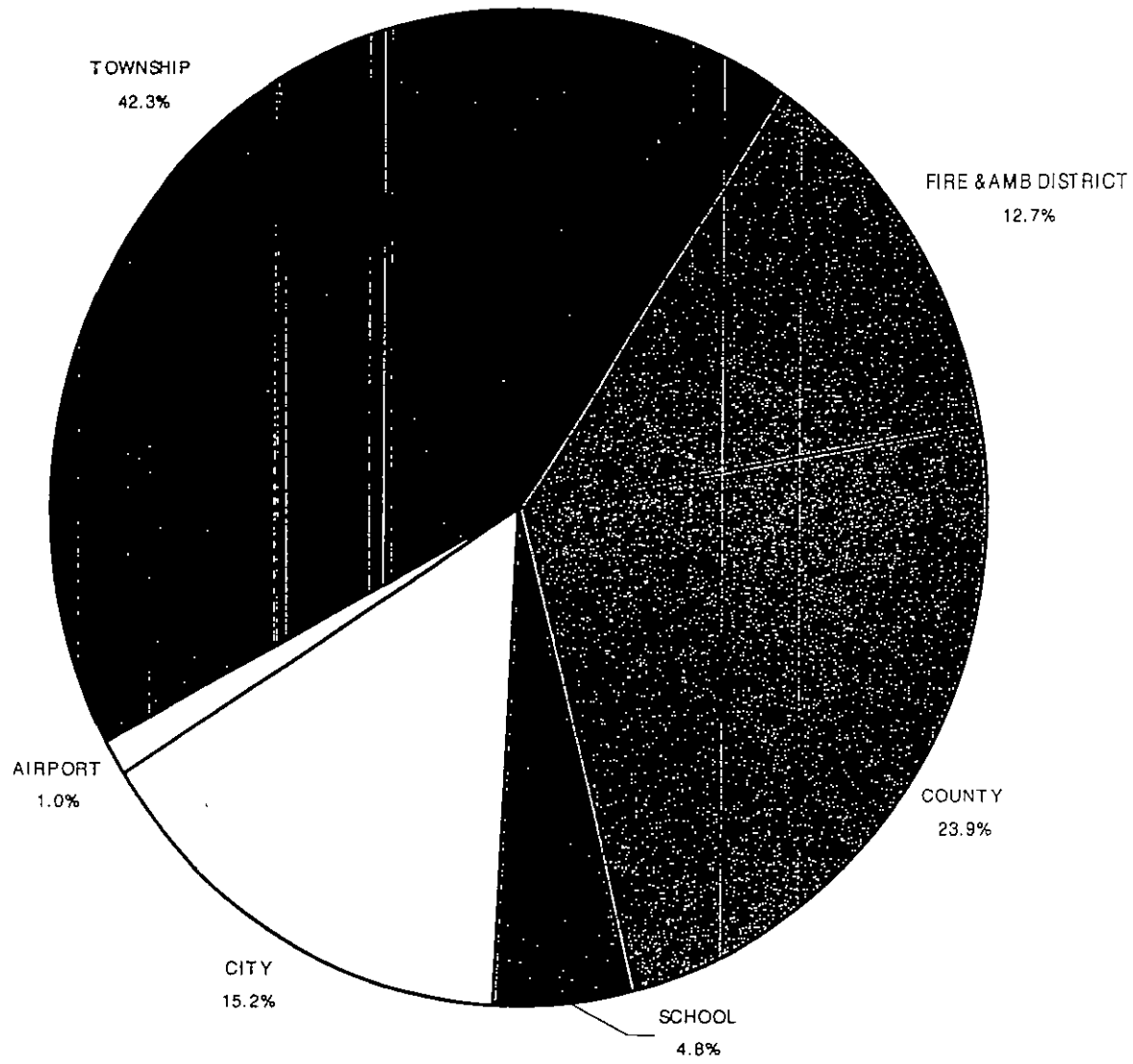
Function	Requested	Awarded	Count	Percent
LAW ENFORCEMENT	\$14,341,251	\$45,000	16	1.8%
EDUCATION	\$1,467,365	\$110,000	25	4.4%
HEALTH	\$216,544	\$59,000	18	2.4%
TRANSPORTATION	\$10,567,053	\$1,869,000	171	74.8%
RECREATION	\$216,400		2	
FIRE	\$2,513,907	\$401,600	50	14.8%
WATER AND SEWER	\$2,616,350	\$47,000	15	1.9%
LOCAL ADMINISTRATION	\$243,525	\$500	6	.02%

\$32,182,395

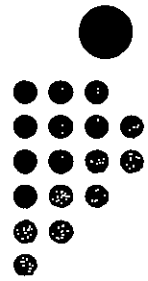
\$2,500,000

337

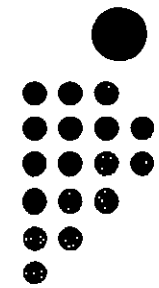
# Grants by Subdivision of Government



# Energy Development Impact Office Historic Grant Information



Government	2003	2004	2005	2006
COUNTY	\$1,003,500	\$741,000	\$648,800	\$598,000
SCHOOL	\$200,000	\$181,000	\$195,000	\$120,000
CITY	\$552,500	\$442,000	\$408,000	\$380,500
PARK DISTRICT				
AIRPORT AUTHORITY	\$22,000	\$8,000	\$30,000	\$25,000
TOWNSHIP	\$681,750	\$709,000	\$794,100	\$1,058,000
FIRE/AMB DISTRICT	\$340,250	\$369,000	\$376,100	\$318,500
TOTAL	\$2,800,000	\$2,450,000	\$2,450,000	\$2,500,000

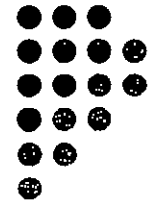


# Energy Development Impact Office Historic Grant Information

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	<b>2004</b>	<b>2005</b>	<b>2006</b>
Applications	\$14,904,671	\$16,801,427	\$32,182,395
Grants	\$2,450,000	\$2,450,000	\$2,500,000
Requests	286	292	337

# Energy Development Impact Office Historic Grant Information



County	2003	2004	2005	2006
BILLINGS		\$5,000		\$5,000
BOTTINEAU	\$263,500	\$227,000	\$263,500	\$230,000
BOWMAN	\$555,000	\$300,000	\$310,000	\$237,000
BURKE	\$214,000	\$180,500	\$219,000	\$244,800
DIVIDE	\$128,250	\$121,500	\$174,500	\$257,000
DUNN	\$115,000	\$125,000	\$109,000	\$108,000
GOLDEN VALLEY	\$108,000	\$187,000	\$179,000	\$179,000
MCHENRY	\$15,000	\$25,000	\$25,000	\$25,000
MCKENZIE	\$157,000	\$106,000	\$108,700	\$82,000
MCLEAN	\$1,500	\$7,000	\$5,500	\$500
MERCER		\$10,000	\$2,000	\$7,000
MOUNTRAIL	\$120,850	\$147,000	\$147,800	\$260,500
RENVILLE	\$265,900	\$245,000	\$195,800	\$214,200
SLOPE	\$115,000	\$66,000	\$85,000	\$71,000
STARK	\$238,000	\$180,000	\$205,000	\$137,000
WARD	\$10,000	\$25,000	\$23,000	\$20,000
WILLIAMS	\$493,000	\$498,500	\$397,200	\$430,000
TOTAL	\$2,800,000	\$2,450,000	\$2,450,000	\$2,500,000



# North Dakota Association of Oil & Gas Producing Counties

## EXECUTIVE COMMITTEE

Brad Bekkedahl  
President  
Williston

Anthony Dufetski  
Vice President  
Bowman PSD

Diane Alfelt  
Garrison

Roger Chinn  
Past President  
McKenzie County

Vardean Kvorum  
Bottineau County

Loren Mathson  
South Heart PSD

Ken Radenz  
Burke County

Wayne Stanley  
Stanley PSD

Greg Sund  
Dickinson

Reinhard Hauck  
Secretary/Treasurer  
Manning

## Testimony in support of Energy Impact Funding in HB 1013.

Chairman Al Carlson, Members of House Appropriations, Government section.

My name is Vicky Steiner. I represent the North Dakota Association of Oil and Gas Producing Counties. I live in Dickinson. I've worked for this Association since 1986.

Our western counties experienced 42 rigs drilling in their counties the past few months and with higher oil prices, this exploration will continue in these counties. We have 135 county, cities and school districts in our membership. Townships, fire and ambulance districts also benefit from the energy impact grants.

We appreciate the state's support of this impact fund because it has served its purpose.

Our needs assessment survey conducted in December shows over \$47 million in impacts that need to be addressed.

We fully support the \$6 million dollars of funding of energy impact in the Land Department budget in HB 1013. Thank you.

**1013.1.12.07 B**

VICKY STEINER - EXECUTIVE DIRECTOR

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E-mail: vsteiner@ndsupernet.com - Web: www.ndoigas.govoffice.com

Linda Svihovec - Permit Operator

P.O. Box 504 - Watford City, ND 58854 - Phone: 701-444-3457 (work) - Phone: 701-444-4051 (home) - Fax: 701-444-4113 - Email: lsvhovec@4cyos.ncr



# North Dakota Association of Oil & Gas Producing Counties

3

## EXECUTIVE COMMITTEE

Brad Bekkedahl  
President  
Williston

Anthony Duletski  
Vice President  
Bowman PSD

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Bottineau County

Loren Mathson  
South Heart PSD

Ken Radenz  
Burke County

Wayne Stanley  
Stanley PSD

Greg Sund  
Dickinson

Reinhard Hauck  
Secretary/Treasurer  
Manning

## Support for HB 1013 Section 4- \$6 million Energy Impact Office

Senate Appropriations Committee  
Friday, February 23, 2007

Chairman Holmberg and Members of the Appropriations Committee.

My name is Vicky Steiner. I represent the North Dakota Association of Oil and Gas Producing Counties. I live in Dickinson.

This Association supports the \$6 million in funding for the energy impact office.

We conducted a survey of oil exploration and production impacts and we've collected data that there is about \$47 million in impacts. 75% of the impacts are related to transportation needs.

We support this funding level as provided in the budget.

Please give this a Do Pass recommendation.

Thank you.

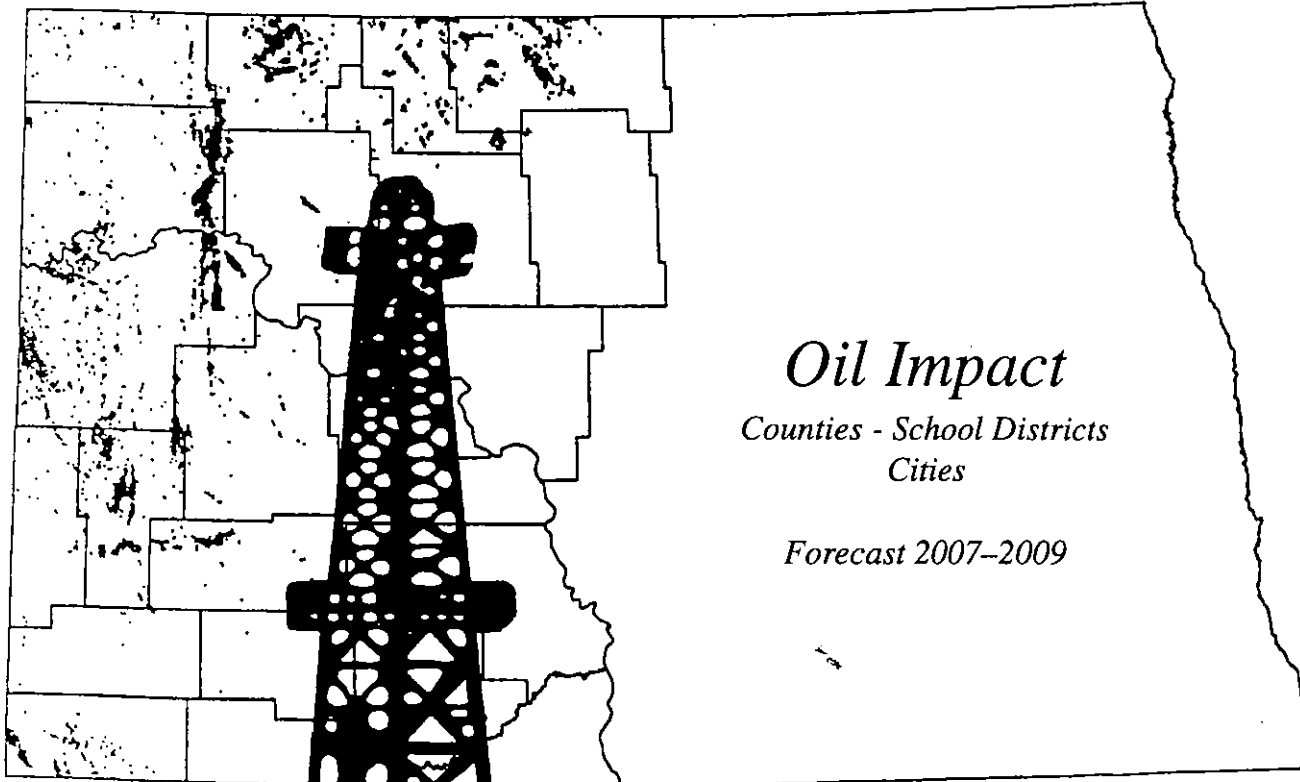
VICKY STEINER - EXECUTIVE DIRECTOR

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E-mail: vsteiner@ndsupernet.com - Web: www.ndoigas.govoffice.com

Linda Svihovec - Permit Operator

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# *Needs Assessment Survey*



## *Oil Impact*

*Counties - School Districts  
Cities*

*Forecast 2007-2009*

*ND Association of Oil & Gas Producing Counties  
December 2006*

*Vicky Steiner,  
(701*

1013.1.12.07 C

# North Dakota Association of Oil and Gas Producing Counties

## Association Executive Committee Members

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Brad Bekkedahl, President

Anthony Duletski, Vice-President

Roger Chinn, Past President

Diane Affeldt

Verdean Kveum

Loren Mathson

Ken Radenz

Wayne Stanley

Greg Sund

Williston City

Bowman/Rhame Public School Districts

McKenzie County Commission

Garrison City

Bottineau County Commission

South Heart Public School District

Burke County Commission

Stanley Public School District

Dickinson City

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Vicky Steiner - Executive Director

859 Senior Avenue, Dickinson, ND

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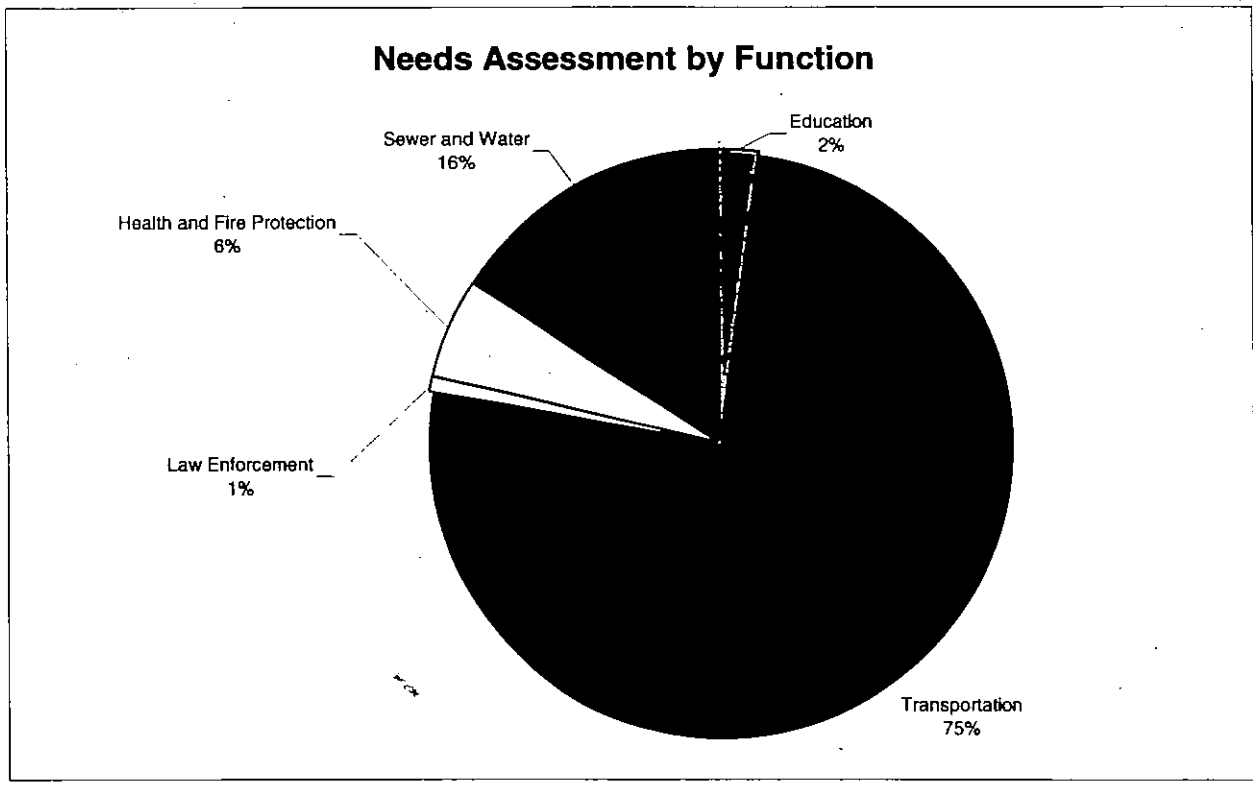
[email vsteiner@ndsupernet.com](mailto:vsteiner@ndsupernet.com)

*"The North Dakota Association of Oil and Gas Producing Counties shall provide leadership for change, to assure a fair and effective exchange of ideas between county government, municipalities and school districts through communication, education and a strong unified legislative effort for the good of all members."*

December 2006

**FUNC\_NUN**

Education	\$692,000.00
Transportation	\$24,972,983.00
Law Enforcement	\$280,000.00
Health and Fire Protection	\$1,861,000.00
Sewer and Water	\$5,243,000.00



# ND Association of Oil & Gas Producing Counties Needs Assessment List

## PROJECT

**COST**

**IMPACT**

### BILLINGS COUNTY

#### BILLINGS COUNTY

Road Construction

\$2,300,000

\$2,300,000

**TOTAL FOR BILLINGS COUNTY**

**\$2,300,000**

**\$2,300,000**

#### CITY OF MEDORA

Water, sewer, streets and housing

\$3,800,000

\$1,000,000

Fire equipment

\$6,000

\$6,000

Road maintenance equipment

\$6,000

\$6,000

New ambulance

\$105,000

\$105,000

**TOTAL FOR CITY OF MEDORA**

**\$3,917,000**

**\$1,117,000**

**TOTAL FOR BILLINGS COUNTY**

**\$6,217,000**

**\$3,417,000**

### BOTTINEAU COUNTY

#### CITY OF NEWBURG

Street overlay

\$100,000

\$100,000

**TOTAL FOR CITY OF NEWBURG**

**\$100,000**

**\$100,000**

#### WESTHOPE PSD #17

Bus replacement

\$40,000

\$40,000

**TOTAL FOR WESTHOPE PSD #17**

**\$40,000**

**\$40,000**

**TOTAL FOR BOTTINEAU COUNTY**

**\$140,000**

**\$140,000**

### BOWMAN COUNTY

#### BOWMAN PSD

Sidewalk replacement

\$18,000

\$18,000

Upgrade phone system

\$14,000

\$14,000

Bus replacement

\$60,000

\$60,000

Kitchen upgrade

\$18,000

\$18,000

Student lockers

\$40,000

\$40,000

Personnel due to special needs students

\$38,000

\$38,000

*Friday, January 05, 2007*

*Page 1 of 7*

# ND Association of Oil & Gas Producing Counties Needs Assessment List

<b>PROJECT</b>	<b>COST</b>	<b>IMPACT</b>
Snowblower/lawn tractor	\$33,000	\$33,000
<b>TOTAL FOR BOWMAN PSD</b>	<b>\$221,000</b>	<b>\$221,000</b>
<b>CITY OF RHAME</b>		
Sewer and Water system	\$50,000	\$50,000
Law enforcement	\$30,000	\$30,000
Street repair	\$100,000	\$100,000
<b>TOTAL FOR CITY OF RHAME</b>	<b>\$180,000</b>	<b>\$180,000</b>
<b>RHAME RURAL FIRE</b>		
fire truck rescue unit and foam system	\$250,000	\$250,000
<b>TOTAL FOR RHAME RURAL FIRE</b>	<b>\$250,000</b>	<b>\$250,000</b>
<b>TOTAL FOR BOWMAN COUNTY</b>	<b>\$651,000</b>	<b>\$651,000</b>
<b>BURKE COUNTY</b>		
<b>BURKE CENTRAL PSD</b>		
Bus replacement	\$120,000	\$120,000
<b>TOTAL FOR BURKE CENTRAL PSD</b>	<b>\$120,000</b>	<b>\$120,000</b>
<b>BURKE COUNTY</b>		
Patrol vehicle	\$20,000	\$20,000
Road repair	\$200,000	\$200,000
<b>TOTAL FOR BURKE COUNTY</b>	<b>\$220,000</b>	<b>\$220,000</b>
<b>CITY OF FLAXTON</b>		
Street repairs	\$10,000	\$10,000
<b>TOTAL FOR CITY OF FLAXTON</b>	<b>\$10,000</b>	<b>\$10,000</b>
<b>TOTAL FOR BURKE COUNTY</b>	<b>\$350,000</b>	<b>\$350,000</b>
<b>DIVIDE COUNTY</b>		
<b>CITY OF CROSBY</b>		
Firehall/EMS Center	\$300,000	\$300,000

# ND Association of Oil & Gas Producing Counties Needs Assessment List

<i>PROJECT</i>	<i>COST</i>	<i>IMPACT</i>
Water mains	\$280,000	\$280,000
<b>TOTAL FOR CITY OF CROSBY</b>	<b>\$580,000</b>	<b>\$580,000</b>
<b>DIVIDE COUNTY</b>		
Road repair and maintenance	\$150,000	\$150,000
<b>TOTAL FOR DIVIDE COUNTY</b>	<b>\$150,000</b>	<b>\$150,000</b>
<b>TOTAL FOR DIVIDE COUNTY</b>	<b>\$730,000</b>	<b>\$730,000</b>
<b>DUNN COUNTY</b>		
<b>CITY OF KILLDEER</b>		
Sewer and Water updates	\$900,000	\$900,000
<b>TOTAL FOR CITY OF KILLDEER</b>	<b>\$900,000</b>	<b>\$900,000</b>
<b>DUNN COUNTY</b>		
Road repair	\$6,400,000	\$6,400,000
<b>TOTAL FOR DUNN COUNTY</b>	<b>\$6,400,000</b>	<b>\$6,400,000</b>
<b>TOTAL FOR DUNN COUNTY</b>	<b>\$7,300,000</b>	<b>\$7,300,000</b>
<b>GOLDEN VALLEY COUNTY</b>		
<b>BEACH PSD #3</b>		
Bus replacement	\$60,000	\$60,000
<b>TOTAL FOR BEACH PSD #3</b>	<b>\$60,000</b>	<b>\$60,000</b>
<b>GOLDEN VALLEY</b>		
Gravel truck	\$125,000	\$125,000
Motorgrader	\$245,000	\$245,000
Road gravelling	\$240,000	\$240,000
<b>TOTAL FOR GOLDEN VALLEY</b>	<b>\$610,000</b>	<b>\$610,000</b>
<b>TOTAL FOR GOLDEN VALLEY COUNTY</b>	<b>\$670,000</b>	<b>\$670,000</b>

# ND Association of Oil & Gas Producing Counties Needs Assessment List

<i>PROJECT</i>	<i>COST</i>	<i>IMPACT</i>
<b>MCKENZIE COUNTY</b>		
<i>CITY OF WATFORD CITY</i>		
Replace sanitary sewer	\$253,000	\$253,000
Street repair	\$1,404,483	\$1,404,483
<b>TOTAL FOR CITY OF WATFORD</b>	<b>\$1,657,483</b>	<b>\$1,657,483</b>
<i>MCKENZIE PSD #1</i>		
Bus replacement	\$60,000	\$60,000
<b>TOTAL FOR MCKENZIE PSD #1</b>	<b>\$60,000</b>	<b>\$60,000</b>
<i>YELLOWSTONE PSD #14</i>		
Street Improvement	\$100,000	\$100,000
Improve sewage lagoon	\$50,000	\$50,000
Improve school building	\$20,000	\$20,000
<b>TOTAL FOR YELLOWSTONE PSD</b>	<b>\$170,000</b>	<b>\$170,000</b>
<b>TOTAL FOR MCKENZIE COUNTY</b>	<b>\$1,887,483</b>	<b>\$1,887,483</b>
<b>MOUNTRAIL COUNTY</b>		
<i>CITY OF PLAZA</i>		
New well	\$180,000	\$180,000
Street repair	\$2,600,000	\$2,600,000
<b>TOTAL FOR CITY OF PLAZA</b>	<b>\$2,780,000</b>	<b>\$2,780,000</b>
<i>CITY OF STANLEY</i>		
Water treatment facility	\$750,000	\$750,000
<b>TOTAL FOR CITY OF STANLEY</b>	<b>\$750,000</b>	<b>\$750,000</b>
<b>TOTAL FOR MOUNTRAIL COUNTY</b>	<b>\$3,530,000</b>	<b>\$3,530,000</b>
<b>RENVILLE COUNTY</b>		
<i>CITY OF GLENBURN</i>		
Sewer and water project	\$130,000	\$130,000

# ND Association of Oil & Gas Producing Counties Needs Assessment List

<i>PROJECT</i>	<i>COST</i>	<i>IMPACT</i>
<b>TOTAL FOR CITY OF GLENBURN</b>	<b>\$130,000</b>	<b>\$130,000</b>
<i>CITY OF MOHALL</i>		
Building of equipment storage	\$400,000	\$400,000
<b>TOTAL FOR CITY OF MOHALL</b>	<b>\$400,000</b>	<b>\$400,000</b>
<i>CITY OF SHERWOOD</i>		
Equipment of Bobcat	\$5,000	\$5,000
Street lights	\$2,500	\$2,500
Street repair	\$25,000	\$25,000
<b>TOTAL FOR CITY OF SHERWOOD</b>	<b>\$32,500</b>	<b>\$32,500</b>
<i>MOHALL PSD #9</i>		
Replacement buses	\$120,000	\$120,000
<b>TOTAL FOR MOHALL PSD #9</b>	<b>\$120,000</b>	<b>\$120,000</b>
<i>RENVILLE COUNTY</i>		
Motorgrader	\$150,000	\$150,000
Patrol vehicles	\$30,000	\$30,000
Sealcoat and pavement maintenance	\$600,000	\$600,000
<b>TOTAL FOR RENVILLE COUNTY</b>	<b>\$780,000</b>	<b>\$780,000</b>
<b>TOTAL FOR RENVILLE COUNTY</b>	<b>\$1,462,500</b>	<b>\$1,462,500</b>
<b>STARK COUNTY</b>		
<i>CITY OF BELFIELD</i>		
Street repair	\$500,000	\$500,000
<b>TOTAL FOR CITY OF BELFIELD</b>	<b>\$500,000</b>	<b>\$500,000</b>
<i>CITY OF GLADSTONE</i>		
Street repair	\$100,000	\$100,000
<b>TOTAL FOR CITY OF GLADSTONE</b>	<b>\$100,000</b>	<b>\$100,000</b>
<b>TOTAL FOR STARK COUNTY</b>	<b>\$600,000</b>	<b>\$600,000</b>

# ND Association of Oil & Gas Producing Counties Needs Assessment List

<i>PROJECT</i>	<i>COST</i>	<i>IMPACT</i>
<b>WARD COUNTY</b>		
<i>CITY OF KENMARE</i>		
Water treatment	\$2,000,000	\$2,000,000
<b>TOTAL FOR CITY OF KENMARE</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>
<b>TOTAL FOR WARD COUNTY</b>	<b>\$2,000,000</b>	<b>\$2,000,000</b>
<b>WILLIAMS COUNTY</b>		
<i>CITY OF TIOGA</i>		
Fire and Ambulance equipment	\$400,000	\$400,000
Street repair	\$20,000	\$20,000
Sewer and Water expansion	\$150,000	\$150,000
<b>TOTAL FOR CITY OF TIOGA</b>	<b>\$570,000</b>	<b>\$570,000</b>
<i>CITY OF WILLISTON</i>		
Street Lighting	\$600,000	\$600,000
Street repairs	\$7,870,000	\$7,870,000
Law Enforcement	\$100,000	\$100,000
Police quick entry equipment	\$100,000	\$100,000
Fire truck	\$500,000	\$500,000
Water and Sewer distribution	\$15,000,000	\$15,000,000
<b>TOTAL FOR CITY OF WILLISTON</b>	<b>\$24,170,000</b>	<b>\$24,170,000</b>
<i>EIGHT MILE PSD #6</i>		
Building expansion	\$100,000	\$100,000
<b>TOTAL FOR EIGHT MILE PSD #6</b>	<b>\$100,000</b>	<b>\$100,000</b>
<i>NESSON PSD #2</i>		
Bus replacement	\$71,000	\$71,000
<b>TOTAL FOR NESSON PSD #2</b>	<b>\$71,000</b>	<b>\$71,000</b>
<b>TOTAL FOR WILLIAMS COUNTY</b>	<b>\$24,911,000</b>	<b>\$24,911,000</b>

# **ND Association of Oil & Gas Producing Counties Needs Assessment List**

**PROJECT**

**COST**

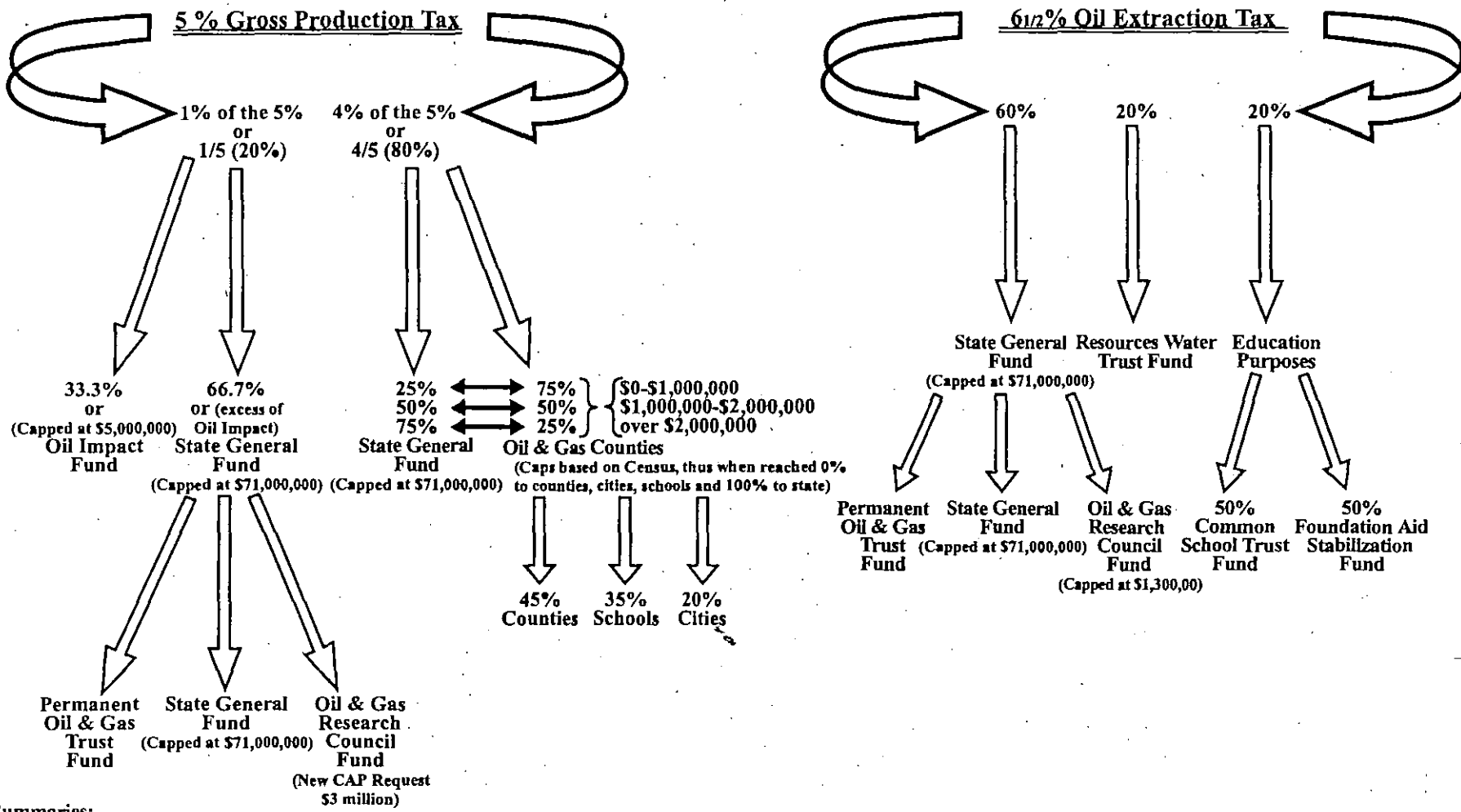
**IMPACT**

**GRAND TOTAL**

**\$50,448,983**

**\$47,648,983**

## Current Oil Tax Distribution



**Title Summaries:**

- Oil Impact Fund** = Such fund via grant application assists local political subdivisions in dealing with issues arising from oil and energy development and/or activities.
- State General Fund** = Such fund assists with projects and programs (educational, DOT, governmental, human services, agricultural, etc) across the entire state of ND.
- Oil & Gas Counties - Counties** = Such fund assists counties impacted by the production of oil and gas. Entitlement is based on a percentage and population basis.
- Oil & Gas Counties - Schools** = Such fund assists counties impacted by the production of oil and gas. Entitlement is based on a percentage and census basis.
- Oil & Gas Counties - Cities** = Such fund assists counties impacted by the production of oil and gas. Entitlement is based on a percentage and population basis.
- Resources Water Trust Fund** = Such fund assists with construction of water-related projects, including rural water systems and programs for energy conservation.
- Education Purposes - Common School Trust Fund** = Proceeds are deposited with DPI and interest from such fund is distributed to schools via tuition appointment payments.
- Education Purposes - Foundation Aid Stabilization Fund** = Interest monies transferred to state general fund. Principle balance may be used for revenue shortage to state general!
- Permanent Oil & Gas Fund** = Such fund assists with projects and programs (educational, DOT, governmental, human services, agricultural, etc) across the entire state of ND.
- Oil & Gas Research Council Fund** = Such fund assists to accumulate and disseminate information concerning the petroleum industry to foster the best interests of the public and industry.

**Statistical Information  
Showing the Impact of  
the Oil Boom on the  
City of Williston**



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<b>EFFECTIVE TAX RATES AND MILL LEVIES FOR WILLISTON</b>						
<b>YEAR</b>	<b>WILLISTON CITY MILLS</b>	<b>EFFECTIVE TAX RATE RESIDENTIAL</b>	<b>EFFECTIVE TAX RATE COMMERCIAL</b>	<b>TOTAL MILLS OF TAX DISTRICT #1</b>	<b>EFFECTIVE TAX RATE RESIDENTIAL</b>	<b>EFFECTIVE TAX RATE COMMERCIAL</b>
1978	58.19	.26	.29	235.96	1.06	1.18
1979	65.12	.29	.33	257.37	1.16	1.29
1980	67.95	.31	.34	265.56	1.20	1.33
1981	91.38	.41	.46	272.62	1.23	1.36
1982	96.88	.44	.48	280.58	1.26	1.40
1983	128.12	.58	.64	319.39	1.44	1.60
1984	132.54	.60	.66	339.46	1.53	1.7
1985	136.45	.61	.68	350.75	1.58	1.75
1986	146.30	.66	.73	373.71	1.68	1.87
1987	178.50	.80	.89	448.61	2.02	2.24
1988	202.78	.91	1.01	500.38	2.25	2.50
1989	221.21	1.00	1.10	586.92	2.64	2.93
1990	206.96	.93	1.03	572.38	2.58	2.86
1991*	146.40	.66	.73	519.76	2.34	2.60
1992 *	140.62	.63	.70	544.97	2.45	2.72
1993 *	140.62	.63	.70	575.90	** 2.59	2.88

<b>EFFECTIVE TAX RATES AND MILL LEVIES FOR WILLISTON</b>						
<b>YEAR</b>	<b>WILLISTON CITY MILLS</b>	<b>EFFECTIVE TAX RATE RESIDENTIAL</b>	<b>EFFECTIVE TAX RATE COMMERCIAL</b>	<b>TOTAL MILLS OF TAX DISTRICT #1</b>	<b>EFFECTIVE TAX RATE RESIDENTIAL</b>	<b>EFFECTIVE TAX RATE COMMERCIAL</b>
1994 *	136.70	.62	.68	567.30	** 2.55	2.84
1995 *	129.27	.58	.65	546.51	2.46	2.73
1996 *	126.78	.57	.63	548.73	2.47	2.74
1997 *	118.07	.53	.59	524.06	2.36	2.62
1998 *	118.01	.53	.59	525.93	2.37	2.63
1999 *	122.29	.55	.61	527.42	2.37	2.64
2000 *	122.2	.55	.61	527.75	2.38	2.64
2001*	121.94	.55	.61	526.96	2.37	2.64
2002*	120.57	.54	.60	528.59	2.38	2.64
2003*	115.66	.52	.58	526.39	2.37	2.63
2004*	111.01	.50	.56	517.49	2.33	2.59
2005*	105.1	.47	.53	514.73	2.32	2.58
2006*	92.59	.42	.46	502.19	2.26	2.51

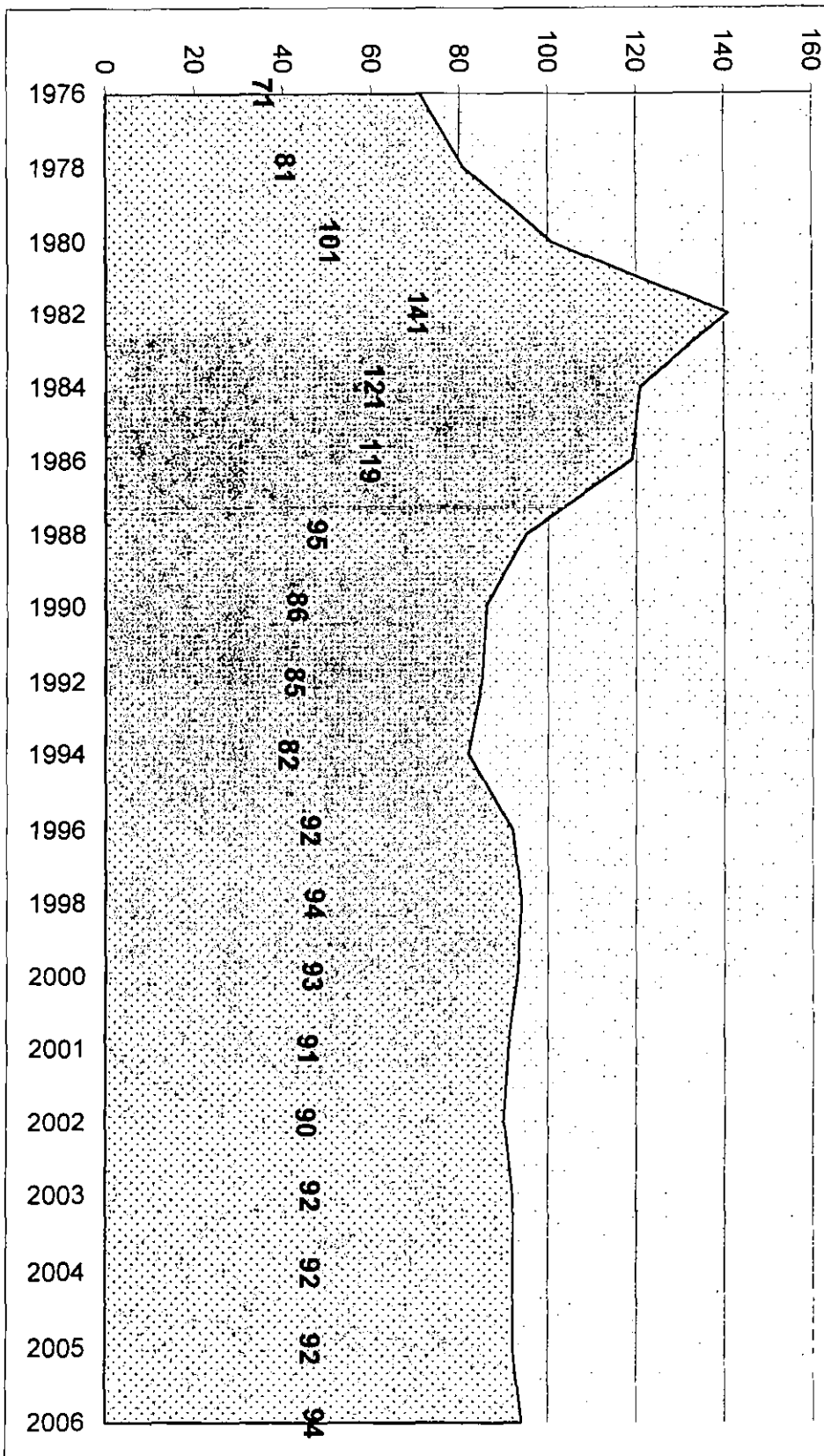
\* All numbers improved with local 1% sales tax reducing mill levy by some 60 mills.

\*\* It is interesting to note that the California tax revolt started with a tax rate of \$2.50 per \$100.00 value.

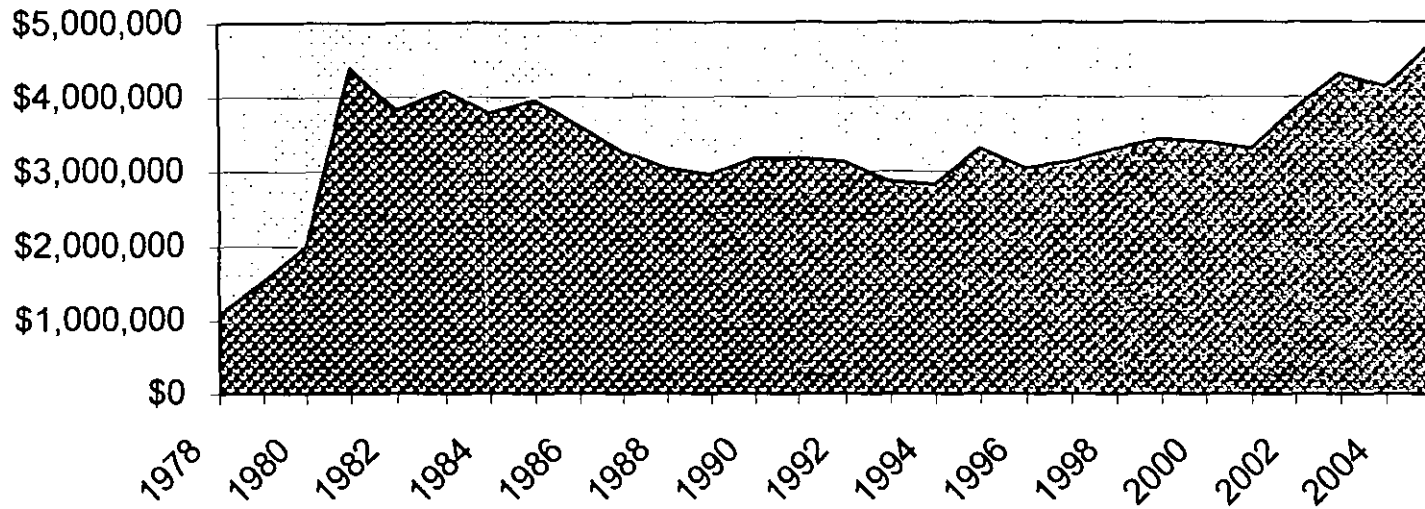
CITY OF WILLISTON LEVY RECAP			
COLLECTION YEAR	CITY SHARE OF LEVY	PERCENTAGE RELATED TO DEBT	TOTAL LEVY
1979	58.19	6.60%	235.96
1980	65.12	5.30%	257.37
1981	67.95	3.10%	265.56
1982	91.38	20.00%	272.62
1983	96.88	29.20%	280.58
1984	128.12	33.90%	319.39
1985	132.54	35.30%	339.46
1986	136.45	38.40%	350.75
1987	146.3	38.70%	373.71
1988	178.5	35.90%	448.61
1989	202.78	37.10%	500.38
1990	221.21	37.80%	586.92
1991	206.96	29.00%	572.38
1992	146.4	0%*	519.76
1993	140.62	0%*	544.97
1994	140.62	0%*	575.9
1995	136.7	0%*	567.3
1996	129.27	0%*	546.51
1997	126.78	0%*	548.73
1998	118.07	0%*	524.06
1999	118.01	0%*	525.93
2000	122.29	0%*	527.42
2001	121.94	0%*	526.96
2002	120.57	0%*	528.59
2003	115.66	0%*	526.3996
2004	111.01	0%*	517.49
2005	105.1	0%*	514.73
2006	92.59	0%*	502.19

\* Debt portion of mill levy was eliminated when the local 1% sales tax went into effect. 75% of the sales tax, or approximately 60 mills, goes to property tax relief or the covering of our debt levies and infrastructure replacement.

## TOTAL EMPLOYEES BY YEAR CITY OF WILLISTON

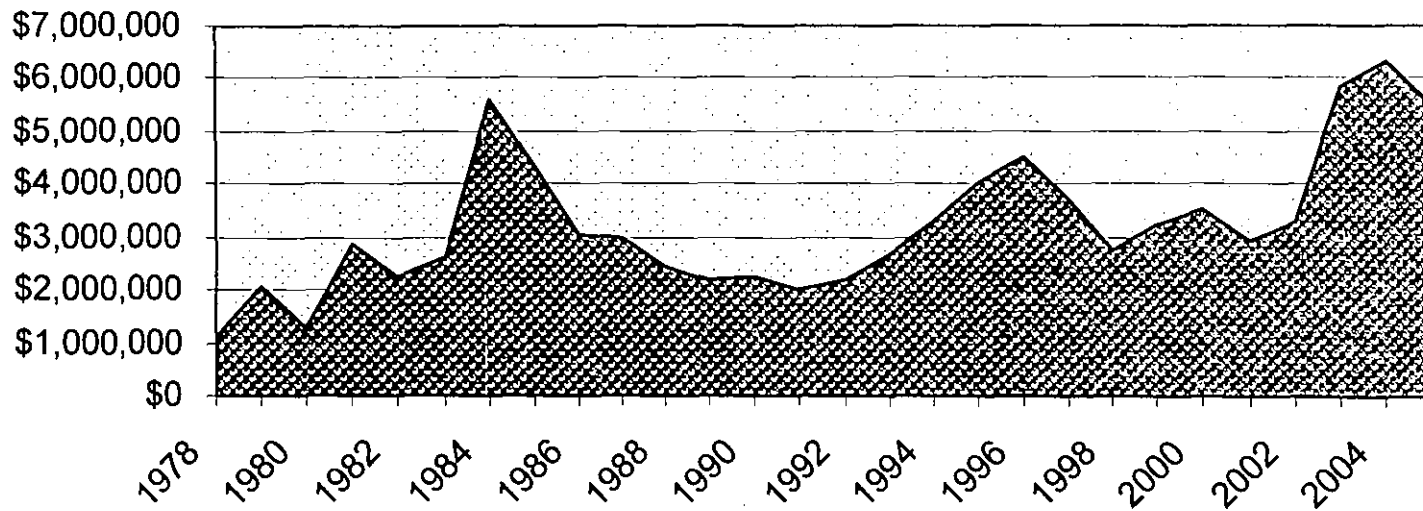


## City of Williston General Fund Expenditures 1978-2005



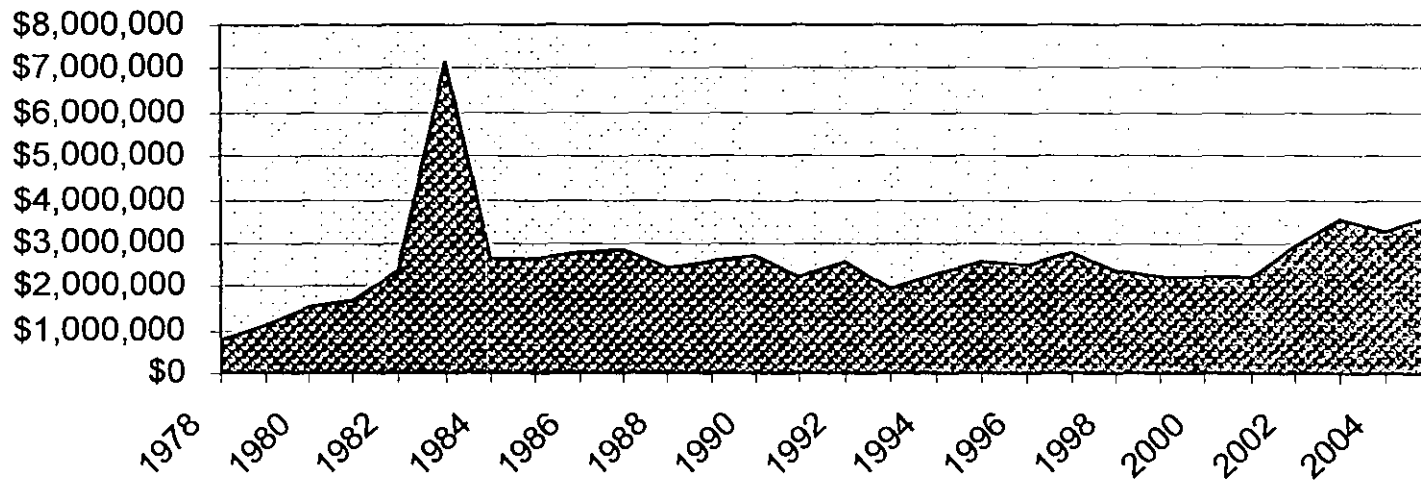
1978	\$1,070,644	1985	\$3,941,133	1992	\$3,147,169	1999	\$3,455,617
1979	\$1,515,957	1986	\$3,599,073	1993	\$2,876,966	2000	\$3,399,669
1980	\$1,999,333	1987	\$3,274,554	1994	\$2,845,796	2001	\$3,322,584
1981	\$4,387,622	1988	\$3,064,043	1995	\$3,283,061	2002	\$3,824,874
1982	\$3,846,490	1989	\$2,961,497	1996	\$3,055,263	2003	\$4,304,012
1983	\$4,070,975	1990	\$3,172,162	1997	\$3,119,019	2004	\$4,115,808
1984	\$3,797,219	1991	\$3,184,068	1998	\$3,311,550	2005	\$4,698,812

### City of Williston Special Revenue Fund Expenditures 1978-2005



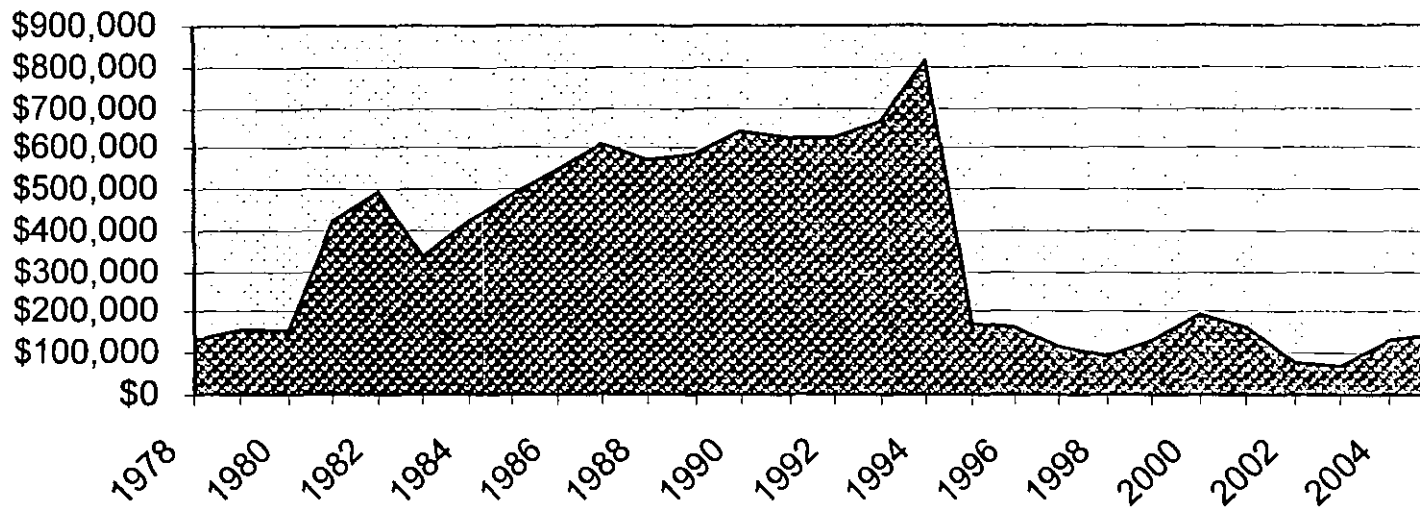
1978	\$1,109,068	1985	\$4,300,004	1992	\$2,199,064	1999	\$3,221,578
1979	\$2,055,545	1986	\$3,069,412	1993	\$2,669,832	2000	\$3,536,146
1980	\$1,295,237	1987	\$2,957,910	1994	\$3,271,651	2001	\$2,911,801
1981	\$2,833,964	1988	\$2,444,873	1995	\$4,009,057	2002	\$3,256,962
1982	\$2,263,771	1989	\$2,194,688	1996	\$4,513,650	2003	\$5,847,376
1983	\$2,635,179	1990	\$2,243,121	1997	\$3,722,490	2004	\$6,314,748
1984	\$5,598,361	1991	\$2,026,425	1998	\$2,740,024	2005	\$5,559,306

## City of Williston Enterprise Fund Expenditures 1978-2005



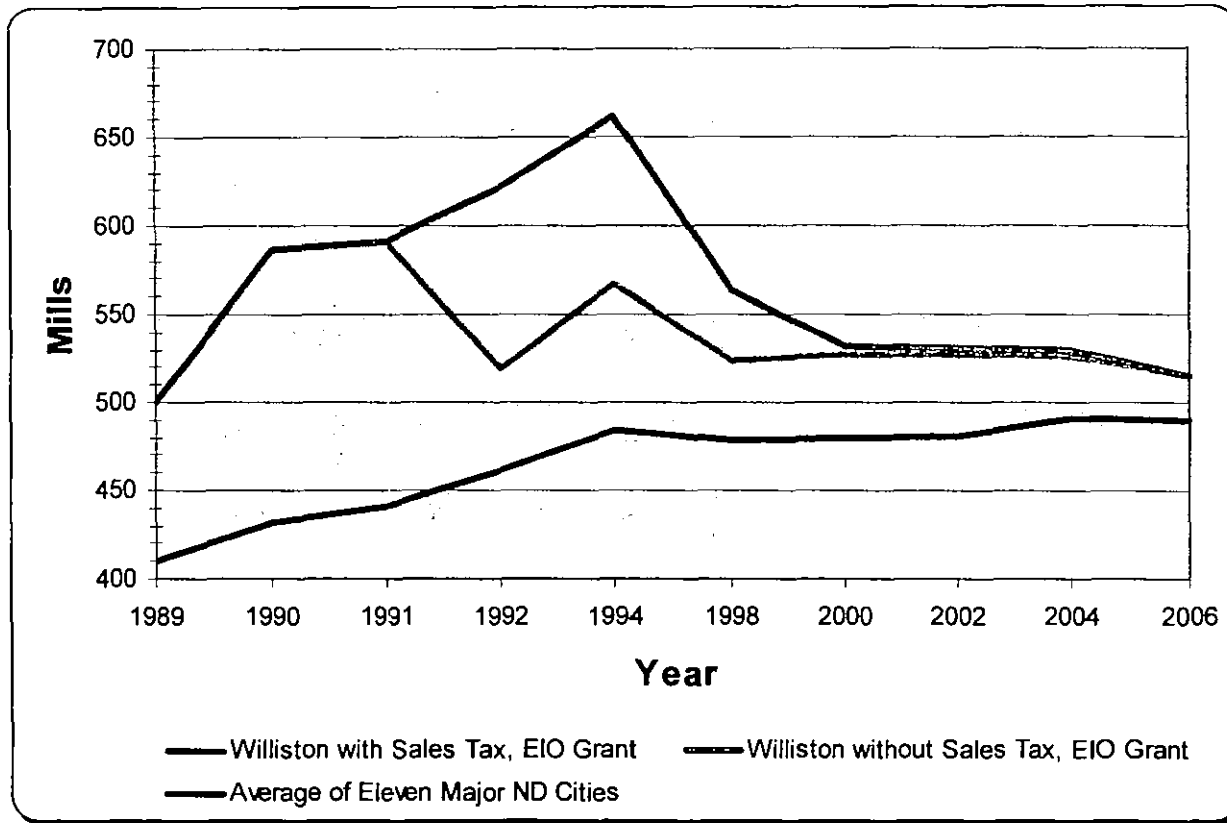
1978	\$789,370	1985	\$2,645,718	1992	\$2,565,660	1999	\$2,225,090
1979	\$1,108,883	1986	\$2,806,129	1993	\$1,945,016	2000	\$2,195,927
1980	\$1,522,705	1987	\$2,843,212	1994	\$2,309,297	2001	\$2,260,348
1981	\$1,653,841	1988	\$2,456,035	1995	\$2,553,336	2002	\$2,897,566
1982	\$2,399,848	1989	\$2,546,523	1996	\$2,518,268	2003	\$3,572,335
1983	\$7,169,597	1990	\$2,684,606	1997	\$2,806,353	2004	\$3,255,559
1984	\$2,667,551	1991	\$2,254,582	1998	\$2,384,856	2005	\$3,645,770

## City of Williston Trust & Agency Fund Expenditures 1978-2005



1978	\$131,164	1985	\$485,000	1992	\$623,261	1999	\$134,874
1979	\$156,871	1986	\$546,746	1993	\$661,594	2000	\$191,818
1980	\$153,130	1987	\$612,793	1994	\$814,149	2001	\$160,605
1981	\$424,208	1988	\$572,925	1995	\$172,558	2002	\$80,682
1982	\$491,780	1989	\$584,932	1996	\$164,297	2003	\$69,807
1983	\$338,260	1990	\$638,716	1997	\$114,601	2004	\$129,507
1984	\$421,260	1991	\$628,547	1998	\$97,734	2005	\$147,071

### Mill Levy Comparison between the Major Cities of North Dakota and the City of Williston with and without Sales Tax



The above graph takes the average mill levies of the remaining eleven largest cities and compares their total local property tax to Williston's. From 1989 to 2006, there is a significant gap between Williston and the other cities, but without sales tax and Energy Impact Grant relief, this gap will become even more severe.

### Statistical Recap of Mills of North Dakota Cities

Overall Ranking by Mill Total	City	Total Mills	Growth of Mill 2001-2005	Value of Mill & Ranking in Category*	City Mills and Ranking in Category*	School Mills & Ranking in Category*	County Mills & Ranking in Category*	Park Mills and Ranking in Category*	Other Mills & Ranking in Category*
1	Mandan	534.68	18.30%	28,604 (6)	111.20 (9)	249.10 (4)	129.32 (1)	40.11 (1)	4.95 (4)
2	Devils Lake	528.60	6.35%	9,243 (11)	128.36 (4)	223.32 (10)	128.28 (2)	48.64 (2)	
3	Jamestown	523.26	11.50%	22,777 (8)	137.01 (2)	236.40 (7)	108.40 (8)	41.46 (5)	
4	Williston	514.73	13.67%	16,087 (9)	105.10 (10)	248.47 (5)	116.04 (5)	42.94 (4)	2.18 (6)
5	Tioga	502.77	0.99%	913 (15)	138.89 (1)	195.86 (14)	116.04 (5)	49.28 (1)	2.70 (5)
6	Wahpeton	501.93	14.36%	11,625 (10)	117.54 (8)	226.32 (9)	119.70 (4)	37.59 (10)	0.77 (9)
7	Grand Forks	491.83	20.02%	109,889 (3)	117.73 (6)	230.11 (8)	100.40 (11)	43.59 (3)	
8	Valley City	491.17	13.60%	8,690 (12)	104.83 (11)	237.81 (6)	109.56 (7)	38.97 (9)	
9	Stanley	485.41	11.65%	1,207 (14)	130.62 (3)	208.00 (12)	120.03 (3)	25.88 (15)	0.88 (8)
10	Fargo	480.76	17.30%	244,141 (1)	59.25 (16)	318.62 (1)	63.00 (13)	32.58 (13)	7.31 (3)
11	Dickinson	468.06	16.00%	25,125 (7)	117.55 (7)	205.60 (13)	113.46 (6)	31.45 (6)	1.50 (7)
12	Bismarck	457.61	16.00%	132,395 (2)	98.59 (13)	255.02 (2)	63.33 (12)	40.67 (12)	
13	West Fargo	455.10	48.40%	44,480 (5)	88.76 (15)	254.02 (3)	63.00 (13)	39.66 (13)	9.61 (1)
14	Minot	448.69	16.00%	74,636 (4)	126.52 (5)	211.11 (11)	78.45 (11)	32.56 (11)	
15	Gladstone	437.33	5.34%	119 (16)	100.64 (12)	205.60 (13)	100.64 (9)		9.01 (2)
16	Bowman	337.35	4.20%	2,079 (13)	93.04 (14)	162.59 (15)	55.73 (14)	25.99 (14)	
Average		478.71			110.98	229.25	99.09	38.09	4.32

\* All ranking is from highest to lowest in each category.

PROPERTIES TURNED BACK FOR TAXES - PURCHASED BY CITY OF WILLISTON			
1986	83 Parcels	Consolidated	97,533.76
		Specials	165,080.28
		Penalty & Interest	66,782.54
		TOTAL	329,396.58
1987	256 Parcels	Consolidated	100,253.90
		Specials	451,221.79
		Penalty & Interest	110,916.55
		TOTAL	662,392.24
1988	315 Parcels	Consolidated	378,908.24
		Specials	2,329,783.75
		Penalty & Interest	554,506.71
		TOTAL	3,263,198.70
1989	83 Parcels	Consolidated	138,540.30
		Specials	493,164.57
		Penalty & Interest	212,006.44
		TOTAL	843,711.31
1990	57 Parcels	Consolidated	59,348.86
		Specials	291,807.9,1
		Penalty & Interest	116,669.61
		TOTAL	467,826.37
1991	94 Parcels	Consolidated	106,616.96
		Specials	355,605.91
		Penalty & Interest	138,813.30
		TOTAL	601,036.17
1992	66 Parcels	Consolidated	62,231.08
		Specials	290,286.28
		Penalty & Interest	120,063.86
		TOTAL	472,581.22
1993	13 Parcels	Consolidated	18,880.91
		Specials	60,139.92
		Penalty & Interest	23,844.05
		TOTAL	102,864.88
1994	6 Parcels	Consolidated	13,051.77
		Specials	16,742.58
		Penalty & Interest	7,821.10
		TOTAL	37,615.45
1995	1 Parcels	Consolidated	5.47

<b>PROPERTIES TURNED BACK FOR TAXES - PURCHASED BY CITY OF WILLISTON</b>			
		Specials	735.83
		Penalty & Interest	258.81
		Miscellaneous	11.16
		<b>TOTAL</b>	<b>1,011.27</b>
1996	0 Parcels		
1997	0 Parcels		
1998	1 Parcel	Consolidated	710.41
		Specials	9,418.96
		Penalty & Interest	3,465.34
		Miscellaneous	10.31
		<b>TOTAL</b>	<b>13,605.02</b>
1999	2 Parcels	Consolidated	2,507.09
		Specials	5,347.34
		Penalty & Interest	2,460.36
		Miscellaneous	20.62
		<b>TOTAL</b>	<b>10,335.41</b>
2000	1 Parcel	Consolidated	1,031.61
		Specials	708.53
		Penalty & Interest	332.91
		Miscellaneous	9.54
		<b>TOTAL</b>	<b>2,082.59</b>
2001	0 Parcels		
2002	0 Parcels		
2003	0 Parcels		
2004	0 Parcels		
2005	0 Parcels		
2006	0 Parcels		
<b>GRAND TOTALS</b> 1986 - 2006	978 Parcels	Consolidated	979,620.36
		Specials	4,470,043.64
		Penalty & Interest	1,357,941.58
		Miscellaneous	51.63
		<b>TOTAL</b>	<b>\$6,807,657.21</b>

**CAPITAL IMPROVEMENT NEEDS  
WILLISTON, ND  
PROJECT SUMMARY  
December 20, 2006**

<b>WATER DISTRIBUTION</b>		
PROJECT LOCATION/DESCRIPTION	COST ESTIMATE	REMARKS
System Connection (16 <sup>th</sup> Ave W)	\$200,000	Approx. 1,800' - 18"
System Connection (4 <sup>th</sup> Ave W)	225,000	Approx. 1,800' - 12"
System Connection (Basin Industrial Park)	110,000	Approx. 1,000' - 18"
Water Line Replacement 1 <sup>st</sup> Ave E (14 <sup>th</sup> - 16 <sup>th</sup> )	85,000	Bad 6" cast iron pipe
Water Line Replacement 2 <sup>nd</sup> Ave E (14 <sup>th</sup> - 18 <sup>th</sup> )	150,000	Bad 6" cast iron pipe
Water Line Replacement 12 <sup>th</sup> St W (6 <sup>th</sup> - 8 <sup>th</sup> )	70,000	Bad 6" cast iron pipe
Water Line Replacement 8 <sup>th</sup> Ave W (12 <sup>th</sup> - 13 <sup>th</sup> )	35,000	Bad 6" cast iron pipe
Water Line Relocation Alley to 4 <sup>th</sup> St (3 <sup>rd</sup> - 6 <sup>th</sup> Ave)	135,000	12" cast iron in alley with all utilities, numerous problems if it breaks
Water Line Replacement 4" Cast Iron Pipe (117 blks)	4,850,000	Low pressure & rusty water
Water Line Replacement 6" Cast Iron Pipe (204 blks)	7,140,000	Low pressure & rusty water
Meter & Remote Replacement	650,000	5,500 meters

<b>SANITARY SEWER</b>		
PROJECT LOCATION/DESCRIPTION	COST ESTIMATE	REMARKS
Sewer Replacement Broadway (3 <sup>rd</sup> - 14 <sup>th</sup> Ave W)	\$760,000	Capacity problems
Line - 15" SAS (3 <sup>rd</sup> - 11 <sup>th</sup> St)	240,000	3 blk program - 1995, 8 blks remain

Capital Improvement Needs  
Williston, North Dakota

<b>STORM SEWER/DRAINAGE</b>		
PROJECT LOCATION/DESCRIPTION	COST ESTIMATE	REMARKS
Airport/Interstate Drain Improvement Study	\$25,000	Study to determine what improvements would reduce flood hazard
Airport - North of 26 <sup>th</sup> St & East of 2 <sup>nd</sup> Ave W	\$975,000	Incorporation into storm sewer system

<b>ROADS &amp; STREETS</b>		
PROJECT LOCATION/DESCRIPTION	COST ESTIMATE	REMARKS
11 <sup>th</sup> St W (2 <sup>nd</sup> Ave W - E Dak Pkwy)	\$210,000	Reconstruction, Federal Aid project
4 <sup>th</sup> Ave W (11 <sup>th</sup> St - 14 <sup>th</sup> )	300,000	Subgrade replacement
Highland Dr (2 <sup>nd</sup> - 6 <sup>th</sup> Ave W)	390,000	Subgrade replacement
Foster Trailer Court, 6 <sup>th</sup> Ave W (19 <sup>th</sup> - 9 <sup>th</sup> Ave)	390,000	Subgrade replacement
12 <sup>th</sup> Ave E (Broadway - R/R tracks)	391,000	Widen w/curb & gutter road, south of R/R not included
Million Dollar Way (18 <sup>th</sup> - 26 <sup>th</sup> )	300,000	Program Fed. Aid, 10% local cost
Glacier Park Industrial Park (Ave R & S)	425,000	Storm sewer included
Handicap Ramps	750,000	ADA requirement for all city ≈ 1000 ramps
Seal Coats	200,000/yr	Seal coat street & alley every 10 years
Concrete Alley Replacement (downtown)	42,000/blk	
Credit Union Frontage Road & 18 <sup>th</sup> St	250,000	Subgrade replacement
E Highland Dr (ASK Housing & E Bypass)	180,000	Include water & sewer extension
19 <sup>th</sup> St W (2 <sup>nd</sup> - 4 <sup>th</sup> )	196,000	Subgrade replacement
6 <sup>th</sup> Ave W (1 <sup>st</sup> - 2 <sup>nd</sup> )	69,000	Possible grade stabilize needed
23 <sup>rd</sup> St W (18 <sup>th</sup> - 19 <sup>th</sup> )	161,000	Platted street completion w/water/sewer
25 <sup>th</sup> St W (17 <sup>th</sup> - 19 <sup>th</sup> )	276,000	Platted street completion w/water/sewer
19 <sup>th</sup> Ave W (22½ - 26 <sup>th</sup> )	357,000	Platted street completion w/water/sewer
16 <sup>th</sup> Court W (Sand Creek - 22 <sup>nd</sup> )	165,000	Platted street completion w/water/sewer
19 <sup>th</sup> Ave W (15 <sup>th</sup> - Bison Dr)	160,000	Platted street completion

Capital Improvement Needs  
Williston, North Dakota

**ROADS & STREETS**

PROJECT LOCATION/DESCRIPTION	COST ESTIMATE	REMARKS
21 <sup>st</sup> Ave W (14 <sup>th</sup> - Bison Dr)	330,000	Platted Street completion w/water/sewer
22 <sup>nd</sup> Ave W (14 <sup>th</sup> - Bison Dr)	328,000	Platted Street completion w/water/sewer
16 <sup>th</sup> St W (19 <sup>th</sup> - 22 <sup>nd</sup> )	357,000	Platted Street completion w/water/sewer
24 <sup>th</sup> St W (9 <sup>th</sup> - 12½)	294,000	Platted Street completion w/water/sewer
11 <sup>th</sup> Ave W (Knoll - 25 <sup>th</sup> )	225,000	Platted Street completion w/water/sewer
12 <sup>th</sup> Ave W (22½ - 26 <sup>th</sup> )	374,000	Platted Street completion w/water/sewer
Nothing included for curb, gutter, sidewalks, trees and asphalt street overlays, which are needed throughout the city.		

**CEMETERY**

PROJECT LOCATION/DESCRIPTION	COST ESTIMATE	REMARKS
Riverview - Irrigate New Site	\$5,000	G.M. Thomas - partially complete
Hillside - Irrigation	15,000	Above ground now
Riverview - Fence	50,000	Front on 9 <sup>th</sup> Ave W
Riverview - Asphalt Overlay	30,000	3,750' @ 15' wide

**STREET LIGHTING**

PROJECT LOCATION/DESCRIPTION	COST ESTIMATE	REMARKS
Joan Hagan Subdivision	\$100,000	No lights (11 blks)
Fox Glen	500,000	No lights (35 blks)
Nothing considered for North Meadows or Endres at this time as sparsely developed.		

**GRAND TOTAL****\$22,820,000**

Capital Improvement Needs  
Williston, North Dakota

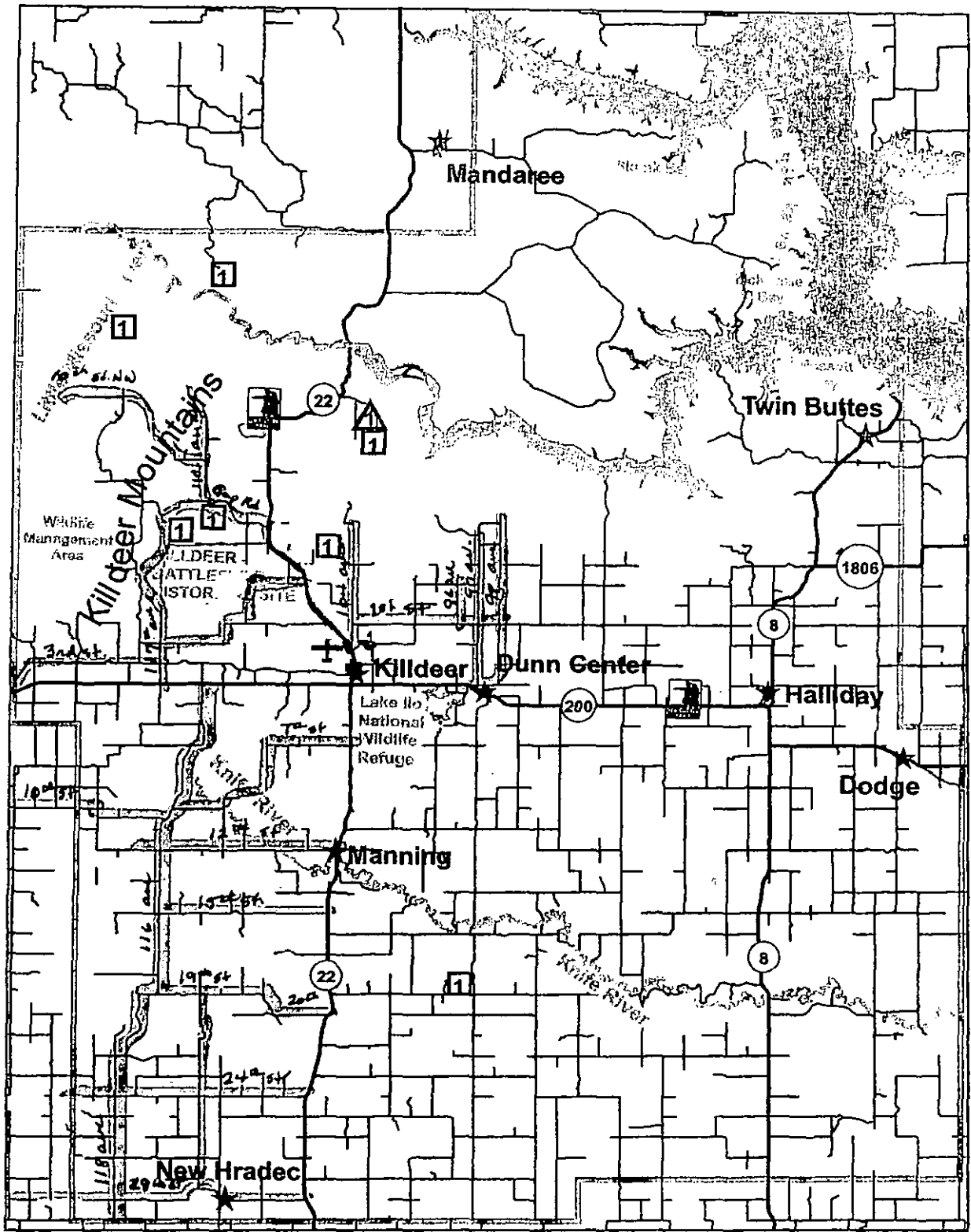
# **DUNN COUNTY**

# **COUNTY ROAD SYNOPSIS**

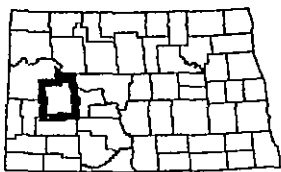
**For HB 1044**



**JANUARY 2007**

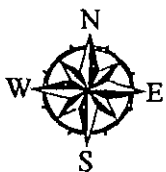
Prepared by  
Dunn County Jobs Development Authority  
Carroll Gjovik, Director  
701-764-6092



# Dunn County



-  Airstrip
-  Golf Course



## **STATISTICAL INFORMATION FROM DUNN COUNTY**

*Requesting a 5.6 million increase in revenue for counties and would encourage the 1 million cap per county be increased.*

*In 1995 the county spent \$815,611.92 on roads, in 2005 they spent \$1,430,402.9, a 75% increase in 10 years considering inflation that is not bad, however in 2006 at least \$1,800,000 will be spent which is a 30% increase most of which is directly related to the oil impact.*

*The County revenue for roads in 1982 was \$429,000, in 1983 it was \$1,187,000 (last oil boom), and for 2007 it is budgeted at \$2,000,000. Maintenance dollars have doubled on county roads and tripled on federal aided roads in the last couple of years. It costs \$200,000 per mile to update a federal aid road.*

*The county has three road districts with a road superintendent for each district. Only two of the three have oil traffic.*

*District one has 295 miles of roads.*

*District two has 300 miles of roads.*

*District three has 272 miles of roads*

*Three oil fields are found in District 2 and two in District 1 and none in District 3.*

*The number of county road workers during the last oil boom was 28 people today there are only 13 workers trying to cover the same roads. The Dunn County budgeted salary for one month in 1985 was \$39,103 today it is \$40,236 per month.*

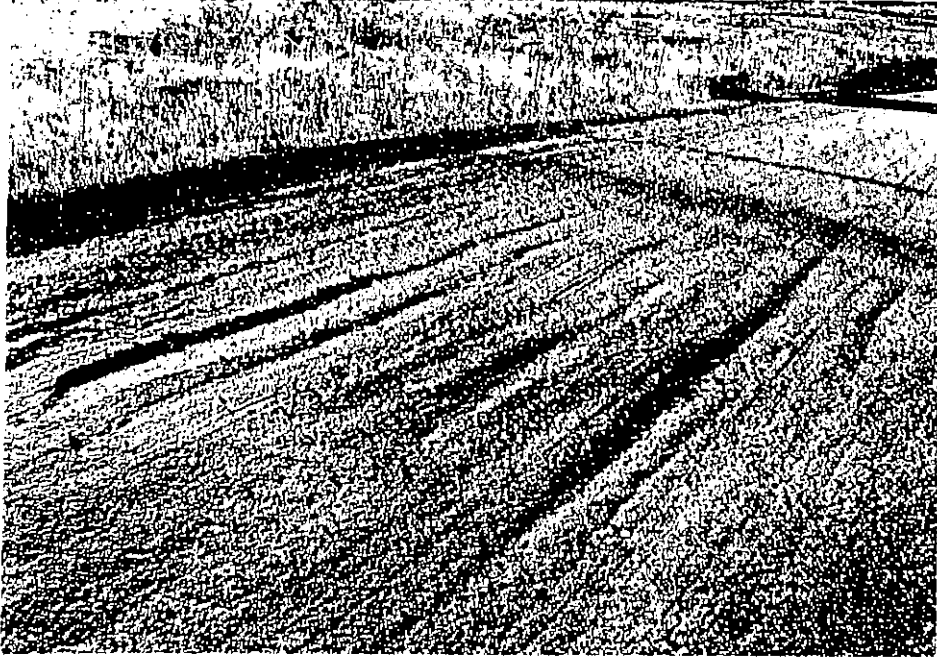
*While maintaining the road it means double when going over them because it takes at least two times to cover the roads. The Federal Aided County roads take four trips across to cover the entire road.*

*People call the road superintendents to request more gravel and secondly blading on their roads. When it rains truck use chains for safety and this really tears up the road bed.*

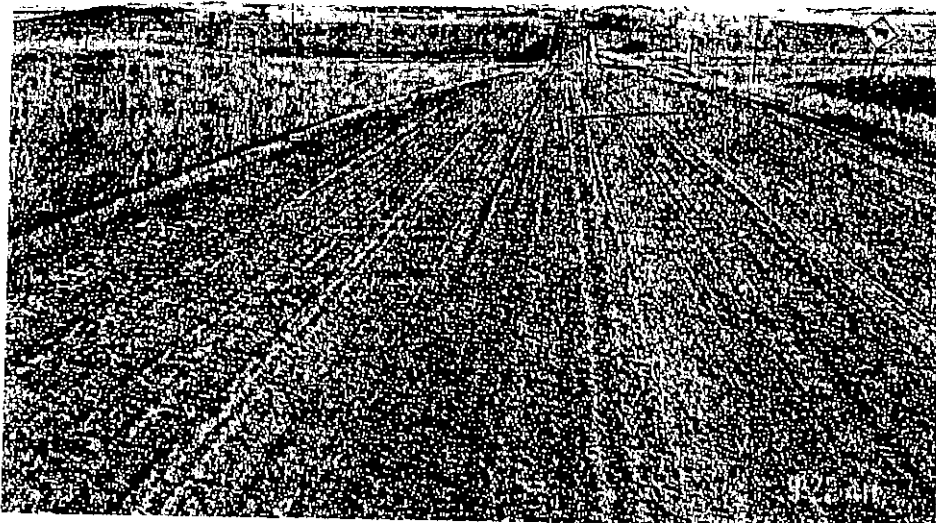
## **Oil and Gas Roads Information/Pictures**

### **DISTRICT 1 (NORTH HALF)**

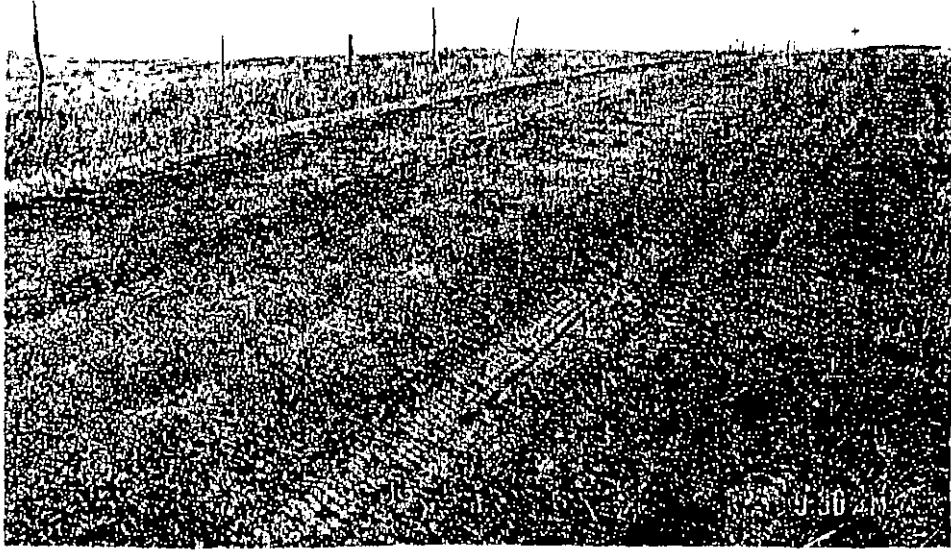
**104 Ave in Dunn County has a blow out on the hill side because of truck and trailers. Also there is wash board even when bladed day before. This road has about 103 vehicles per day.**



**1<sup>st</sup> St. SW near the Selle Well there are wash board conditions and pot holes from the truck traffic. On the average 186 vehicles travel this road a day**



**County road near old Duane Miller Farm has wash board problems plus needs update work. No count of daily traffic.**



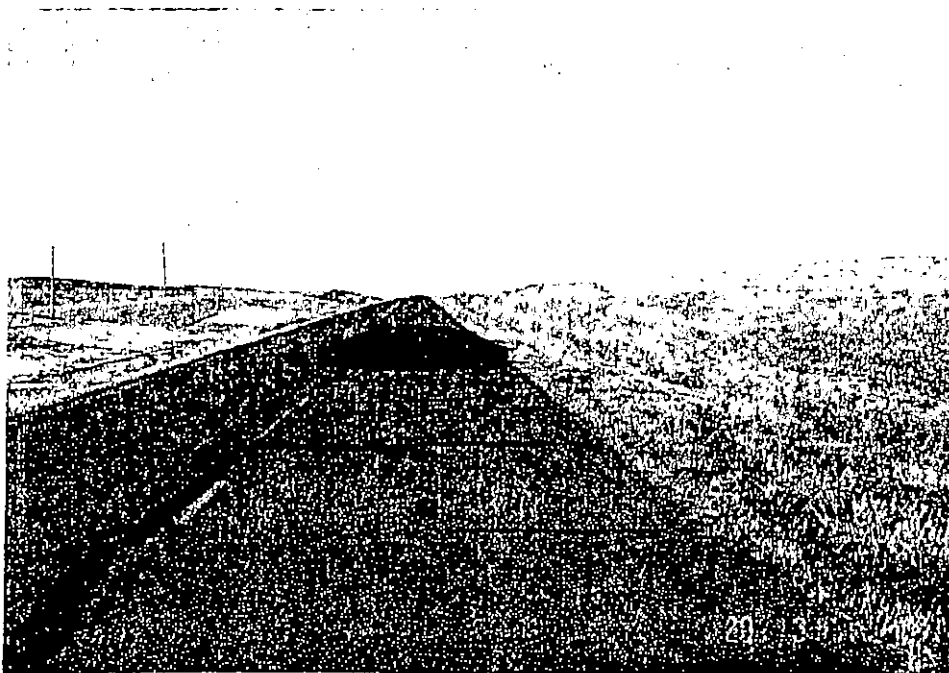
**County Road 97<sup>th</sup> Ave NW has three wells in drilling process—it is rough, wash board even when bladed the day before. About 265 vehicles use this road a day.**



**98<sup>th</sup> Ave just north of Dunn Center has extreme wash board conditions due to large trucks using this road rather than the hard surfaced road which is designated as a recreational road. An estimate of 259 vehicles a day travels this road.**

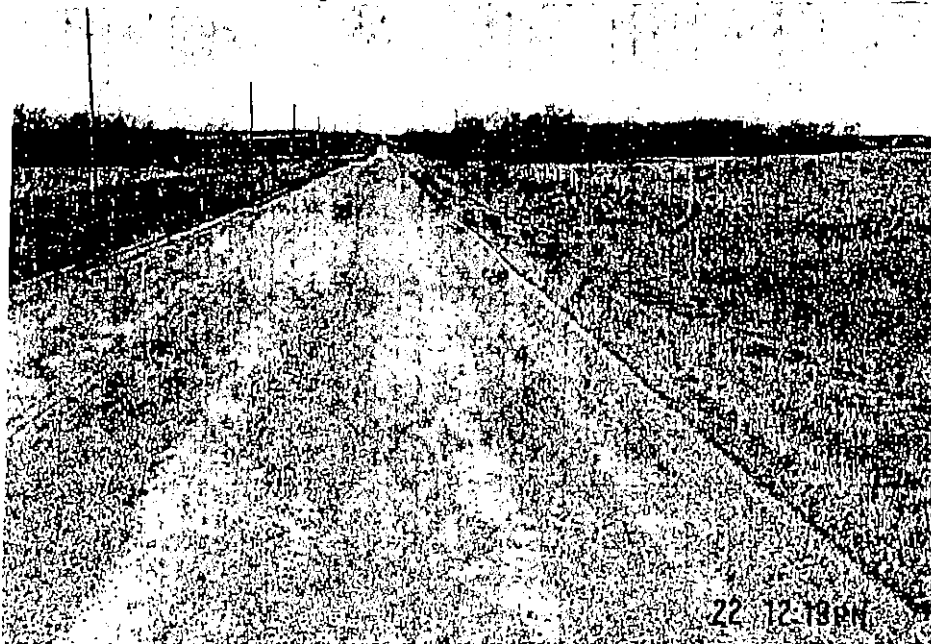


**Due to some trucks using the hard surface the county has had to patch the road this fall of 2006.**

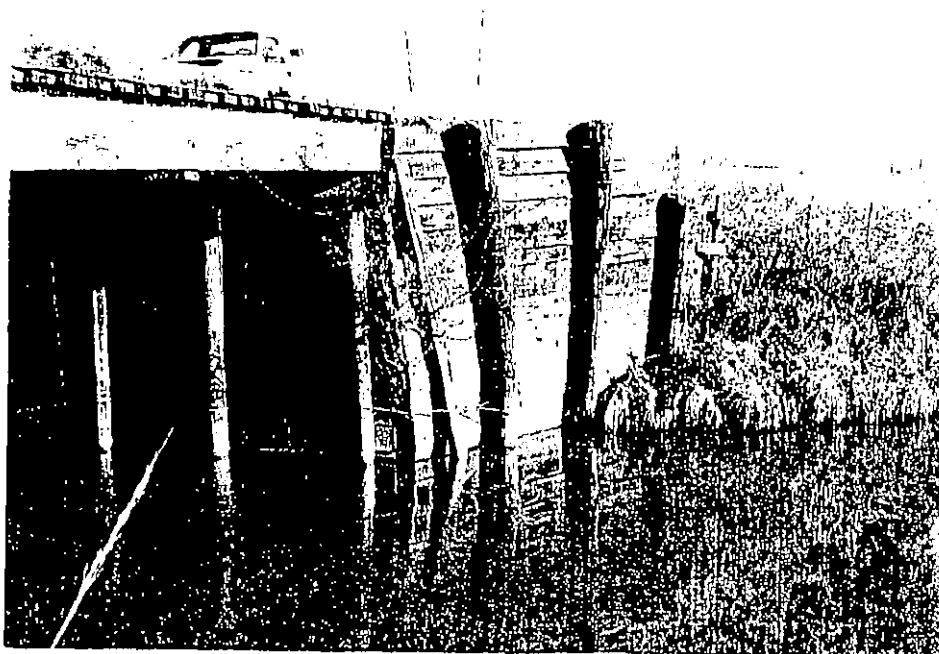


**DISTRICT 2 (South West Portion)**

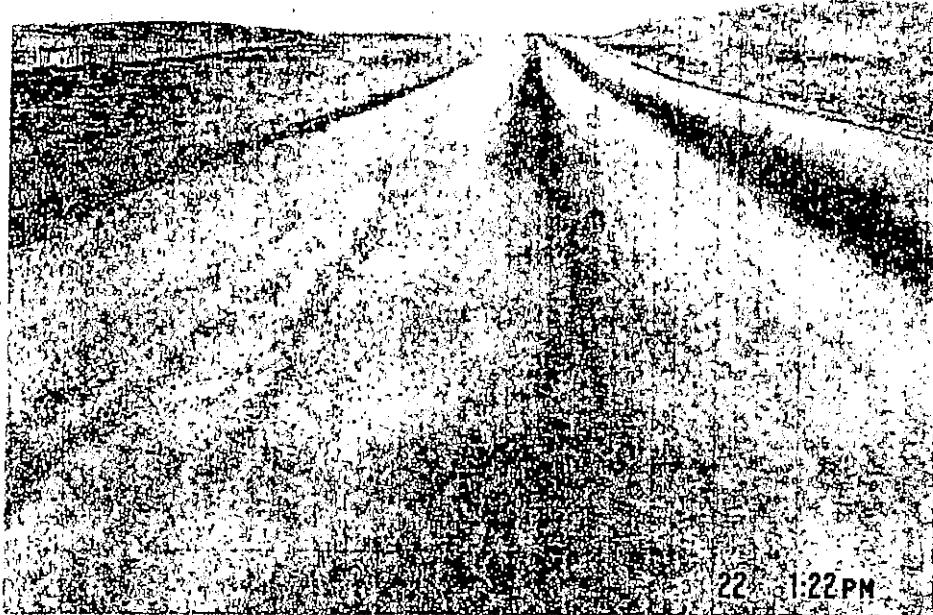
**7<sup>TH</sup> St. SW (known as the Kulish well road) was done with scoria in Feb or March 2006. Today the road is worn, rutted and wash board ridden. There are at least three wells in various stages and another to be drilled in the near future. Seventy six vehicles travel this road.**



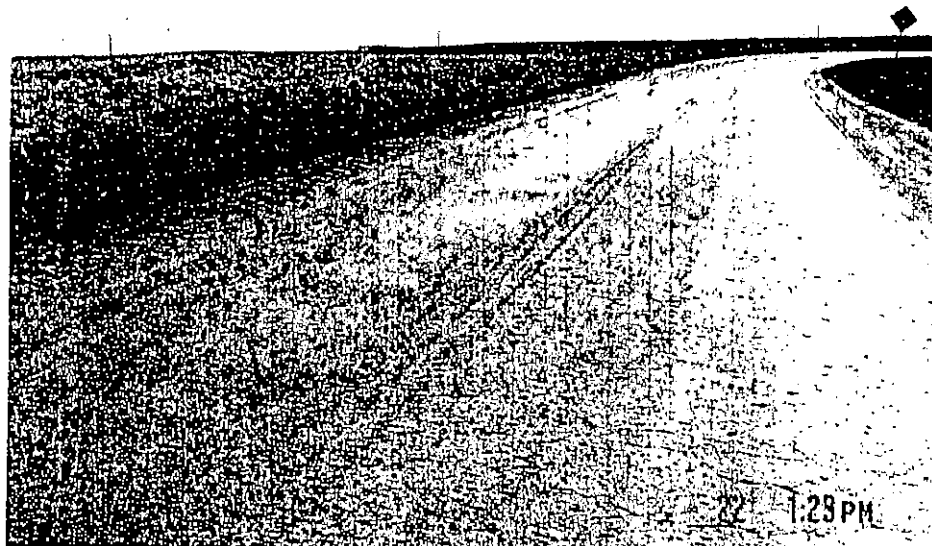
**A four ton bridge needs to be replaced as trucks need to travel from one oil field to another and are restricted because of the inadequate bridge. Another 8 ton bridge about a third of a mile east and a bit south also needs to be redone.**



**County road 116 Ave. SW was built up in 2000. November of 2006 additional gravel was added to the road bed because of the additional truck traffic. This is an extremely busy oil road as they haul the crude to Highway 200 to get it to a pipe line. About 144 vehicles average a day on this road.**



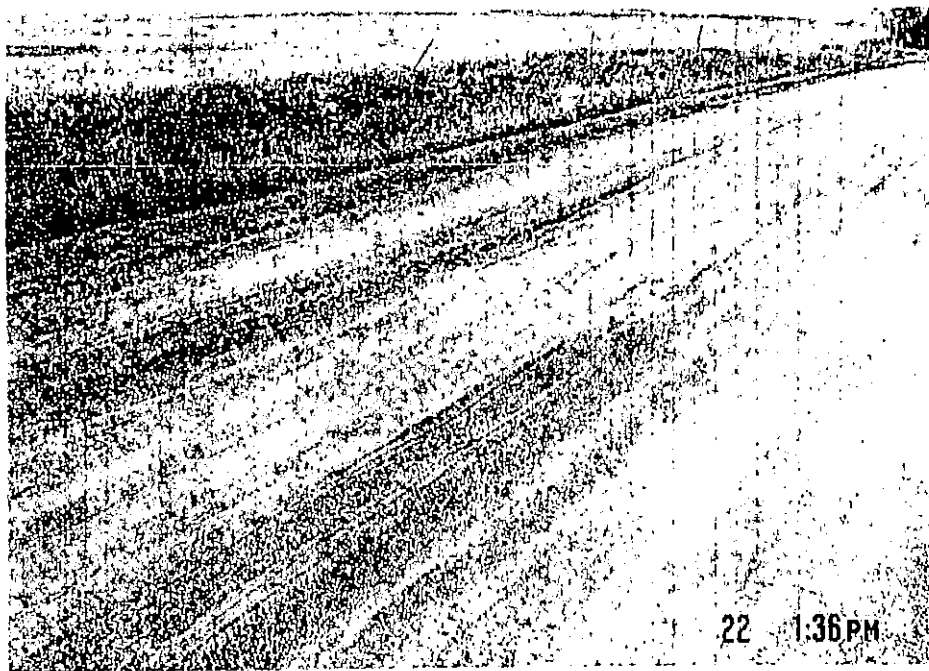
**118<sup>th</sup> Ave SW north of 24<sup>th</sup> St. was graveled for 6 miles the summer of 2006. Today it has wash board conditions. This road also has about 144 vehicles a day as it connects to 116 Ave. SW.**



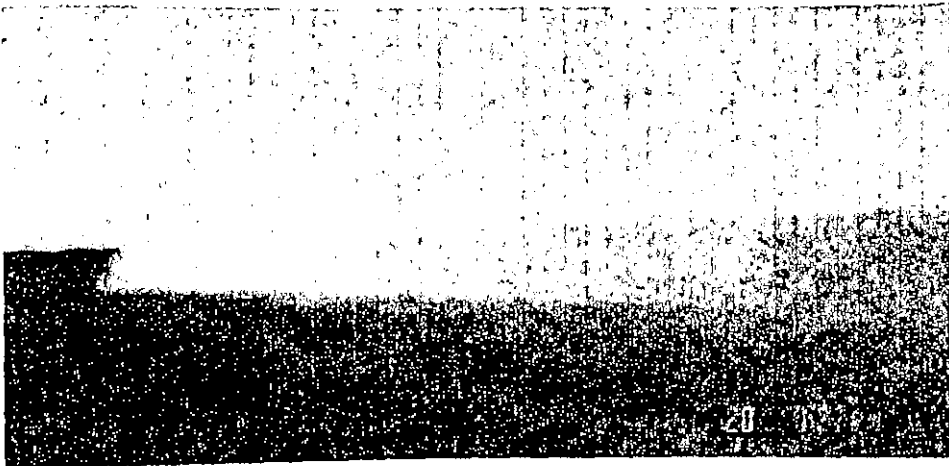
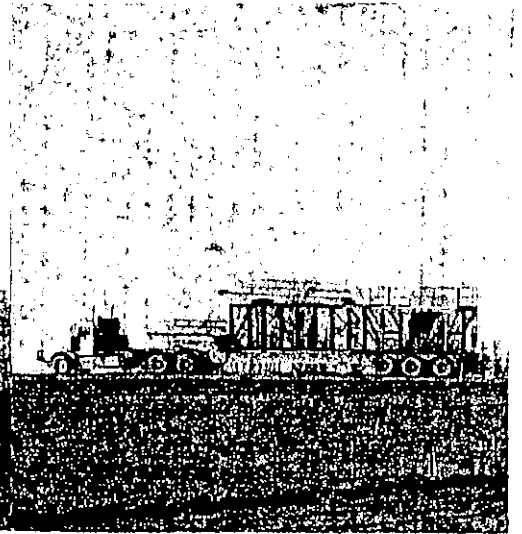
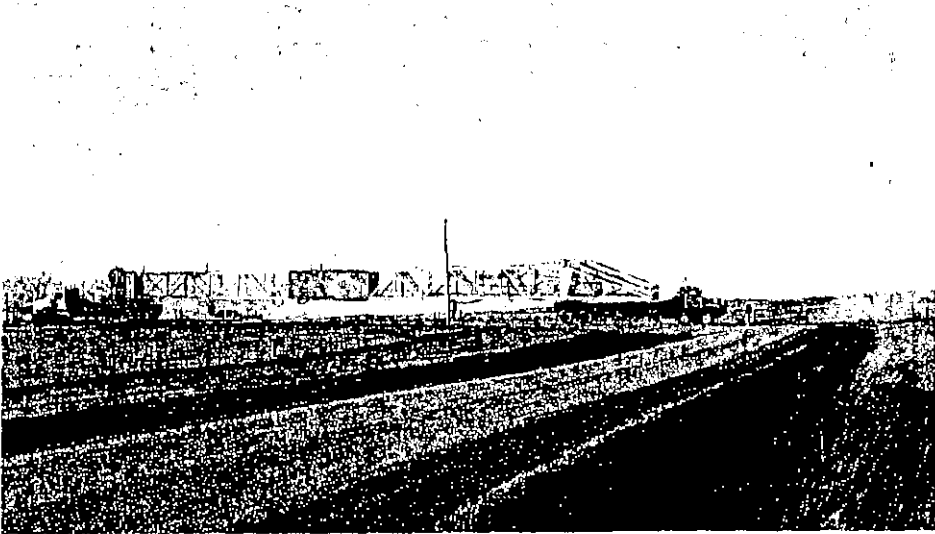
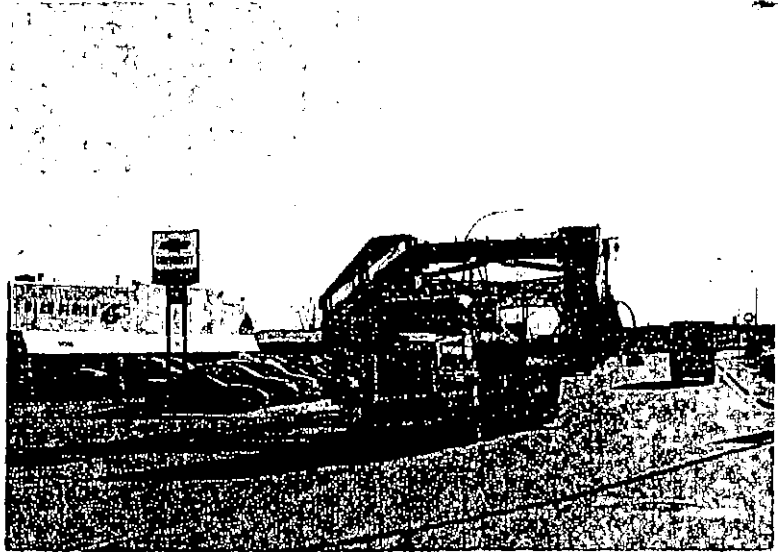
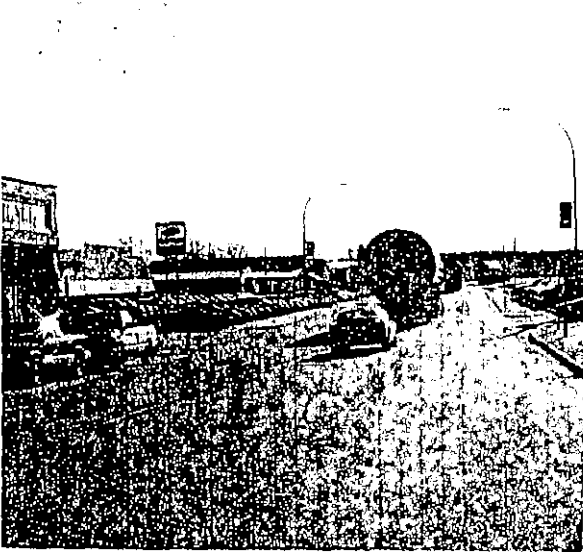
**Another road used by trucks is 114<sup>th</sup> Ave. SW. Again the condition of the road is deteriorating quickly.**



**A low maintenance road on 114 Ave. SW used by oil well traffic shows the extreme beating the road receives.**



Sample of truck traffic on these roads:



# Killdeer Mountain Manufacturing, Inc.

233 Rodeo Drive, P.O. Box 450,  
Killdeer, North Dakota 58640

**KMM**

Telephone (701) 764-5651  
Facsimile (701) 764-5427

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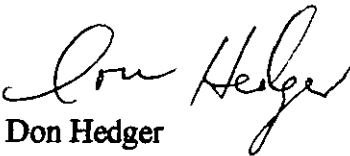
January 5, 2007

To Whom It May Concern:

Our company employs 170 workers in Dunn County in aerospace electronics manufacturing. Many of our employees commute to our plants in Killdeer and Halliday over gravel country roads. With the increasing oil well development in Dunn County, hazardous driving conditions are becoming commonplace. At the same time, the "Quality of Place" environment for our workforce is being seriously impacted by dust and dirt.

Please consider using a small portion of the revenue generated by this oil development to improve our country roads to reduce the resulting hazards being experienced.

Sincerely,



Don Hedger  
President

---

Email: [kmm@kmmnet.com](mailto:kmm@kmmnet.com)  
Visit our website at: [www.kmmnet.com](http://www.kmmnet.com)

January 5, 2007

PO Box 655  
Killdeer, North Dakota

To Whom It May Concern:

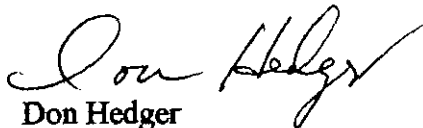
My wife and I live one mile north of Killdeer next to a farm-to-market road. Our location has been very comfortable until multiple oil wells were drilled and successfully completed recently about five miles from our home along the farm-to market road.

We now live with constant oil-related vehicles creating dust and ruts along the road. Our home has been invaded with dirt and dust spewing from the deteriorating roadway. Clouds of dust reduce visibility for traffic on the road, creating serious driving hazards.

A recently built public golf course utilizes this same road, adding to the public nuisance created by the oil traffic on a poorly constructed roadway.

Since the oil revenue created by these wells is being taxed by the State, we appeal for repair of the road to accommodate the new traffic and to reduce the dust problem.

Sincerely,

  
Don Hedger

Dunn County Fast Facts

County Taxable Valuation 2006 (2007 Budget based on this valuation)-----\$12,876,596  
County Wide Mill Levy 2006 (Taxes payable 2007)----- 104.63 Mills

Road and Bridge Mills 2006 (Available for 2007 budget) ----- 40.05 Mills  
Property Taxes for roads (2007) ----- \$ 515,708  
Other Revenue for Roads 2007 (Estimated) ----- \$ 596,810  
5% Gross Production Tax 2007 (Estimated)----- \$ 600,000  
Total Available for 2007 Roads ----- \$ 1,712,518

Road & Bridge Budget for 2007 ----- \$2,000,000.  
Actual Expenditures for 2007 ----- \$ ???

Road & Bridge Budget for 2006----- \$1,835,000  
Actual Road & Bridge Expenditures for 2006----- \$1,953,465  
Difference from budget to actual ----- \$ 118,465

5% Gross Production Tax County Share 2006----- \$ 604,230  
Other Road and Bridge Revenue 2006----- \$ 771,739  
Taxes for roads (2006)----- \$ 497,280  
Total Revenues for roads (using all of the 5% production tax)-- \$1,873,249  
2006 Deficit ----- \$( 80,216)

Road materials used per year (Gravel/Scoria)-----120,000 yards  
Road materials used have doubled since 2004 (Pre Boom)  
Cost for royalties and crushing ----- \$400,000

Cost of road material royalties (Gravel/Scoria) 2004 ----- \$.65/ CY  
Cost of road material royalties (Gravel/Scoria) 2006 ----- \$1.00/ CY  
Cost of road material royalties (Gravel/Scoria) 2007 ----- \$ ??

Royalties paid by oil companies for road materials 2006 ----- \$1.25/CY  
Royalties paid by oil companies for road materials 2007 ----- \$??

Reinhard Hauck  
Dunn County Auditor, Manning ND  
701-573-4448