2009 HOUSE FINANCE AND TAXATION

HB 1225

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1225

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 12, 2009

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Minutes:

Chairman Belter: I call the hearing on HB1225 to order.

Vice Chairman Drovdal: I have the privilege of serving as the representative from District 39 in western North Dakota. As I start on this bill, let me first of all thank you for what this committee, with the legislature, did last session. I would like to review it for just a minute because it plays into the reason for this bill and a number of others you will see before you this session. Last session you passed a bill that restored the purchasing power to the oil and gas counties back to the same level that it was when original distribution of the 5% tax was set in the early 1980s. You increased the flow back to the lower-producing counties at a little faster rate to help them recover from the oil impact that they were experiencing. The second bill which you passed raised the cap from $5 million to $6 million. I am generalizing because the cap depends on the population of the county; but for simplification sake, we will say you raised the cap from $5 million to $6 million. That affected one county at that particular time. But what you really did is recognize that oil and the recovery of natural gas and oil was not just for the western 17 counties; it is for all the people in North Dakota and all the people in North Dakota benefit. The state of North Dakota also has a responsibility to help cover the impact of the repercussions of the exploration of oil and gas. We thank you very much for that. What

happened so we have to come to the particular session with this bill is that first of all, we knew we had the Bakken Formation. It was doing well in Montana; but in North Dakota, it was very limited. The technology came around and it happily exploded in North Dakota. We went from 30-40 wells or rigs drilling to 96. That's great. The technology came around, but it takes 800 to 1000 trucks per site. They have to haul a million gallons of water and two million pounds of sand per action for these wells in the Bakken Formation. We also have discovered that there is a formation underneath there that we haven't even begun to have the technology to access. They tell us it is a separate formation and it is down the road that we are going to be looking at it. Exploration in the Bakken and Three Forks is here to stay for a long time. We know we have a great reserve and the technology is going to continue to improve and even though we currently have somewhat of a turndown, it is going to be there. What else happened? $145 barrel of oil happened and that is where we got our 96 rigs. It was crazy. I think oil was $50 two years ago and went to $145. What also happened with $145 oil; just as you know if you are a farmer, going to spikes in a market like that causes all your input costs to pile up. You usually don't have any commodity to sell at the time, the same as oil where you don't have your oil out of the ground yet. But the oil went up; you have got the oil, you have got the rig going, and the price dropped but your input costs did not go down. In oil it is sand, it is gravel, it is equipment you have to purchase—all those and transportation costs. Now I mention transportation costs because I think that is going to play an important part later on in the session. It costs about $15 a barrel to get crude to the refinery. At $145 barrel, $15 isn't too bad, is it? Today the market price of crude oil is $39 or just under. At $15 that means North Dakota people are getting $24 for their crude oil. That's going to be a big point coming into our fiscal notes and into state revenues. That is something we are going to have to be aware of. What did we learn with all this? I set out a chart for you and it is pretty self serving **(Attachment#1).** Two

years ago when we talked about the cap, we had one county producing 44% of the oil in North Dakota and that was Bowman County. McKenzie County was second and Williams County was third. See that big red line that goes straight up in the air? That county was just about not on the map and that is Mountrail County. They are having impact. Dunn County is going straight up, McKenzie County is going up and Bowman County is going up, but those are our four top producing counties. It changed the whole demographics of who is producing oil. Let me review also the impacts and how they come in. Let's say a county is maintaining a county road for agricultural use. The cost is right here; they come out and sink a well and the cost is right here. They bring a rig out and the cost goes right up here—800 to 1000 trucks going over the road. The big rig can do all of its work in 20 to 30 days, but the cost is up there. Once they pull off, the cost drops a little bit. Then they bring the work over rig in and once they get that developed, they have to get the crude out so you go to 18 wheelers to get the crude. The levels of that rig stay right there. Revenue—the first month, they are just drilling—no revenue income. Second month they have the work over rig—no revenue income. Once they start selling crude oil, they have six months before they start getting penalized before paying any money. If somebody gave me a few million dollars, I would sit on it for a whole six months interest free. They are no fools and that's what they are doing—just like we would. That means about eight months before the first check comes to the state and it takes another month or so for the state to get the portion back that impacts the county. That is nine months, at least, before the county gets the first dollar to cover this site. What happens at this site? That one rig has done its job so it moves over to another section. It has moved nine times—all 96 of them—in nine months, each on a different section line. They are drilling two miles deep and two miles out so they are covering a whole section per rig. You bring this machinery in and you have the cost; but then you have to spread the machinery over here so the costs have

absolutely taken off. It is great that we have got this exploration, but we have to be realistic too. What we found out is that we need to figure out how to get money out faster to help these counties that are struggling. One of the ways (and we have got a system set up that is separate from the other two bills) and that is the oil impact grant fund. Currently, there are $3 million per year, $6 million per biennium, that goes into that fund. It has been great for the ambulances, the fire departments and park boards that get impact money. The requests are way over what we can grant. To get money out faster, this is one way to do it. What this bill does is take the cap off that fund and designate that the priority goes to help road and infrastructure—not all of it—but it prioritizes from the legislature so that the agency, which is the same agency, can grant that money to help these counties that need it so badly. They have done a great job and I have faith that they will continue to do so. There is a fiscal note and I would like to address that for just a minute. I think it shows $26.8 million. I don't know what price per barrel they are using to come up with that; but I am not going to argue about the fiscal note and if it is right. At one time, it was right. If it was taken at $145 per barrel, and I don't think it was; but the higher the fiscal note, the more money the state is getting in and the more activity and impact there is. The lower the fiscal note, the less activity, the less need there is for that impact. What does the cap do? It restricts money coming in to cover expenses, but it doesn't restrict the expenses. It is time to remove that cap. Anyway, this is one of a number of bills that this committee and the legislature are going to hear. I guess I would hope that this committee would put this in a subcommittee, put it on hold, listen to the other bills when they come in (one puts it at $40 million; one puts it at $20 million); this one takes the cap off and lets it flow to the market with the production—put it in the subcommittee and then come out a recommendation. We know that this isn't going to be decided from the House side until we go to crossover. We know this is not going to be decided on the Senate

side until the end of their session. We know the final bill will come out of a conference committee, but your input will be very important as well as the policy that you want to set forth to help these counties—if it is this method or whatever in the cap or uncapped. You are going to hear some experts and I will defer questions to them.

Representative Froseth: Just to put this in perspective with the Governor's proposed budget, he placed the price of oil about $40 per barrel in his budget so if we could have a projection on this bill based on the Governor's projection of $40, that would be helpful to know where we are at.

Vice Chairman Drovdal: You are right, but I think what we are going to have to do is sit down when we get close to making a decision and get a new projection on what crude oil price is at that particular time. Another suggestion, when I looked at the Governor's projection at his State of the State address, it stated that he was using $57 to $60 a barrel oil. At that time, I think when he came back from his State of the State, he was at $40 so there is some confusion.

Chairman Belter: Further testimony?

Representative Keith Kempenich: My name is Keith Kempenich and I am State Representative from District 39. This has been an ongoing problem for five years; I think this last year has really amplified the problem. It is mainly infrastructure right now and the speed of how to address these problems. Three years ago in the fall of 2006, Stanley has got a tank battery around the pipeline. In the fall of 2006, we started hauling oil from Marmouth to Stanley and there wasn't any activity up there—I mean, there was none. When you go from that to last winter, it has mushroomed. It is unreal the amount of traffic using those county roads. There is really a concentration around Parshall and north and east of New Town and south and east of Stanley—it is called an EOG field and is probably one of the heaviest fields in there right

now. The amount of traffic is unreal-- day in and day out. The problem is amplified because the counties have not budgeted for that type of impact. That is one of the reasons we are long overdue in figuring out some way of addressing this issue. I think, as Representative Drovdal said, this would be a good deal. There are going to be a whole package of bills on how to work this.

Representative Weiler: Does the Governor have anything in his budget along these line?

Representative Kempenich: No, not except what is already in the bill now. You can see the language that is crossed out. There is $120 million that the Governor put in, but it is basically in the DOT and across the state. It is not specifically addressed to impact monies. He did add $120 million, but there isn't anything specific about changing the language of the impact money or what the counties are getting directly.

Representative Weiler: Is it anticipated that the counties out west would get a good chunk of the $120 million from the DOT?

Representative Kempenich: That is speculation. I doubt it because of the way it is split up by the size of the county. It is based on, from what I understand, how the state distribution is broken out. I don't know what the dollar amount would be, but I know it would be somewhere way south of what we are asking for.

Representative Kenton Onstad: I am Kent Onstad from District 4 sitting right in the heart of this oil find of Montrail County, Dunn County, McKenzie County. The impact can hardly be explained when you drive one month over a small paved road that was designed for agricultural use and there are ruts four and five inches deep in a paved road. The county takes most paved roads and turns them back into gravel. That is not at the county's wishes; it is just lack of dollars to be able to do something that is necessary to promote this industry that is not only helping my area, but it is helping the whole state. If you look at the history of that

production tax, it was really a dual tax. The oil companies provided that and got an exemption basically from the personal property tax at each one of those sites in lieu of that. Those dollars have not kept pace with what the property tax or personal property tax would be on each one of those wells. It has simply not kept pace. The impact is there and then they tied it into population. Then, all of a sudden, it became a tax levy with a cap. The amount of traffic oil has produced really has nothing to do with population. It has to do with the amount of oil taken out of that area. Dunn County and Montrail County have well over a couple hundred miles of roads that they have to maintain. Montrail County is going to cap in the first quarter about $3 million—if $4 million comes to the entire county—some is distributed to schools in the cities. The cap will only replace three miles of the 10 miles of pavement that they just took out. Three miles of ten miles and that doesn't include the rest of the roads they have to maintain. DOT, when they estimate state highway projects, use road counts as part of that. They anticipated a little over a year or so ago 150 trucks per day. You can count and have anywhere from 75 to 100 trucks an hour. The roads were not designed for that and are not equipped to handle that traffic so that has immediate impact. What this current bill does is take that operation cap off and allow the counties to address their infrastructure needs. It is good for the entire county. I will tell you oil companies pay that production tax, and it is the state's obligation to return that tax to cities and counties so they can handle that particular impact. Oil companies were asked to chip in a little bit for the road fund. Initially, as good neighbors, they said they would do that; but they are wondering where the state's obligation is to come back and deal with that. We pay a tax that is supposed to come back to specific counties and I think we need to address that. HB 1225 does do that. It take the population off because it is all about the amount of oil produced and the amount of traffic created—it is not how many people actually live in that particular area. We have to create those roads; we have to maintain those roads and when

normal citizens look at the impact, they are wondering what is going on. A number of them wish it would all go away. I don't think the state of North Dakota as an energy state is one of their concepts. I hope you will move forward on this, take it to committee, study it and remember that particular counties are in no way able to keep up with the infrastructure and roadwork that is necessary. It is important to take that population term off because it starts to set pace for what it was initially intended for. It is a tax that those counties do not get because of the exemption done years ago in the early 60's or in the late 50's.

Representative Froelich I need clarification. I know that the state and the tribe worked out a tax agreement. There is a road south of Mandaree that goes all the way around and comes back to the bridge. I believe it is all BIA road; I'm not quite sure, but I believe it is. What happens there? Who picks up the tab? Does that come out of tribal funds? Distribution funds?

Representative Onstad: They have their own road fund. Three Affiliated Tribes, for example, has their own road fund. Participation in the BIA by the tribes themselves, I am not exactly sure of the dollars. Part of this understanding and agreement that we passed last session creates dollars. I have heard on numerous occasions that some of that money was to be designated for this.

Representative Froelich: This will generate tax revenue for the state. Will it also generate tax revenue for the tribe?

Representative Onstad: If is within the boundary of the reservation, 1% of that production tax is going to the tribe off of fee land. There is a different formula for trust land or (inaudible).

Representative Froelich: So that 1%--the tribe would have to work with the BIA in order to maintain that road.

Representative Onstad: They will work with the different entities if the road crosses boundaries.

Representative Froelich: But the tribe could pocket the money if the BIA is responsible for the roads if they don't have an agreement, right?

Representative Onstad: That would be correct.

Representative Pinkerton: This money would go to each individual county like the production in Montrail County? Say the road crosses over and the traffic is coming from Garrison. Do the counties that don't have the well participate in the monies even though their roads are getting eaten up?

Representative Onstad: The dollars go to the counties that are producing the oil revenue. I am not sure you can designate traffic.

Representative Pinkerton; So if you have a lot of activity right at the county line, then the county that has the production gets the money even though most of the traffic may be flowing mostly through another county to get to that production area and the county it is flowing through would get no money unless it has production and would receive no impact funds. Is that correct?

Representative Onstad: The money flows back to the oil production counties. There are 15 or 16 different counties. I don't know of a situation where it stops right there at the line. Generally, it is the good fortune of the county. Maybe someone else can address that.

Representative Drovdal: The money goes into the grant fund and the state agency determines where the impact is. The money goes back to the producing county.

Representative Pinkerton: That answers my question.

Chairman Belter: Further testimony?

Representative Shirley Meyer: I am Representative Shirley Meyer from District 36, which covers Dunn County. You are going to have a lot of these bills coming in. I think it is our job, as western legislators, especially those in Montrail and Dunn County with this oil development taking place and the horizontal drilling, it is our job to try to convince you that live in the more eastern areas how desperately these funds are needed. Quite frankly, you can't believe it unless you have been out there and see what is going on. Currently the oil and gas impact grant is capped at $3 million a year, $6 million a biennium, but $3 million a year. Just in Dunn County alone, we have $4.25 million worth of federal impact paved road that needs to be repaired. If Dunn County got the entire $3 million, it would not be enough. It wouldn't even be a start. What I want you to think about is removing the cap. This really has to happen in order to address some of these needs. Our infrastructure is deteriorating at such a rapid rate that you cannot believe it. Most of these oil and impact grants we have to go for fire, for more patrolmen, more ambulances. Our Killdeer superintendent came to us and reported that school buses that should last 15 years are completely totaled in two years. Right now Dunn County is borrowing school buses from Dickinson because theirs have been shaken apart. We just hope you look at this. Just a response to Representative Weiler's question earlier, I do believe it is in the Governor's budget to raise this to $20 million, but that was given to us in Appropriations. Hopefully, by the time we get through, there will be many more bills concerning this. I do hope you look them over and just give us something out there. Thank you, Mr. Chairman.

Jeff Engleson, Director, Energy Development Impact Office, North Dakota State Land Department: (Written Testimony #2). I would like to address Representative Weiler's question. The State Land Department budget bill, which is 2013, included $20 million of

funding for this program—up from $6 million to $20 million—and also included additional operating funds to operate the program. That is how the Governor addressed the problem.

Vice Chairman Drovdal: You made a statement that when crude oil was up to $125, these counties and cities were getting additional money; but the fact is that they have a cap on the money that you get at $6 million. Aren't the counties with production still limited to $6 million?

Jeff Engleson: Yes.

Representative Froseth: This fund is misconstrued as being only for roads and infrastructure, but this is a fund that is available for a lot of municipalities and cities to try to tap into ambulance service, fire department services and things like that. I know that in Montrail County right now these departments are taxed quite heavily because of all the activity there. The cities don't really have any other place to go for assistance in oil revenue sharing other than this fund. Is that a true statement?

Jeff Engleson: Yes, again I think 10-15% goes to fire and ambulance type services. You want quality ambulance and fire services out there and they don't have the sources of revenue to buy their own trucks right now and they get no tax money. That has always been a priority in this program.

Representative Weiler: Jeff, explain to me why the FTE is needed.

Jeff Engleson: The process starts the end of January. We send out grant applications. We gather them in and I spend a month on the road visiting all the various political subdivisions. Then I come back in. This year it took me about a month to take the applications, print them and come up with a philosophy on how I was going to accomplish this. We allocate one quarter time for the position now; but between support staff and everything else, it is really more than that. If it goes to this higher amount, I would think there would be more accountability. Right now I make all those decisions on my own. It can be appealed to the

board, but there is really no other layer involved in the process. I would think if there is more money involved, there might be more oversight. I could see making rounds twice a year, maybe doing the county separately. We haven't thought it all through and don't know what we are going to end up with, but we know the amount of work is going to increase. I think we will need one position to handle the whole office.

Representative Schmidt: In the past we had detailed charts. Are they available?

Jeff Engleson: We do prepare an annual booklet that shows everything requested and who it went to. That is available on our website or I can certainly get it to the committee if they want to see last year's results.

Vice Chairman Drovdal: Could you do that?

Jeff Engleson: Yes.

Vice Chairman Drovdal: Thank you for your testimony. Any other testimony if favor of HB1225?

Vicky Steiner, Executive Director of North Dakota Association of Oil and Gas Producing Counties: (See Testimony #3). I live in Dickinson. Our association supports HB1225 which takes the cap off and I have the formula up on a chart here. I think sometimes people get confused; but not every country that oil production tax is generated in (for example, McKenzie County) necessarily get the impact dollars generated in their county. Not all the dollars generated in McKenzie County go back to McKenzie County. As Representative Drovdal said, the money is given to

the state off that one third of the first one percent. McKenzie County, depending on their mill levies and their gross production tax, and depending on their ranking, quite often, they don't get anything and it moves into a new county or a county that is over a line. They don't have any oil tax coming to them ever because they don't have an oil well; but the trucks are moving

and there is proven area of destruction. That oil impact dollar follows impact—not necessarily if there was an oil well producing. There are two caps there which I think are going to get confusing for people. We are talking about the cap on the energy impact fund which is one third of one percent. If you have more questions as we get further into it; we can come back and explain the tax better. I would like to become a superintendent , at this point.

Superintendent Gary Wilz could not be here today because of bad weather. **(See Testimony #4).** I think it is really important that I give you some pictures. This picture (if you hold it to the right), it would be like you are sitting in a school bus and looking at a crack in the frame above the door the kids come in. This bus only had 90,000 miles on it. Gary Wilz talked to the vendor and the vendor said they had never had this problem before. He rode one of the roads with the bus driver and said he couldn't wait to get back to the school because the roads were so tough. They have actually welded this back and the bus is back on the road. That is the kind of roads we have and it is very difficult to explain it in a hearing. I would also like to thank you for the slight adjustment we received last session. You adjusted that first level on our gross production tax. Instead of 75% to the county, it went to 100% on the first $1 million. That basically brought a new $250,000 to about 13 counties. That was a very welcome addition of money that we appreciate very much. The cap was addressed by a new $1million if the county levied at least 10 mills already in the county. I want you to know we appreciate what you did last session.

Also, on the $1.2 billion surplus, approximately $800,000,000 is from oil and gas activity at some level. Oil and gas activity is very important to our state. The infrastructure that we provide to that industry is very important to our state. We did a study with NDSU, which we presented in July to the Interim Taxation Committee that showed we had about $90 million in damages for the biennium. If you look at taking both caps off (the impact fund cap and the cap

on counties), we would be about $64 million so it is significant. Part of the reason we are talking so many dollars this time is because we had a boom and we had not addressed this formula for so many years. If you look at just adjusting for inflation, the cap should be at least double in today's dollars without having a boom. I know the numbers get big. We want to make you aware of these things. We don't have any problem with the priority going to transportation because it already does. I think you need the two systems because you are going to have townships and ambulance and fire and some infrastructure problems fall outside the traditional gross production tax funding. It makes sense to have them both, but we certainly appreciate what this bill would do in terms of additional funding.

Vice Chairman Drovdal: I believe you have copies of your chart. Could you make them available to the committee please? **(See Attachment 5.)**

Representative Froseth: Do you know the price of oil per barrel when the fiscal note was prepared?

Vice Chairman Drovdal: Mr. Chairman, I got a note from **Kathy** Strombeck and she said she used a range from $56.83 to $68.16 per barrel. Kathy indicated that this assumed a daily production rate of 205-215,000 barrels per day. She used the same basis as the Governor did in his executive forecast.

Representative Weiler: This is probably a hard question to answer, but really these taxes were changed some time ago. I know in Texas there is a property tax on oil as there is in California. Do you have a guess on what the average value of minerals is in the oil patch?

Vicky Steiner: Actually it is tough because the Tax Department has never done it in North Dakota. You are thinking you would want to have the counties assess property tax?

Representative Weiler: I guess this is really the foundation of this is that we chose not to allow oil to have property tax value, either as productive or as mineral rights and now we are

trying to correct this. I was just wondering what the original value would have been.

Vicky Steiner: I believe when I read the record back from the 50s that the oil companies copied Oklahoma. They did not really want to go to each county assessor and go through valuations on things. They just wanted to take a simple 5% tax out of what the wellhead sells for and then the state gets so much and the counties get so much. Originally, the way the tax was set up, you would not have needed an impact fund because 75% went to the county. Originally they thought if they loaded it in favor of the county at the top of the formula that they would get enough money and eventually the state will get their money. But in 1980, that wasn't quite working so they decided on the impact fund. We had the birth of another system because the gross production tax wasn't giving them enough money to take care of the impact. They funded a general fund for additional money just for impact.

Representative Froelich: Do you know of any counties that have working agreements with the tribe?

Vicky Steiner: No I don't. They did work on some recreation areas together, but I don't know if they do on oil. I did visit with our congressman about the BIA situation because there could be some federal impact dollars that should be made available. It is going to be very difficult for the tribe if the BIA does not have funding and there is joint jurisdiction. In fact, in one of our counties, we do have country and tribe road that actually meets. They do usually work out agreements, but I can look that information up for you.

Representative Froelich: How many counties have townships and how many townships are there?

Vicky Steiner: It is a mixed bag. Stark County doesn't have townships. Some of the counties have very inactive townships and the counties take care of them. I can get that number for you. Actually the townships are helped more by the energy impact fund more than the gross

production tax because the gross production tax is county (inaudible) and schools only so the impact fund is really important to them.

Chairman Belter: Any further testimony on HB1225?

Cliff Ferebee, Dunn County Commissioner: (See Testimony #6). I would like to present some of the figures our auditor put together and hoped to present today. The cost of our royalties from crushing our gravel and scoria this year was $4.64 per yard or over $392,000. The cost of road material, gravel and scoria in 2005 was $.65 a yard. In 2007 it was $1.00 a yard and today it is $2 a cubic yard. Other related costs and impacts are the Sheriff's Department of $83,000. We should have two or three more people. Additional road employees are about $170,000 and we need more. Administrative staff in auditor's office is $87,000. Energy impact identified in 2008 was over $4 million. Energy impact funds received were $400,000. Impact identified since March 2008 is over $7 million. Total rebuild of 20 miles of road because of the impact up to federal standards of over $200,000 per mile in our county would take $4 million. We have about 100 miles we need dust control on at a minimum of $6,000 a mile and lasts one season for $600,000. 150 miles of road needing to be reshaped will cost over $2 million. We need to do some work on our courthouse because we have from 25 to 40 land men a day in there. We had a meeting Wednesday and they were still there. We have to do something there. Our road budget has doubled this last year. We don't know which way to turn. We need to take the caps off and find more energy impact to take care of the needs in our county. Again, thank you for the chance to visit with you today and I will try to answer any questions you may have.

Representative Headland: I didn't add up all the numbers you talked about, but can you just give us an idea of a federal standard road—if you do repair it and fix it, with 100 trucks an hour, as somebody said earlier, will it stand up? I guess we are trying to get an idea of

whether this is going to be an ongoing problem. Is it going to take $30 million every biennium because you just can't possibly keep up with the repair?

Cliff Ferebee: Yes, it is going to be a continuous thing to keep going depending on the weather conditions. Last year we got by in pretty good shape because we didn't have the moisture. We are very concerned this year with the moisture we have because these oil companies go in rain and shine; they don't care. They just keep moving along. It is very hard to answer that question. It is going to be a continuing problem to keep our roads up. We do have people coming in next week to sit down and talk about ways to minimize the impact on our roads. They have been very good at cooperating with us. On the north side, we have the reservation, Parshall on the east side, Stark County on the south side, and McKenzie County on the west side. They cover our entire county.

Representative Headland: Have you repaired a road in your county that meets the federal standard? If you have, is it holding up?

Cliff Ferebee: We just got through doing one—a mile and a half to federal standard, but it is hard to say if it is going to hold up. We are hoping it holds up for three to four years. It cost us $30,000 extra just because of the extra gravel we had to haul.

Representative Froelich: You mentioned that Dunn County has 60,000 acres of state owned mineral rights. Do you receive any money from the minerals?

Cliff Ferebee: No we do not. It all comes into the state. In my particular township, the state has 35% of the minerals. (Inaudible) They have an interest in 15 other sections from 80 to 320 acres with $6.5 million on lease going to the state. The royalties I have been trying to find out about. It all comes into the state and this, I don't think, is figured into the stuff that comes into the production.

Representative Froelich: The state has a huge amount of minerals in our county. Not only does the state take in the money off the oil extraction, but it takes it off the lease part of it and you don't get any?

Cliff Ferebee: No. $6.5 million (inaudible.)

Chairman Belter: Any further testimony in support of 1225? Do you have copies of your testimony?

Ron Ness, North Dakota Petroleum Council: No, Mr. Chairman, I do not. I will try to get copies to you. I have a couple of points I would like to make. We strongly support the counties in their efforts to get more funding back. We recognize that there are going to be a number of bills. I am not going to speak about the details, but there are two points I would like to make. Oil production tax—one month after the oil is produced, the taxes are due to the state of North Dakota. I think the state treasurer has done a phenomenal job over the past 18 months of trying to get money back to counties faster. The oil industry in North Dakota paid over $400 million dollars in oil tax revenues in fiscal 2008. It is unfortunate that the two counties where this tremendous amount of wealth has been created for the state—beyond just that $400 million, but all of the sales tax, the individual income tax, the jobs, etc. are here virtually begging for relief because this distribution formula is broken. I think everybody has realized that over the past couple of sessions. The area where we have a lot of concerns deals with Dunn and Montrail counties because what generally happens, as Representative Onstad said, is that drilling rigs come in and begin drilling the wells, and especially in a new county, unlike McKenzie or Williams, where there has been oil production and they have got money continually flowing in. When you move into a new county, those counties don't have the funds or the resources to handle this significant immediate burden. This bill makes use of the oil impact fund, which was designed for those types of situations because who knows what

counties will be next? It could be Burke, Renville and Divide. It could be Mercer and McLean. We have to look at that gap because there is a gap between the activity and the most significant impacts occur early and those counties do not get their money sometimes because there is no production there. This puts money into the State Land Department's oil impact fund and allows them to address problems. I think we are going to have to look at doing this more than once a year. This is the type of mechanism I think that looks out for the counties that don't have those resources coming in as well as other bills that deal with caps for existing counties that have production. I would stand for any questions.

Kelly Schmidt, State Treasurer: I just want to put a little more detail on what Ron Ness mentioned regarding the distribution. We were doing this on a quarterly basis and we were able to make a policy change on the distribution of the oil production tax so we are now turning those dollars over in less than 30 days. From the time the money is certified with the Tax Department through our office, we are getting those dollars into the hands of the counties in 30 days or less. We are also available to any of you as you put this bill in a subcommittee or whatever you are going to do with it. I want to remind you that all of this information is available on our website based on county, based on townships and cities. That information is available to you to see what has been happening with oil production tax in the last several years. As always, we are available to answer any questions you may have because we know that oil and gas is truly a living animal in North Dakota.

Representative Froelich: I see someone is here from the Tax Department. Is it possible to come up with a formula that says our oil is $30 a barrel and this is what the fiscal note is going to be if it is $50 a barrel, $70, $90 or whatever it might be....what the revenue shared back to the counties would be?

Dan Rouse, Legal Counsel to the Tax Commissioner's Office: Certainly we have some flexibility. We have a lot of history we can work with and, as Representative Drovdal pointed out, we gave the basis for the fiscal note you have in front of you. We can look at history, production activity and modify this as you are deliberating and give you more information.

Representative Pinkerton: Is oil taxed at the wellhead or it taxed at the receipt of the (inaudible)?

Dan Rouse: I brought along our expert and he will give you the answer to that and anything else you want to ask.

Kevin Schatz, Supervisor of Oil and Gas Tax Section: Oil is taxed at the wellhead, based on the value of the oil, at the time it is sold. The companies report to us the volume they sell and the amount they sell it for, (inaudible) and verify that the correct tax has been paid.

Representative Pinkerton: So that is the price they sell it for so if they sell it at the refinery in Bismarck-Mandan cheap at $25 a barrel or whatever it sells for now, that is what they get taxed on. Is that correct?

Kevin Schatz: The price that is attached is the price that the purchaser actually pays an operator or producer at the wellhead. We don't go downstream to a refinery or a second transaction downstream because they are usually adjusted for transportation, the type of oil they are selling, etc. The statute says based on the value of the oil.

Representative Pinkerton: I have talked to John Walstad. There had been some controversy about whether oil was maxed out of transportation or not. That has been resolved, has it?

Kevin Schatz: We have always based it on the value at the wellhead, which is usually net transportation. Transportation is taken off the price and tax is based on the value of the oil

with the transportation deduction taken off there. If the posting price is $30 and there is $2 transportation cost, they actually pay tax on the $20. It is net transportation.

Representative Pinkerton: Say the price is $30 at the wellhead and it costs $2 to transport it to market, they only pay tax on the $28. Now what if it is being transported by truck; if Montrail oil is being transported into Minot and put onto a rail car and shipped to a refinery in Minneapolis, and that is running about $13 a barrel. Is that deducted from that $30 price or are they only paying on $17 then?

Kevin Schatz: I believe it is supposed to be net transportation to the first sale which would be a pipeline facility. The posted price is different. A lot of times it is based on what type of transportation they are using, whether it is pipeline, truck or rail, etc.

Representative Pinkerton: Say the oil is coming out of Montrail County, it is going to Minot, it is being put on a rail, being shipped to Minneapolis or Kansas, so the price that would be taxed would be the price paid net transportation all the way to Kansas or Minneapolis?

Kevin Schatz: That is taken into account in the posted prices and that is why you see the big discounts to North Dakota in a lot of instances. That transportation is taken into account. Several times you will see the posted price on the Wall Street posting may be $60, but in North Dakota they may be paying $40 because they are shipping it by rail car and it costs more to get it there. If they are shipping it by pipeline, the discount rate may be $8, but that is taken into account by the postings that different companies put up. So the transportation is deducted—the downstream transportation—getting it to a point where it can be refined.

Chairman Belter: Any other questions? Further testimony on 1225? Any opposition to 1225? Any neutral testimony? If not, we will close the hearing on 1225. Committee members, we are just going to hold on to 1225 because I am sure there are going to be a number of issues on bills relating to this.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1225**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 4, 2009

Recorder Job Number: 8725

Committee Clerk Signature

Minutes:

Vice Chairman Drovdal: We have HB 1225 before the committee. Representative Weiler, you have some amendments?

Representative Weiler: The amendments on 1225 do a couple of very simple things. We have known for two years that there are a lot of issues out west with the roads. We were told last session that they need money and they need it right away. They never got it two years ago. Now all the bills that have come in are to raise the caps, remove the caps; but, in my opinion, that is not going to get them the money right away that they are two years late in getting. What this bill does is appropriate $20 million out of the permanent oil trust fund to be put into the oil and impact grant fund—a one-time infusion of $20 million to be doled out this June ($10 million) and June of 2010 ($10 million). The purpose of not giving them $20 million up front and dividing it up into two $10 million segments is because if you give them $20 million right away, they don't have the staff to fix everything that needs to be fixed anyway. We might as well leave it in our oil trust fund and let it earn interest for an additional year. The other thing this does is raise the cap from $6 million per biennium on the oil and gas impact grant fund to $9 million per biennium. Section 4 is an emergency clause so we can get the money to them right away. Mr. Chairman, with that I move the amendments.

Vice Chairman Drovdal: I have a motion from **Representative Weiler and a second by Representative Grande to move the amendments. A voice vote on amendment .0101 for HB 1225 resulted in the amendments passing.** What are the committee's wishes?

Representative Grande: This is coming out of the trust fund so it is not a rereferral?

Vice Chairman Drovdal: I have a **"do pass as amended" on HB 1225 and rerefer to appropriations and a second from Representative Froseth.** Any discussion?

Representative Froelich: I support the amendment and the bill. I talked to Vicky and no one ever got back to me. It has come to my attention that some of these counties have CDs (they confirmed that to me one day out in the hallway). There are some counties that have dire needs; there is no question about it. I think this is a better way of going about it—a flat rate where we give each county some of the money; but I have been told (and Vicky never got back to me) that some counties have $16 million lying around in surplus.

Vice Chairman Drovdal: I don't what county that is, but I know that this money is intended to go mostly to Mountrail and Dunn and I can assure you those don't have any money. There may be some like Slope and Billings who don't have the activity; but they don't have the activity so they don't qualify for this. McKenzie County has some money and they are not going to qualify for this money either as far as I can tell. Any other questions or comments on the bill?

A roll call vote "do pass as amended and be rereferred to appropriations"on HB 1225 resulted in 13 ayes, 0 nays, 0 absent/not voting. Representative Drovdal will carry the bill.

FISCAL NOTE

Requested by Legislative Council
03/11/2009

Amendment to: Reengrossed HB 1225

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		$0		$0		
Expenditures						
Appropriations		$4,000,000		$4,000,000		

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

HB 1225 Second Engrossment with Senate Amendments changes the cap on gross production tax revenues that are distributed to the oil and gas impact grant fund from $6 million to $8 million per biennium.

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

The expansion of the cap on revenues that are distributed to the impact grant fund will result in an increase in revenues to the impact grant fund of $2 million (from $6 million to $8 million) during the 2007-2009 and 2009-2011 biennia. Additionally, revenues in the permanent oil tax trust fund are expected to decrease by $2 million in each of the biennia as well. NOTE: This impact is not shown in 1A above because both the impacts are to "other funds" and cancel each other out, with the net impact equal to zero.

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

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

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

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

Section 3 of HB 1225 Second Engrossment with Senate Amendments appropriates $8 million from the permanent oil tax trust fund to the energy development impact office. This appropriation is $4 million each for the 2009 and 2010 grant rounds.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner

Phone Number:	328-3402	**Date Prepared:**	03/11/2009

FISCAL NOTE

Requested by Legislative Council
02/17/2009

Amendment to: Engrossed HB 1225

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues		$0		$0		
Expenditures						
Appropriations		$5,000,000				

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

HB 1225 Second Engrossment extends the cap on gross production tax revenues that are distributed to the oil and gas impact grant fund from $6 million to $8 million per biennium.

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

The fiscal impact of the expansion of the cap on revenues that are distributed to the impact grant fund is an increase in revenues to the impact grant fund of $2 million (from $6 million to $8 million) during the 2007-2009 and 2009-2011 biennia. Additionally, revenues in the permanent oil tax trust fund are expected to decrease by $2 million in each of the biennia as well. NOTE: This impact is not shown in 1A above because both the impacts are to "other funds" and cancel each other out, with the net impact equal to zero.

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

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

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

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

Section 3 of HB 1225 Second Engrossment appropriates $5 million from the permanent oil tax trust fund to the energy development impact office for the 2009 grant round.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	02/17/2009

FISCAL NOTE

Requested by Legislative Council
02/06/2009

Amendment to: HB 1225

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				$0		
Expenditures						
Appropriations				$20,000,000		

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

Engrossed HB 1225 extends the cap on gross production tax revenues that get distributed to the oil and gas impact grant fund from $6 million to $9 million per biennium.

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

The fiscal impact of the expansion of the cap on revenues that are distributed to the impact grant fund is an increase in revenues to the impact grant fund of $3 million (from $6 million to $9 million) during the 2009-2011 biennium. Additionally, revenues in the permanent oil tax trust fund are expected to decrease by $3 million in the 2009-2011 biennium. NOTE: This impact is not shown in 1A above because both the impacts are to "other funds" and cancel each other out, with the net impact equal to zero.

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

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

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

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

Section 3 of Engrossed HB 1225 appropriates $20 million from the permanent oil tax trust fund to the energy development impact office during the 2009-2011 biennium.

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	701.328.3402	**Date Prepared:**	02/10/2009

FISCAL NOTE

Requested by Legislative Council
01/09/2009

Bill/Resolution No.: HB 1225

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

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

Section 1 of HB 1225 removes the cap on gross production tax revenues being distributed to the oil and gas impact grant fund.

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

The fiscal impact of the removal of the cap on revenues that are distributed to the impact grant fund is an estimated increase in revenues to the impact grant fund of $26.8 million (from $6 million to $32.8 million) during the 2009-2011 biennium. Additionally, revenues in the permanent oil tax trust fund are expected to decrease by $26.8 million in the 2009-2011 biennium. NOTE: This impact is not shown in 1A above because both the impacts are to "other funds" and cancel each other out, with the net impact equal to zero.

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

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

If this bill is determined to contain only "distributional changes", in accordance with NDCC Section 57-51.1-07.2, the fiscal impact could be a reduction in state general fund revenues totaling $26.8 million for the 2009-2011 biennium, rather than a reduction in revenue to the permanent oil tax trust fund of $26.8 million.

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

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

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner

Phone Number:	328-3402	**Date Prepared:**	01/09/2009

90079.0101
Title.0200

Prepared by the Legislative Council staff for
Representative Weiler
February 4, 2009

VR
2/4/09

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1225

Page 1, line 3, after "tax" insert "; to provide an appropriation; and to declare an emergency"

Page 1, line 10, remove the overstrike over "~~but not in an amount exceeding~~" and after "~~six~~" insert "nine"

Page 1, line 11, remove the overstrike over "~~million dollars per biennium~~" and overstrike "including any amounts otherwise appropriated for oil"

Page 1, line 12, overstrike "and gas impact grants for the biennium by the legislative assembly,"

Page 2, after line 2, insert:

"**SECTION 3. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $20,000,000, or so much of the sum as may be necessary, to the energy development impact office for the purpose of allocation of oil and gas impact grants among political subdivisions in addition to the amounts to be allocated as provided by law, for the period beginning with the effective date of this Act and ending June 30, 2011. The funds provided in this section must be allocated to provide additional grant funds of $10,000,000 in the grant round awarded in 2009 and additional grant funds of $10,000,000 in the grant round awarded in 2010.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

Date: 2/4/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1225

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Amendment .0101

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Weiler Seconded By Grande

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter			Representative Froelich		
Vice Chairman David Drovdal			Representative Kelsh		
Representative Brandenburg			Representative Pinkerton		
Representative Froseth			Representative Schmidt		
Representative Grande			Representative Winrich		
Representative Headland					
Representative Weiler					
Representative Wrangham					
	Voice				

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

Motion passed.

Date: 2/4/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1225

House **FINANCE AND TAXATION** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended

Motion Made By Grande Seconded By Froseth

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley R. Belter	✓		Representative Froelich	✓	
Vice Chairman David Drovdal	✓		Representative Kelsh	✓	
Representative Brandenburg	✓		Representative Pinkerton	✓	
Representative Froseth	✓		Representative Schmidt	✓	
Representative Grande	✓		Representative Winrich	✓	
Representative Headland	✓				
Representative Weiler	✓				
Representative Wrangham	✓				

Total (Yes) 13 No 0

Absent 0

Floor Assignment Representative Drovdal

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

Rereferr to Approp.

REPORT OF STANDING COMMITTEE

HB 1225: Finance and Taxation Committee (Rep. Belter, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (13 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HB 1225 was placed on the Sixth order on the calendar.

Page 1, line 3, after "tax" insert "; to provide an appropriation; and to declare an emergency"

Page 1, line 10, remove the overstrike over "~~but not in an amount exceeding~~" and after "~~six~~" insert "nine"

Page 1, line 11, remove the overstrike over "~~million dollars per biennium~~" and overstrike "including any amounts otherwise appropriated for oil"

Page 1, line 12, overstrike "and gas impact grants for the biennium by the legislative assembly,"

Page 2, after line 2, insert:

"**SECTION 3. APPROPRIATION.** There is appropriated out of any moneys in the permanent oil tax trust fund in the state treasury, not otherwise appropriated, the sum of $20,000,000, or so much of the sum as may be necessary, to the energy development impact office for the purpose of allocation of oil and gas impact grants among political subdivisions in addition to the amounts to be allocated as provided by law, for the period beginning with the effective date of this Act and ending June 30, 2011. The funds provided in this section must be allocated to provide additional grant funds of $10,000,000 in the grant round awarded in 2009 and additional grant funds of $10,000,000 in the grant round awarded in 2010.

SECTION 4. EMERGENCY. This Act is declared to be an emergency measure."

Renumber accordingly

2009 HOUSE APPROPRIATIONS

HB 1225

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1225

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 12, 2009

Recorder Job Number: 9330

Committee Clerk Signature

Minutes:

Chm. Svedjan called the Committee back to order and took up HB 1225.

Rep. Drovdal approached the podium and explained HB 1225. Currently there is a fund of $6 million grant which serves a niche in the oil field and surrounding oil field that is not being covered by any other tax dollars. It helps the ambulances, the fire departments, the park districts, some of the townships, and surrounding counties which have an impact because of oil. They have requests for $33 million and we have $6 million in there. The Finance and Tax Committee recognizes that the Governor put $14 million in there, but the FTX does not want to make this a full-time agency so we capped that back to $9 million, raising it from $6 million to $9 million. (Section 1 of bill). Section 2 was put in when the cap was removed which put about $26 million into this bill. The language was our legislative intent that this additional money goes to infrastructure. FTX committee believes those people receiving services should pay for those services. When road work is being done, the farmers, ranchers, city people and business people pay for the costs. When oil productivity comes in, the oil people also pay for its cost in a production tax, which is an "in lieu of" tax so that is the property tax that goes back to the counties. The committee heard that the property taxes were capped and those counties were doing the work, but they weren't getting the property tax back. They were not able to collect the money because it was going to the state in production tax or property tax. They felt

(and this did not come from the legislature of the oil producing counties), that these counties for the last two years (basically two counties) have been paying for repair work that should have been paid for out of the property taxes collected by the state, which the state has in general fund 2 or the permanent oil and gas trust fund. The committee members put in section 3 which allocates $20 million for a one time grant money, $10 million going out for each year of the biennium to help them recover some of the costs they have already paid. Mountrail County hit their cap in three months; they went nine months without any property tax but the expenses continued on. You can't cap the expenses, but you cap the income. The committee felt the state did owe some obligation for a lot of those expenses. This bill passed the committee 13-0 as a "do pass" recommendation. That is the policy they wanted to send out. They feel this fund should not go into a full-time agency, that it is doing a job it is meant to do. I will answer any questions if I can.

Rep. Dosch: We just passed HB 1304 allocating $33 million for the oil impacted counties. We are talking another $20 million on top of that?

Rep. Drovdal: The short answer is yes. The committee did recommend another $23 million on that first section 3. I think I did point out that the Governor has $14 million in this part of the budget and $7 million for the other one we passed previously. We are going to end up balancing that out at the end of the session. That is correct; the committee did recommend another $23 million in additional grant money, not necessarily going to the counties, cities and schools that the other fund deals with.

Chm. Svedjan: The additional three has to do with raising the cap from $6 to $9 million. That is not reflected on the fiscal note because they saw it as money in, money out? The $20 million shows the appropriation from the permanent oil trust fund.

Rep. Drovdal: That is correct.

Rep. Bellew: Did you say only two counties will get this money?

Rep. Drovdal: The impact the committee received the most information on, the counties that got hurt the worst (because nobody saw this coming two years ago and nobody expected this kind of technology to have the production jump the way it did) were Dunn and Mountrail. Our intent with some leeway would address the situation because they were capped so terribly bad. But there is some leeway for the grant funds to go over to McKenzie if they need it. Bowman would be one that would qualify for that additional money too. The other counties, Billings, Slope, Gold Valley, the other 17 counties, they did not reach their cap anyway so they got the money that they had coming to them by the production. Really it only affects those counties that were capped, which would be four they could actually go to.

Rep. Skarphol: These are two different funds, two different distribution formulas that have been in existence for a substantial period of time. 1304 addresses those counties that have the most activity. I did hand out another sheet that you might refer to but 1304 addresses maybe three, four, five or six counties out of 17. (Handout is with 1304). There are probably four counties that may hit it this time as far as the cap that 1304 affects. What this fund is designed for is those other counties out there that don't have enough activity to have the caps have any effect on them, but they have impact. I am not suggesting that I am in full agreement with what the tax committee has recommended here, but I do think there needs to be some increase in this fund. We need to move them forward; and as time progresses, we will reconcile everything, hopefully after crossover. But I do believe we need this vehicle to adequately address the issue of damages being done in our oil counties.

Rep. Drovdal: As noted previously, we are not the appropriation committee; we are the policy committee and basically we are trying to put the idea out there. You people deal with the money and we recognize that so that is your ball park.

Rep. Nelson: The appropriation ($20 million) is where most of the question marks would come from. In the distribution formula, the bulk of it would go to 2 counties, but 4 would have some impact as far as receiving those monies?

Rep. Drovdal: The $20 million would go to the oil impact grant and they would make the determination. It is our thought that counties that were impacted that were shortchanged were the ones that hit the cap and production kept going. Mountrail is the by far the worst, Bowman is actually the second and McKenzie and Dunne. McKenzie County has been fortunate enough (they are a little bit behind) but they have been able to not get into the bind that the other counties have gotten into. They were satisfied with the work that the impact office does; we think they are doing a pretty good job addressing areas outside 1304.

Rep. Nelson: Then the way the distribution formula works: it goes to a committee and they decide on a needs basis where it is distributed. There is no distribution formula?

Rep. Drovdal: That's correct; a committee of one.

Rep. Onstad: The application process goes to the State Land Department and they dispense it based on need? Rep. Drovdal, emphasis has been on roads, but what about rural ambulances and rural fire departments? What kind of impact are they seeing?

What about rural ambulances and rural fire departments? What impact do they see?

Rep. Drovdal: It has been a tremendous strain on all our fire departments and ambulances because we are all volunteer out there. This does help them because this is where they have been getting their money. The county fathers have been pretty darned good at helping out too, but this is their basis where they get their dollars. They are affected because they are on call all the time. I don't know how they get by with volunteers. It amazes me. The other night our ambulance went out at 30 degree below chill factor, ice all over the roads to go to Mandaree

which is 50miles away, slid in the ditch and it took three hours for a plow to get out to pull them out. Yet they are willing to go out the next day again. We owe a lot to our volunteers.

Rep. Delzer: Explain the emergency clause. What does that affect?

Rep. Drovdal: The emergency clause is so they can get the $10 million out as fast as possible so that the money will be available on the next grant round.

Rep. Wald: The emergency clause is that you are going to get contractors and get specs drawn and get the process moving, it would speed this up by several months and that's critical.

Rep. Skarphol: I understand the angst in doing this with HB 1304, but I have discussed the potential amendment with Rep. Drovdal. I would move that we would amend this bill on line 11, page 1 from "9" to "8" and further amend this bill on line 5 of page 2, from $20 million down to $5 million in section 3 and remove the language that would have it distributed over two bienniums; that $5 million would go out on a one-time basis. That would reduce the fiscal note in my mind by $16 million.

Rep. Bellew: Second.

Rep. Meyer: I hope we could resist the amendment. Right now if we gave $20 million to Mountrail County, it wouldn't be enough. The counties have done a good job of coming in and showing what has happened. NDSU did a survey for the oil and gas producing counties and they showed $90 million of unmet needs. Dunn and Mountrail Counties are broke. This is different than what we were talking about; this is our impact dollars—the first 1% and this is a critical need. In Dunn County, it's becoming a health issue – ambulances are rolling because of the poor roads; the dust is unbelievable. These are costs we never saw coming; it is not in our budget. Quite frankly, if you gave all $20 to Dunn County, it would hardly even begin to cover the impact. In Mountrail, it is worse. Maybe Kenton can speak to that.

Rep. Onstad: The application requests were over $20 million; the total is over $50 million on this particular fund. That need continues. You have to demonstrate that you have this impact. Our Sheriff's Departments and fire districts have had a hit and they have gone to the oil companies and some have donated dollars toward the townships and recognized the need. But when they ask them again, those same oil companies say "We do pay the tax. What is the obligation of the state? Why do we have to pay the tax and then turn around and pay for your impact?" It's not fair to the oil production companies because we have a way to address the impact. We are not meeting the current needs – and they're not out of line to be asking for this.

Rep. Wald: Rep. Drovdal, SB 2229, how much money is in that bill for the impact on roads issue?

Rep. Drovdal: There is a cap of $10 million put on in the Senate that deals with the same fund.

Rep. Wald: So there is $10 million in SB 2229, what is the status?

Rep Drovdal: I don't know if it has been acted on or not but it came out of committee.

Rep. Skarphol: I do not disagree with Rep. Meyer and Rep. Onstad. There is a pent-up need out there that is tremendous. I'm not cutting the numbers in this because I don't believe there is a need out there, but I don't think we can expect everything that we wanted out of this session. I know there are going to be committee members here that are going to have a hard time even supporting what I am recommending. I would hope that we could support that amendment, keep this bill, reconcile things over crossover. Maybe we will decide there is type of distribution that is more appropriate after the crossover. I firmly believe that if we are going to keep this bill alive, we have to make these reductions in dollar amounts.

Chairman Svedjan: Any more discussion? Seeing none, on the motion to amend. I will cover that again. It changes the increase to $9 million from $6 to $8 million. It reduces in section 3 the stated amount of $20 million down to $5 million and it changes the distribution from a split

distribution of 10 and 10 down to a one time distribution of $5 million. That generally is what the amendment is. I will take a voice vote. The ayes have it; the amendment has been adopted. We have a "do pass as amended" from Rep. Skarphol and a second from Rep. Klein.

Rep. Delzer: With the emergency clause, wouldn't the fiscal effect be for the 2007-2009 biennium?

Chm. Svedjan: I had overlooked that.

Rep. Skarphol: I am not entirely sure that is not appropriate because the damage has happened in this biennium.

Rep. Delzer: I am not complaining. I just want to know where it would show up.

Chm. Svedjan: Your interpretation would be correct.

Rep. Delzer: It would show up on this biennium's ending fund balance.

Chm. Svedjan: That is correct. Any further discussion on the motion? Seeing none, we will take a roll call vote on a "do pass as amended" to HB 1225. (The vote was 20 ayes, 3 nays, 2 absent/not voting.) Rep. Skarphol will carry the bill.

Date: 2/12/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1225

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken Amend as indicated below.

Motion Made By Skarphol Seconded By Bellew

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan					
Vice Chairman Kempenich					
Rep. Skarphol			Rep. Kroeber		
Rep. Wald			Rep. Onstad		
Rep. Hawken			Rep. Williams		
Rep. Klein					
Rep. Martinson					
Rep. Delzer			Rep. Glassheim		
Rep. Thoreson			Rep. Kaldor		
Rep. Berg			Rep. Meyer		
Rep. Dosch					
Rep. Pollert			Rep. Ekstrom		
Rep. Bellew			Rep. Kerzman		
Rep. Kreidt			Rep. Metcalf		
Rep. Nelson					
Rep. Wieland					

Total (Yes) No

Absent

Floor Assignment Rep. Skarphol

If the vote is on an amendment, briefly indicate intent: Voice Vote - carries

Line 11, p. 1 — "19" to "8"

Section 3 Line 5, p. 2 — $30 m → $5m. dist. over 2 biens.
(change it to one-time dist.)

Date: 2/12/09
Roll Call Vote #: 2 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1225

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken: Do Pass as Amended

Motion Made By: Skarphol Seconded By: Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber	✓	
Rep. Wald		✓	Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim	✓	
Rep. Thoreson		✓	Rep. Kaldor	✓	
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch		✓			
Rep. Pollert	✓		Rep. Ekstrom	✓	
Rep. Bellew	✓		Rep. Kerzman	—	
Rep. Kreidt	✓		Rep. Metcalf	✓	
Rep. Nelson	✓				
Rep. Wieland	—				

Total (Yes) 20 No 3

Absent 2

Floor Assignment

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

REPORT OF STANDING COMMITTEE

HB 1225, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (20 YEAS, 3 NAYS, 2 ABSENT AND NOT VOTING). Engrossed HB 1225 was placed on the Sixth order on the calendar.

Page 1, line 11, replace "nine" with "eight"

Page 2, line 5, replace "$20,000,000" with "$5,000,000"

Page 2, line 9, replace "$10,000,000" with "$5,000,000"

Page 2, line 10, remove "and additional grant funds of $10,000,000 in the grant round awarded in 2010"

Renumber accordingly

2009 SENATE NATURAL RESOURCES

HB 1225

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1225

Senate Natural Resources Committee

☐ Check here for Conference Committee

Hearing Date: March 5, 2009

Recorder Job Number: 10258

Committee Clerk Signature

Minutes:

Senator Lyson opens the hearing on HB 1225, relating to apportionment and use of proceeds of the oil and gas gross production.

Representative David Drovdal introduced the bill. There are two different funds called oil and gas grants. The first one is the fund that goes to the counties, cities and school districts. That is HB 1304. This bill is the companion bill to that one and it deals with the oil and gas impact fund that goes to the individuals, groups, and organizations in those communities that do not receive direct aid from the other fund. This was last addressed four sessions ago. We are barely keeping up with the costs and we need this funding.

Jeff Engleson, Director of Energy Development Impact Office, testified in support of HB 1225 (see attached testimony #1).

Vicky Steiner, Executive Director for the North Dakota Association of Oil and Gas Producing Counties, spoke in favor of HB 1225 (see attached testimony #2).

Skip Wing, Emergency Manager from Mountrail County, We have 4 fire departments and 4 volunteer ambulance services. Early on we had an accident at a production site where some gas leaked off and we had a flash fire and there were 3 burn victims. We had never had anything like this before. If there would have been another burn victim or an accident

somewhere else, it would have been beyond our capabilities. It will cost a lot of money to bring trainers in to train our guys. They are all volunteers so we cannot send them to the school. There is a serious need in emergency services for additional money. The communities are very good of supporting this, but the amount is just too great.

Senator Lyson I understand that Stanley is 50 miles from Minot and about 70 miles from Williston, but they are hesitant in sending their equipment to help because they might encounter the same situation.

Skip Wing yes, and that brings in some other issues. The homeland security money was divided up and Mountrail County received just about $12,000 which can't buy a fire truck. Buy the time you divide it up there isn't much to buy anything.

Senator Triplett do you have mutual aid agreements with Minot and Williston?

Skip Wing yes, but there are so many facilities being put up and we do not have the man power to keep them in emergency contact.

Ryan Doug, Dunn County, spoke in favor of the bill and handed out a copy of Dunn County Fast Facts.

Les Snavely, Commissioner of the City of Bowman, spoke in favor of HB 1225 (see attached testimony #5).

Senator Triplett Why are you supporting the bill as it is written, when you are telling us how many needs you guys have.

Les Snavely the city is supporting every one of the other bills, but this will assist our small town. We are burden by the huge demands from the public.

Senator Triplett as between the two of them you would prefer to see more money in the distribution formula than in the oil impact fund if you had a choice?

Les Snavely correct, without question.

Lynn James, Mayor of Bowman, testified in favor of the bill (see attached testimony #6).

Ron Ness, Petroleum Council, the formula and money follow production. It is a problem in North Dakota because the impacts follow the rigs and wells. Our concern that by removing the caps it is excellent for those here today, but there is no buffer to protect or help the counties when you are gone a from now and the production moves to another county. Under the current formula a county needs to produce 600,000 barrels a month at $45 a barrel to reach the cap limit. If we don't take an action to create some kind of funding out there for other counties where activity comes and we will be right back here next time. We supported section 3 and I have an additional amendment. This amendment will help all the counties and prevent us from having to come back in a couple years.

Senator Triplett I appreciate your thoughts about splitting it up over two years, but it seems to make more sense to split it up over three years.

Ron Ness I looked at a provision to put it into an emergency commission. I think any of those suggestions are good. We feel strongly that we have to have some money for problems that we can not foresee.

Senator Schneider is there a way to get the money to the counties faster?

Ron Ness there is an emergency provision on the bill, so if the legislature wants to move it through quickly I know it could happen.

Robert Harms, Northern Alliance, We support this bill and the amendments. What you are talking about is helping the counties address the impacts that the development is creating in their local jurisdictions.

Senator Lyson closed the hearing on HB 1225.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1225

Senate Natural Resources Committee

☐ Check here for Conference Committee

Hearing Date: March 5, 2009

Recorder Job Number: 10328

Committee Clerk Signature	Kate

Minutes:

Senator Lyson opens the discussion on HB 1225.

Senator Schneider why was it Ron Ness who proposed the amendments and not the individuals from the counties who would be affected by it?

Senator Lyson Ron represents the oil companies and they want to keep good working relations with the counties so they are looking out for them also.

Senator Erbele Instead of a onetime $5,000,000 infusion we are going to an $8,000,000 and split it over the biennium is that correct?

Senator Schneider I thought it was a good idea to split it up over 3 years instead of 2 years.

Senator Schneider did we get a sense from the counties on how they feel with the 3 years versus the 2 years?

Senator Erbele I would think that the receiving a larger amount early on is what the counties were looking for. They have some catch up to do with some of their expenses.

Senator Triplett Didn't Jeff say at some point that he thought he would have a hard time getting the money out this summer? I agree that they want it done yesterday, but I don't think it is possible to do that.

Senator Pomeroy I move to adopt the amendments.

Senator Freborg seconds the motion.

A voice vote was taken and the motion carried.

Senator Freborg moves a do pass as amended and re-referred to the Appropriations Committee.

Senator Schneider seconds the motion.

The bill received a do pass as amended on a vote of 6 to 0 and was re-referred to the Appropriations Committee.

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Adopted by the Natural Resources Committee
March 5, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1225

Page 2, line 5, replace "$5,000,000" with "$8,000,000"

Page 2, line 9, replace "$5,000,000" with "$4,000,000" and after "2009" insert "and $4,000,000 in 2010"

Renumber accordingly

Date: March 5, 2009

Roll Call Vote #: #1 1225

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES

Senate Natural Resources Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☒ Do Pass ☐ Do Not Pass ☐ Amended ☒ Amendment

Motion Made By Senator Pomeroy Seconded By Senator Freborg

Senators	Yes	No	Senators	Yes	No
Senator Stanley W. Lyson, Chairman			Senator Jim Pomeroy		
Senator David Hogue, Vice Chairman			Senator Mac Schneider		
Senator Robert S. Erbele			Senator Constance Triplett		
Senator Layton W. Freborg					

Total (Yes) 6 No Ø

Absent Senator Hogue

Floor Assignment

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

Voice vote on amendment only.

Date: March 5, 2009

Roll Call Vote #: #2 1225

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES

Senate Natural Resources Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☒ Do Pass ☐ Do Not Pass ☒ Amended ☐ Amendment

Motion Made By Senator Freborg Seconded By Senator Schneider

Senators	Yes	No	Senators	Yes	No
Senator Stanley W. Lyson, Chairman	✓		Senator Jim Pomeroy	✓	
Senator David Hogue, Vice Chairman			Senator Mac Schneider	✓	
Senator Robert S. Erbele	✓		Senator Constance Triplett	✓	
Senator Layton W. Freborg	✓				

Total (Yes) 6 No ∅

Absent Senator Hogue

Floor Assignment

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

Re-referred to the Appropriations Committee

REPORT OF STANDING COMMITTEE

HB 1225, as reengrossed: Natural Resources Committee (Sen. Lyson, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed HB 1225 was placed on the Sixth order on the calendar.

Page 2, line 5, replace "$5,000,000" with "$8,000,000"

Page 2, line 9, replace "$5,000,000" with "$4,000,000" and after "2009" insert "and $4,000,000 in 2010"

Renumber accordingly

2009 SENATE APPROPRIATIONS

HB 1225

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1225

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: March 16, 2009

Recorder Job Number: 10983

Committee Clerk Signature	Rose Laning

Minutes:

V. Chair Grindberg: called the committee hearing to order on HB 1225 which relates to the use of the proceeds of the oil and gas gross production tax.

David Drovdal: Representative District 39 introduced and testified in favor of HB 1225. No written testimony. 2 fund oil and gas impact money and impact grant money. The two bills are married together;

HB 1304 & HB 1225. Instead of property tax it's called production tax. The state was set up that those who used the services paid the taxes for those services. Now oil companies pay 5% and then 6.5% so they are paying their adequate share.

When cap is off $10M more money. HB 1304 was long term answer and solution. HB 1225 takes care of ambulance. And these are funds where they can go and ask for grants. Section 2 was added by eastern reps that we were increasing oil and tax. Mountrail County capped out in three months. House appropriation amended it down to one time $5M. The bill currently has $8M cap and $8M for roads and gravel.

Support bill and send it out there.

Senator Wardner: Do you think language in Section 2 is adequate so money will go where it needs to go?

David Drovdal: I think it is, but asked for question to be deferred to land department.

Senator Krauter: Asked about $8 plus 2 and 2.

David Drovdal: Raise from $6 to $8M dollars. About $10M more than allocated total in this package.

Senator Krauter: Total for biennium is $16?

David Drovdal: Yes

Senator Wardner: Pot of $8M dollars- one pot. Another pot - $4M and $4M. But the additional $4 has to go to highly impacted counties?

David Drovdal: Ask land department.

Jeff Engleson: Director, Energy Development Impact Office testified in favor of HB 1225 and clarified questions. (See attachment # 1)

May need ½ FTE.

Senator Christmann: Is there a formula for how much money you fund various projects – 70-80%. Certain amount for fire, medical, or recreation; how do you divvy that up?

Jeff Engleson: No there isn't a formula. Take information and try to divvy it out accordingly.

Senator Wardner: This coming summer you'd have 3M from this biennium plus 4M in this bill. Then next summer you have 4 and 4. Then the following summer, we'll be in session and could enhance some more?

Jeff Engleson: Correct.

V. Chair Bowman: By taking cap off of production, you don't have money to pay for anything. It eases the bleeding and frees up extra money. Is that true?

Jeff Engleson: Yes. A key part is the most impacted counties should get the money they need because of all of the oil impact. There are always inequities with formulas.

Vickie Steiner: Executive Director, Oil and Gas Producing Counties testified in favor of HB 1225. No written testimony.

One of 10 wells are state property oil wells. There are no taxes paid on those wells, but they need infrastructure and the property has to be taken care of. There are six new state wells added every month over the past 2 years. 15 land and mineral trust funds- listed them. The cap goes to $8 M and then there's an $8 M infusion. If the caps come off, it will be 13.3 M There has been frustrations and thought we didn't ask for enough money.

V. Chair Grindberg: Asking Becky at Council, could we have pie chart illustration with impact funding with what it would mean.

Senator Krauter: What guarantees or what's in statute that counties that receive large amount of production tax income won't be eligible for grant funds. Want to make sure grant dollars get out there.

Jeff Engleson: There is nothing in statute other than needs and us figuring out how much they get from grants. We must consider all sorts of taxes and revenues.

Senator Christmann: What is status of 1304? Are we doing grants for cultural or recreational activities when roads are so bad that we are ripping wheels off of the buses?

Jeff Engleson: In years past there was more liberal translation, but I don't think that is something that should be funded under the program.

Ron Ness: Petroleum Council testified in favor of HB 1225. (No written testimony) There would be money available for impacted areas.

Cliff Ferebee: Dunn County Commissioner testified in favor of HB 1225. No written testimony. Dunn County has many impacted areas. 37% of minerals belong to state. More funds are needed so we can build roads. The people get very little royalties from mineral rights and

Senator Seymour: If you had resident in your county with a couple oil wells and they live in Phoenix, AZ, does the state of ND get money?

Cliff Ferebee: The state of North Dakota would get their fraction of production tax off of that, which is 5%.

Senator Wardner: How much money would you need right now.

Cliff Ferebee: $7 M to meet our immediate needs. There is not enough money to take care of needs.

Senator Wardner: Where is Dunn County in lieu of county property taxes?

Cliff Ferebee: Right now we are right on the bubble; however we anticipate going over the cap.

Senator Christmann: Dust control – complete destruction of hay because of dust, right? This is an economic loss to ranchers?

Cliff Ferebee: Yes, the grain and hay is ruined and farmers are requesting help.

Senator Krauter: $7M worth of road construction. Is that per calendar year? What is annual road budget?

Cliff Ferebee: This is what we feel we need to get the roads back up in shape. Our auditor could take care of it.

Senator Krauter: Is it half, third?

Cliff Ferebee: Most is roads and bridges.

Reinhard Hauck: Auditor, Dunn County testified in favor of HB 1225. Handed out sheet with revenue and cost numbers – see attached #2.

Senator Robinson: What would it take to bring roads back to condition?

Reinhard Hauck: $4M / year

Senator Christmann: Can you use Killdeer gravel?

Reinhard Hauck: We are still struggling with that issue. The EPA has come forward with a test they are doing on 50 people who work and live in that area to see how severe it might be. As of this point they are still not with us.

Senator Krauter: In Dunn County, do you have any federal lands that you are receiving any interests at all?

Reinhard Hauck: Yes we have a small amount of BLA lands?

Senator Warner: For the record, can you explain Killdeer gravel

Reinhard Hauck: Has erionite (this is correct spelling) mineral similar to asbestos. It's a 25 mile radius around Killdeer MTs and has to haul gravel farther.

Senator Wardner: I see on here that your 5% gross production tax for 2008 was $2.8M was that close to cap?

Reinhard Hauck: That is very close to the cap, which is figured on fiscal year. We only get $750,000 under current set up.

Senator Krauter: Would it make any difference if cap was based on calendar year rather than fiscal year?

Reinhard Hauck: I don't know.

Lynn James: Mayor of Bowman testified in favor of HB 1225. No written testimony. Bowman was greatly helped by oil and impact money. They would like to see money used for needy counties because when Three Forks gets up and running; we'll maybe need the money too. HB which eliminates the production caps.

John Philips: Chairman for Coal Conversion Counties testified in favor of HB 1225. No written testimony. It took about 20 years to bring infrastructure back. High mill levy. 300-500 workers are on the worksite daily. Don't have dollars to handle impact. So impact dollars are very critical.

Lynn Brackel: Bowman County Commissioner testified in favor of HB 1225. No written testimony. County takes portion of impact funds to assist the county build more roads. We have one township that didn't receive money from the impact fund, the County loaned them $5K and repay that by $1K/yr. The townships and Bowman County received $73,000 but roads cost about $120K per mile of road.

V. Chair Grindberg closed the hearing on HB 1225.

Senator Christmann: this is an operation that needs more study. WE need a formula, not based on production and number of wells being drilled.

V. Chair Bowman: When they originally started with Oil & Gas, there was no cap put on counties. We need to keep caps off to help the counties. He researched why they put the caps on and why they took if off. A study would verify what I'm saying

Senator Christmann: Dunn County says we need a band aid for two years.

Senator Warner: Federal gov. is a big palying. The state, we should look at funding and royalties.

Chairman Holmberg: document worked on by council that shows where money is going.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1225

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 04-08-09

Recorder Job Number: 11783 same job as HB 1407. This bill starts at (3.19)

Committee Clerk Signature	Alice Delzer

Minutes:

Chairman Holmberg called the committee to order on HB 1225 regarding oil and gas gross production tax. (The job was continued from HB 1407 with discussion on other bills not related to this bill. It was stopped and restarted but the motion for a do pass and second did not get recorded as recorder was restarted after that was done.)

SENATOR ROBINSON MOVED A DO PASS. SECONDED BY SENATOR KREBSBACH.

Chairman Holmberg asked the clerk to call the roll on a Do Pass on 1225 (3.19)

A ROLL CALL VOTE WAS TAKEN RESULTING IN 12 YEAS, 0 NAYS, 2 ABSENT.

SENATOR FREBORG FROM NATURAL RESOURCES WILL CARRY THE BILL. (4.04)

Chairman Holmberg closed the hearing on HB 1225.

(Job was continued for a time with just general talk and Senator Robinson gave a report to the committee concerning the Legend system).

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1225

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: April 14, 2009

Recorder Job Number: 11849

Committee Clerk Signature	Rose Laning

Minutes:

Chairman Holmberg called the committee hearing to order on HB 1225 relating to apportionment and use of the proceeds of the oil and gas gross production tax.

Chairman Holmberg: We passed out 1225 with a Do Pass. It was on the calendar for a little while and then it came back down. Where it sits right now, if we do nothing, it goes back on the calendar. If we do something, then something is done. One of the points of discussion is that this was a bill that came through Natural Resources and it has some components of it that are covered in HB 1304 which has passed both Houses. It's in the House right now and on its way to a conference committee. If we open up the discussion, it will not be unanimous because there are differences of opinion on it, but it was sent back down here, so we have to at least take another look at it and decide what we as a committee want to recommend.

Senator Robinson: Could Becky brief us on the extent of the fiscal impact that's on HB 1225 and that is also on HB 1304?

Becky Keller, Legislative Council: HB 1225 includes an increase to the oil & gas impact grants of $2 M, and I believe, in HB 1304 it stays the same. HB 1225 also includes some language at the bottom where it's appropriating additional funding for the impact grants – that's $5M off the top. HB 1304 will provide $4 M for 2009 and $4 M for 2010.

Senator Krauter: Which fiscal note are you looking at?

Becky Keller: There is some confusion on which version of the amendments the Senators are looking at. With the amendments there is $4M in 2009 and $4M in 2010. It increases the actual grant in Century Code to $8M rather than $6 M.

Senator Robinson: Is there a possibility to put both bills in conference to work out the issues? I don't know if that would be appropriate or not. The figures are different.

Senator Holmberg: There is not a huge different between them anymore.

Senator Krauter: HB 1225 is strictly the oil impact grants. HB 1304 is the production tax and grants. What in HB 1304 happens to the oil impact grants?

Becky: In HB 1304 the impact grants stay at $6 M and in HB 1225 it goes to $8 M in Century Code the allocation.

Senator Krauter: Is this the 600 version?

Becky: Yes, the 600 version with the Senate amendments attached. She explains section 1 of that bill.

Senator Krauter Why is $6 M dollars written and not crossed out? Currently in statue it is $1 M..

Becky: No currently it's $6 M

V. Chair Bowman: The $1M increase was from 2 years ago. That's on the production side.

Senator Krauter: The governor's budget was at $20M.

Becky: Yes.

Senator Mathern: We've been talking about tax in the oil patch that is not funded properly. We have had story after story; picture after picture. It seems to me that HB 1225 has $2M more and we should keep it alive.

Chairman Holmberg By doing nothing, you keep it alive. The committee has to change its action to change it. Asked Randy – is there no restriction on the appointment of a conference

committee? Could someone be appointed to conference that hadn't heard the bill? This is a Natural Recourse committee in the Senate and it is Finance and Taxes in the House.

Senator Christmann: I don't believe there is any restriction like that. There has always been some participation in the bill.

Chairman Holmberg Do we want to do anything?

Senator Christmann Are you looking for a motion to reconsider our actions? I would recommend a Do Pass.

Senator Fischer Seconded.

Chairman Holmberg: All in favor of the motion to reconsider our actions by which we passed the bill say aye.

Voice vote: question?

Hand count: motion failed.

Chairman Holmberg The floor sent it back. We need a new recommendation.

Discussion followed on how to send it back to the floor of the Senate.

V. Chair Grindberg: The motion to reconsider failed. It gets sent back the way it was.

Chairman Holmberg: We're going to send it back upstairs with same recommendation as before and make sure the paperwork is correct.

Chairman Holmberg: All Alice has to do is carry the bill back upstairs.

Date: 4/8/09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1225

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

Action Taken ☑ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Robinson Seconded By Krebsbach

Representatives	Yes	No	Representatives	Yes	No
Senator Wardner	✓		Senator Robinson	✓	
Senator Fischer A	✓		Senator Lindaas	✓	
V. Chair Bowman	✓		Senator Warner A		
Senator Krebsbach	✓		Senator Krauter	✓	
Senator Christmann	✓		Senator Seymour	✓	
Chairman Holmberg	✓		Senator Mathern	✓	
Senator Kilzer	✓				
V. Chair Grindberg	✓				

Total Yes 12 No 0

Absent 2

Floor Assignment Carry ~~F & tax~~

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

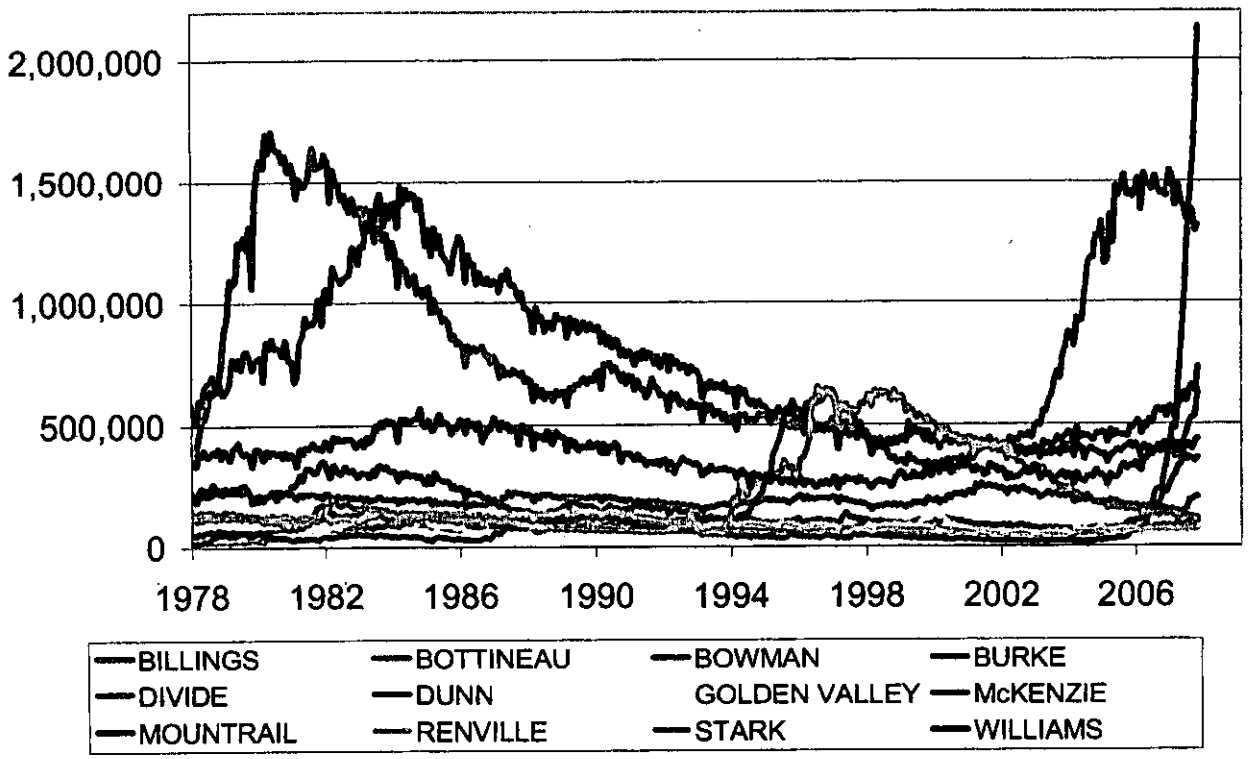
Sen. Triboy

2009 TESTIMONY

HB 1225

January 12, 2009
HB 1225
Attachment 1

North Dakota Monthly Production Top 12 Counties



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Testimony #2

ND STATE LAND DEPARTMENT
Helping to Fund Education

Gary D. Preszler, Commissioner

TESTIMONY OF JEFF ENGLESON
Director, Energy Development Impact Office
North Dakota State Land Department

NEUTRAL ON HOUSE BILL NO. 1225

House Finance and Taxation Committee
January 12, 2009

PURPOSE

The mission of the Energy Development Impact Office (EDIO) is to provide financial assistance to local units of government that are affected by energy activity in the state. Over the years, the EDIO has helped counties, cities, schools districts and other local units of government (organized townships, fire and ambulance districts, etc.) deal with both the booms and the busts associated with energy development in North Dakota. The EDIO became a part of the Land Department in 1989.

Since 1991, the EDIO has made grants only for impacts related to oil and gas development. Funding for these grants is appropriated by the State Legislature from a portion of the 5% Oil & Gas Gross Production Tax. For the 2007-09 biennium, the amount available to this program is capped at $6.0 million; prior to the current biennium, the cap was $5.0 million per biennium.

The Director of the EDIO is responsible for making all decisions related to the oil impact grant program. The Board of University and School Lands is the appellate for applicants not satisfied with the decisions made by the director. Over time, very few appeals have been made.

CURRENT PROGRAM

The EDIO is managed under NDCC Chapter 57-62. NDCC 57-62-05 and 57-62-06 provide the following guidance to the EDIO Director:

- Grants should be used "to meet initial impacts affecting basic government services, and directly necessitated" by oil and gas development impact. Basic government services does not mean marriage or guidance counseling, programs to alleviate other sociological impacts or programs to meet secondary impacts.
- The amount of tax an entity is entitled to from real property and from other tax or fund distribution formulas provided by law must be considered when determining grants.

The following award criteria are used when making grants to political subdivisions:

- A grantee must demonstrate the negative impact caused by oil and gas development in the area.
- A grantee must demonstrate its tax effort and financial need.
- The funds granted must be used to alleviate the hardship caused by oil and gas development.

Under current state law, a portion of the gross production taxes collected by the state flow back to counties, cities and school districts. There are others here today that can better explain the details of the formula used to distribute these funds, so I will not address that issue. However, organized townships, fire and ambulance districts, and many other political subdivisions do not share in any of the gross production taxes collected by the state even though those entities can be greatly impacted by oil and gas development in a given area.

HISTORIC INFORMATION

One of the great things about this program is that the EDIO Director has always had flexibility in administering the oil and gas impact grant program. This has allowed the program to adapt to changing needs as drilling activity has moved from one area of the state to another, and as oil and gas development has gone through both boom and bust cycles. The attached tables provide a breakdown of grants requested and awarded over the past 5 biennia by political subdivision type, by county, and by function.

These tables contain a lot of information; however, there are a few specific things I'd like to point out:

- The amount of grant requests has increased substantially over the past nine years, from a total of $22.7 million for the 1999-01 biennium to $29.1 million in fiscal year 2008 alone.
- The amount of grants awarded to counties has decreased over the past nine years, while the amount awarded to organized townships has increased. This is partly a result of the fact that the amount of tax revenue going to many counties has increased in recent years as both production and oil prices have risen. It is also partly a result of the program recognizing that organized townships have major, direct impacts from oil and gas development, but do not receive any share of the production tax revenues collected by the state.
- The amount of grants awarded to political subdivisions in Bowman County had decreased, while the amount of grants awarded to entities in Mountrail and Dunn counties has increased. This is result of the focus of development activity moving from the Cedar Hills area in Bowman County in the late 1990s and early part of this decade to the Bakken play in the Mountrail and Dunn County areas in more recent years.
- The one thing that hasn't really changed much over the years is the fact that the vast majority of the grants awarded (85%-90%) have been for transportation related projects/functions and for fire and ambulance related equipment and services. This reflects the program's recognition that these government services are probably the services most directly impacted by oil development.

As these tables show, the flexibility of the EDIO program has allowed the EDIO Director to try to balance the needs of the various political subdivisions at any given point in time with the resources available. The tables also show that this program allows the EDIO Director to address the fact that there are many political subdivisions which are directly impacted by oil and gas development, but which do not receive an adequate amount of tax revenues to help defray the cost of reducing those impacts.

PROPOSED CHANGES

HB 1225 amends NDCC 57-51-15(1) to eliminate the cap on the amount of gross production tax that goes into the oil and gas impact grant fund. It also adds language to NDCC 57-62-06 which states that transportation infrastructure projects will have a priority.

The EDIO takes a neutral position as to how much funding should flow into the oil impact grant fund. In fact, we have not seen a fiscal note that states how much additional funding could flow into the impact fund if the cap is eliminated.

The EDIO also takes a neutral position as to the language that states that transportation infrastructure projects will have a priority under the program. It is clear from the information provided to you that transportation projects have always been a priority of this program. Although we feel there is no need for this additional language, we do not see it changing the nature of the oil impact grant program in a material way.

Although the EDIO takes a neutral position on both of these issues, I would like to take this time to make a few of comments about this bill and how the proposed changes could impact the way that the EDIO oil impact grant program is administered:

- The amount of funding needed for this program is directly related to the amount of gross production taxes that flow to counties, cities and schools under NDCC 57-51-15, section 2. If the legislature provides more funding to these political subdivisions under NDCC 57-51-15, section 2, then there would be less need for grants from the oil impact grant fund. It is clear to me, as the EDIO Director, that there is a serious need for additional funding to address the impacts of oil and gas development in the state. The questions are, how much funding is needed and how will those funds go back to those areas that need them? I would encourage you to look at the gross production tax funding formula closely as a part of this process.

- The EDIO has historically focused on "filling in the gaps" for those entities that receive no funding or inadequate funding under the gross production tax distribution formula. Raising the amount of funds available to $20 million or more per biennium would change the nature of the program and would make the EDIO an integral part of financing transportation infrastructure in western North Dakota.

- The current budget for the EDIO is $6.0 million per biennium. Of that amount, $5,888,100 is used to provide grants to political subdivisions and $111,900 is used to administer the program. At the present time, the Land Department dedicates about 25% of one FTE to perform the functions of the EDIO, although the actual time involved in administering the program is probably somewhat more than currently allocated. If the amount allocated to this program increases substantially, there would be a need for an additional FTE and operating funds to administer the program. The Land Departments budget bill (SB 2013), addresses this need by adding one FTE to the Land Department and an additional $222,241 in expenses to administer the oil impact grant program.

- There are a number of bill that have been filed that deal with the amount of funding dedicated to the EDIO and/or the amount of gross production taxes flowing back to counties, cities and school districts. The bills I currently know about include SB 2013, SB 2051, HB 1274 and this bill. There may be others I'm not aware of as well. Because these two issues are so directly related, it might be a good idea to deal with these issues in only one bill.

ENERGY DEVELOPMENT IMPACT OFFICE

Grant Requests/Awards By Political Subdivision and County

1999-01 Biennium Through Fiscal Year 2008

(all dollar amounts shown are in millions)

Same handout given to Senate.

Breakdown By Political Subdivision Class

	1999-01 Biennium			2001-03 Biennium			2003-05 Biennium			2005-07 Biennium			Fiscal Year 2008		
Class	Requested	Awarded	%	Requested	Awarded	%	Requested	Awarded	%	Requested	Awarded	%	Requested	Awarded	%
County	$ 8.412	$ 2.063	42.1%	$ 8.929	$ 1.978	39.0%	$ 9.092	$ 1.388	28.3%	$ 44.353	$ 1.191	24.0%	$ 10.573	$ 0.540	18.0%
School	1.317	0.248	5.1%	2.164	0.352	6.9%	3.394	0.376	7.7%	3.499	0.255	5.1%	0.902	0.093	3.1%
City	7.813	0.891	18.2%	7.942	0.868	17.1%	12.018	0.850	17.3%	12.508	0.674	13.6%	9.823	0.497	16.6%
Park District	0.120	0.003	0.1%	0.077	-	0.0%	0.244	-	0.0%	0.351	-	0.0%	0.193	-	0.0%
Airport Auth.	0.733	0.046	0.9%	0.249	0.029	0.6%	0.502	0.038	0.8%	0.337	0.042	0.8%	0.138	0.005	0.2%
Township	2.577	1.217	24.8%	2.559	1.271	25.0%	3.652	1.503	30.7%	8.117	2.239	45.0%	5.654	1.492	49.7%
Fire District	1.777	0.432	8.8%	2.141	0.577	11.4%	2.804	0.745	15.2%	3.616	0.570	11.5%	1.856	0.373	12.4%
TOTAL	$ 22.749	$ 4.900	100%	$ 24.061	$ 5.075	100%	$ 31.706	$ 4.900	100%	$ 72.781	$ 4.971	100%	$ 29.139	$ 3.000	100%

Breakdown By County

	1999-01 Biennium			2001-03 Biennium			2003-05 Biennium			2005-07 Biennium			Fiscal Year 2008		
County	Requested	Awarded	%	Requested	Awarded	%	Requested	Awarded	%	Requested	Awarded	%	Requested	Awarded	%
Billings	$ 1.404	$ 0.030	0.6%	$ -	$ -	0.0%	$ 0.081	$ 0.005	0.1%	$ 0.073	$ 0.005	0.1%	$ 0.007	$ -	0.0%
Bottineau	0.891	0.399	8.1%	1.741	0.433	8.5%	1.365	0.491	10.0%	1.481	0.415	8.3%	0.838	0.164	5.5%
Bowman	5.759	1.000	20.4%	6.125	1.056	20.8%	7.004	0.610	12.4%	8.710	0.390	7.8%	5.012	0.133	4.4%
Burke	0.744	0.366	7.5%	0.837	0.396	7.8%	0.932	0.400	8.2%	1.683	0.493	9.9%	0.924	0.203	6.8%
Divide	0.586	0.306	6.2%	0.507	0.250	4.9%	0.610	0.296	6.0%	1.630	0.505	10.1%	3.259	0.228	7.6%
Dunn	1.066	0.192	3.9%	0.683	0.202	4.0%	0.753	0.234	4.8%	2.742	0.251	5.0%	5.044	0.440	14.7%
G. Valley	0.814	0.304	6.2%	0.716	0.278	5.5%	1.221	0.366	7.5%	1.789	0.370	7.4%	0.872	0.156	5.2%
Hettinger	-	-	0.0%	-	-	0.0%	0.005	-	0.0%	-	-	0.0%	-	-	0.0%
McHenry	-	-	0.0%	0.067	0.035	0.7%	0.070	0.050	1.0%	0.070	0.040	0.8%	0.030	-	0.0%
McKenzie	0.647	0.112	2.3%	1.513	0.201	4.0%	1.545	0.215	4.4%	3.141	0.184	3.7%	0.734	0.118	3.9%
McLean	0.024	0.015	0.3%	0.005	0.003	0.1%	0.010	0.007	0.1%	0.005	0.002	0.0%	0.003	0.001	0.0%
Mercer	0.274	0.018	0.4%	0.012	-	0.0%	0.032	0.012	0.2%	0.035	0.009	0.2%	0.018	0.002	0.1%
Mountrail	0.756	0.370	7.5%	0.892	0.276	5.4%	1.143	0.295	6.0%	3.769	0.641	12.9%	4.390	0.796	26.5%
Renville	1.117	0.366	7.5%	1.694	0.398	7.8%	1.920	0.441	9.0%	1.676	0.402	8.1%	0.862	0.177	5.9%
Slope	0.754	0.171	3.5%	0.517	0.183	3.6%	0.646	0.151	3.1%	0.826	0.154	3.1%	0.364	0.073	2.4%
Stark	2.904	0.389	7.9%	2.618	0.432	8.5%	3.270	0.385	7.9%	4.272	0.239	4.8%	1.501	0.090	3.0%
Ward	0.107	0.046	0.9%	0.064	0.030	0.6%	0.185	0.048	1.0%	0.180	0.042	0.8%	0.092	0.025	0.8%
Williams	4.904	0.818	16.7%	6.072	0.904	17.8%	10.914	0.896	18.3%	40.700	0.831	16.7%	5.189	0.394	13.1%
TOTAL	$ 22.749	$ 4.900	100%	$ 24.061	$ 5.075	100%	$ 31.706	$ 4.900	100%	$ 72.781	$ 4.971	100%	$ 29.139	$ 3.000	100%

ENERGY DEVELOPMENT IMPACT OFFICE
Grant Awards By Function
Fiscal Year 2002 Through Fiscal Year 2008

Same handout given to Senate.

Function	2001-03 Biennium FY 2002	FY 2003	2003-05 Biennium FY 2004	FY 2005	2005-07 Biennium FY 2006	FY 2007	FY 2008
Law Enforcement	$ 2,400	$ 21,000	$ 22,000	$ 15,000	$ 45,000	$ 5,500	$ 10,000
Education	152,000	200,000	181,000	197,000	110,000	105,000	83,500
Health	89,500	105,350	121,000	120,500	59,000	35,100	78,500
Transportation	1,694,100	1,936,250	1,601,000	1,669,600	1,869,000	1,949,400	2,274,000
Recreation	7,000	1,000	4,000				-
Fire Protection	260,000	419,900	384,000	401,600	369,500	338,500	521,000
Housing							-
Planning		3,500				12,000	-
Potable Water	4,000	40,000	40,000	10,000	32,000	18,000	-
Sewage Treatment		10,000	26,000				-
Water and Sewer	5,000	5,000	51,000	10,300	15,000	7,000	25,000
Local Administration	1,000	58,000		26,000	500	500	5,000
Other	60,000		20,000				3,000
TOTAL	$ 2,275,000	$ 2,800,000	$ 2,450,000	$ 2,450,000	$ 2,500,000	$ 2,471,000	$ 3,000,000
		$ 5,075,000		$ 4,900,000		$ 4,971,000	

Function	2001-03 Biennium FY 2002	FY 2003	2003-05 Biennium FY 2004	FY 2005	2005-07 Biennium FY 2006	FY 2007	FY 2008
Law Enforcement	0.1%	0.8%	0.9%	0.6%	1.8%	0.2%	0.3%
Education	6.7%	7.1%	7.4%	8.0%	4.4%	4.2%	2.8%
Health	3.9%	3.8%	4.9%	4.9%	2.4%	1.4%	2.6%
Transportation	74.5%	69.2%	65.3%	68.1%	74.8%	78.9%	75.8%
Recreation	0.3%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%
Fire Protection	11.4%	15.0%	15.7%	16.4%	14.8%	13.7%	17.4%
Housing	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Planning	0.0%	0.1%	0.0%	0.0%	0.0%	0.5%	0.0%
Potable Water	0.2%	1.4%	1.6%	0.4%	1.3%	0.7%	0.0%
Sewage Treatment	0.0%	0.4%	1.1%	0.0%	0.0%	0.0%	0.0%
Water and Sewer	0.2%	0.2%	2.1%	0.4%	0.6%	0.3%	0.8%
Local Administration	0.0%	2.1%	0.0%	1.1%	0.0%	0.0%	0.2%
Other	2.6%	0.0%	0.8%	0.0%	0.0%	0.0%	0.1%
TOTAL	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Testimony 2

Oil Impact Grant Awards -- 6/30/2008

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
BILLINGS COUNTY			
CITY OF MEDORA			
SNOW PLOW BLADE FOR DUMP TRUCK	$7,235	$0	
TOTAL FOR BILLINGS COUNTY	**$7,235**	**$0**	
BOTTINEAU COUNTY			
BOTTINEAU COUNTY			
MICROSURFACING SOURIS SOUTH	$75,000	$0	
CITY OF ANTLER			
REPAIR BUILDING	$5,000	$3,000	Y04454
CITY OF LANSFORD			
REPAIR STREETS AND WATER SEWER IMPROVEMENTS	$25,000	$5,000	Y04675
CITY OF NEWBURG			
STREET OVERLAY	$75,000	$10,000	Y04451
CITY OF SOURIS			
MAIN STREET & WATER TOWER REPAIR	$22,000	$5,000	Y04463
ANTLER TOWNSHIP			
ROAD REPAIR AND GRAVELING	$15,000	$5,000	Y04559
BENTINCK TOWNSHIP			
ROAD REPAIR	$25,000	$0	
BLAINE TOWNSHIP			
ROAD MAINTENANCE & WIDENING	$8,000	$5,000	Y04604
BRANDER TOWNSHIP			
GRAVEL & DUST CONTROL	$10,000	$5,000	Y04523
CHATFIELD TOWNSHIP			
ROAD MAINTINANCE, RESHAPE & REGRAVEL PROJECT	$12,000	$0	
ELMS TOWNSHIP			
ELMS OIL ROAD REPAIR	$10,000	$0	
HARAM TOWNSHIP			
OIL ROAD MAINTENANCE	$6,500	$5,000	Y04597
HASTINGS TOWNSHIP			
ROAD GRAVELING, REPAIR & SNOW REMOVAL	$50,000	$0	
HOFFMAN TOWNSHIP			
GRAVEL & MAINTAIN ROADS	$5,000	$5,000	Y04419
KANE TOWNSHIP			
GRAVEL & DUST-OFF FOR MAINTAINING ROADS	$100,000	$10,000	Y04548

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
LANSFORD TOWNSHIP			
LANSFORD TOWNSHIP ROAD IMPROVEMENT	$10,000	$5,000	*Y04625*
MOUNT ROSE TOWNSHIP			
ROAD MAINTENANCE	$20,000	$10,000	*Y04661*
NEWBORG TOWNSHIP			
ROAD CONSTRUCTION	$60,000	$10,000	*Y04615*
RENVILLE TOWNSHIP			
ROAD REPAIR AND GRAVELING	$8,000	$5,000	*Y04638*
SCANDIA TOWNSHIP			
GENERAL ROAD REPAIR	$25,000	$5,000	*Y04628*
SCOTIA TOWNSHIP			
GRADING & GRAVELING OIL IMPACTED ROADS	$15,000	$5,000	*Y04430*
SERGIUS TOWNSHIP			
ROAD REPAIR & MAINTENANCE	$55,650	$5,000	*Y04503*
SHERMAN TOWNSHIP			
ROAD MAINTENANCE	$8,000	$5,000	*Y04539*
STONE CREEK TOWNSHIP			
GRAVEL, REPAIR & MAINTAIN ROADS	$4,500	$4,000	*Y04468*
TACOMA TOWNSHIP			
GRAVEL TOWNSHIP ROADS	$6,600	$5,000	*Y04515*
WAYNE TOWNSHIP			
HUNTER & ANTLER ROAD GRAVELING PROJECT	$8,000	$5,000	*Y04478*
WHEATON TOWNSHIP			
ROAD REPAIR & MAINTENANCE	$12,000	$5,000	*Y04646*
KRAMER FIRE DISTRICT			
NEWER TRUCK TO REPLACE OLDER ONE	$10,000	$5,000	*Y04580*
MAXBASS RURAL FIRE DEPARTMENT			
FIRE EQUIPMENT & FIRE VEHICLES	$60,000	$10,000	*Y04448*
NEWBURG RURAL FIRE DISTRICT			
TURN OUT GEAR FOR WILD FIRES	$2,000	$2,000	*Y04633*
SOURIS RURAL FIRE DISTRICT			
TURN OUT GEAR LOCKER ROOM	$50,000	$10,000	*Y04442*
WESTHOPE RURAL FIRE DISTRICT			
TANKER TRUCK	$40,000	$10,000	*Y04429*
TOTAL FOR BOTTINEAU COUNTY	***$838,250***	***$164,000***	

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
OWMAN COUNTY			
BOWMAN COUNTY			
DIALHOUSE ROAD CHIP SEAL	$260,000	$0	
LOOP ROAD NORTH REPAIR	$74,000	$0	
BAGLEY HESTEKIN ROAD RECONSTRUCTION	$695,000	$0	
MARMARTH ROAD NORTH REPAIR & CHIP SEAL	$770,000	$0	
LOOP ROAD SOUTH REPAIR	$148,000	$0	
MARMARTH ROAD CEDAR AREA RECONSTRUCTION	$716,000	$0	
RHAME ROAD NORTH REPAIR & CHIP SEAL	$535,000	$0	
BOWMAN PSD			
CONTRACTED RURAL BUS TRANSPORTATION @RHAME LOCATION	$25,000	$0	
PARKING LOT (UNLOADING ZONE) PAVING PROJECT	$20,000	$0	
PHONE SYSTEM UPGRADE	$8,000	$0	
CITY OF BOWMAN			
AMBULANCE VEHICLE	$20,000	$5,000	Y04655
NEW FIRE STATION	$400,000	$20,000	Y04654
PHARMACEUTICAL SUPPLIES	$13,226	$0	
CITY OF RHAME			
NEW 2 TON DUMP TRUCK	$15,000	$5,000	Y04534
CHIP SEAL CITY STREETS & REPAIR MAIN STREET	$200,000	$10,000	Y04535
REBUILDING SECOND SEWER CELL	$25,000	$0	
AMOR TOWNSHIP			
ROAD UPKEEP	$8,000	$8,000	Y04595
BOWMAN TOWNSHIP			
3 MILES ON OLD HIGHWAY 12	$100,000	$20,000	Y04512
GEM TOWNSHIP			
FLEMING ROAD PROJECT AND NEW CULVERTS	$15,000	$10,000	Y04587
LANGBERG TOWNSHIP			
REGRAVEL HORSE CREEK ROAD	$40,000	$15,000	Y04457
MINNEHAHA TOWNSHIP			
OIL ROAD REPAIR & MAINTENANCE	$5,000	$5,000	Y04530
NEBO TOWNSHIP			
NEBO TOWNSHIP ROAD	$495,000	$15,000	Y04596
STAR TOWNSHIP			
KESSLER ROAD RECONSTRUCTION	$345,000	$0	
RHAME RURAL FIRE DISTRICT			
DEPARTMENT RADIO REPLACEMENT	$80,000	$20,000	Y04453
TOTAL FOR BOWMAN COUNTY	**$5,012,226**	**$133,000**	

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
BURKE COUNTY			
BURKE COUNTY			
MOTORGRADER	$50,000	$0	
GRAVEL FOR COUNTY ROADS (CRUSHING, HAULING)	$50,000	$0	
BOWBELLS PSD #14			
BUS REPAIR	$3,500	$3,500	Y04422
POWERS LAKE PSD #27			
ROOF REPAIR	$12,000	$0	
BUS REPLACEMENT	$30,000	$10,000	Y04614
BURKE CENTRAL PSD #36			
BUS REPLACEMENT	$100,000	$10,000	Y04421
CITY OF FLAXTON			
LIFT STATION	$20,000	$0	
CITY OF LIGNITE			
STREET REPAIRS & MAINTENANCE	$10,000	$5,000	Y04428
CITY OF PORTAL			
RESCUE TRAINING AND WQUIPMENT	$201,000	$0	
HAZ-MAT TRAINING & FIRE PROTECTION EQUIPMENT	$28,000	$10,000	Y04611
STREET RECONSTRUCTION	$15,000	$5,000	Y04577
CITY OF POWERS LAKE			
AMBULANCE EQUIPMENT & TRAINING	$17,905	$10,000	Y04629
BATTLEVIEW TOWNSHIP			
ROAD REPAIR & MAINTENANCE	$48,500	$10,000	Y04561
CARTER TOWNSHIP			
ROAD REPAIR AND MAINTENANCE	$20,000	$10,000	Y04411
CLAYTON TOWNSHIP			
ROAD REPAIR & UPKEEP	$14,000	$5,000	Y04608
COLVILLE TOWNSHIP			
ROAD MAINTENANCE	$10,400	$5,000	Y04488
DALE TOWNSHIP			
ROAD GRAVELING	$7,000	$5,000	Y04550
FOOTHILLS TOWNSHIP			
ROAD REPAIR & MAINTENANCE	$10,000	$5,000	Y04465
GARNESS TOWNSHIP			
ROAD GRAVELING & MAINTENANCE	$4,000	$4,000	Y04671
HARMONIOUS TOWNSHIP			
GRAVEL DAMAGED ROADS DUE TO HEAVY OIL TRAFFIC	$8,000	$5,000	Y04479
KELLER TOWNSHIP			
GRAVEL FOR ROADS	$4,000	$4,000	Y04516

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
LAKEVIEW TOWNSHIP			
CULVERT REPLACEMENT, GRAVELING, MAINTENANCE	$9,000	$5,000	*Y04627*
LUCY TOWNSHIP			
GRAVEL ON OIL ROADS	$2,500	$1,000	*Y04579*
MINNESOTA TOWNSHIP			
ROAD MAINTENANCE FOR OLD & NEW WELLS	$20,000	$5,000	*Y04434*
NORTHSTAR TOWNSHIP			
GRAVEL & MAINTAIN TOWNSHIP ROADS	$26,000	$5,000	*Y04665*
PORTAL TOWNSHIP			
GRAVEL & REBUILD IMPACTED ROADS	$20,000	$5,000	*Y04425*
RICHLAND TOWNSHIP			
GRAVEL & MAINTAIN NEW ROAD	$22,000	$5,000	*Y04452*
SHORTCREEK TOWNSHIP			
ROAD MAINTENANCE	$26,000	$10,000	*Y04574*
SOO TOWNSHIP			
MAINTENANCE & REPAIR OF ROADS	$20,000	$10,000	*Y04631*
THORSON TOWNSHIP			
ROAD MAINTANENCE	$13,500	$0	
VALE TOWNSHIP			
BLADE & GRAVEL TWP ROADS FROM WINTER OIL TRAFFIC	$10,000	$5,000	*Y04484*
WARD TOWNSHIP			
2008 GRAVEL PROJECT	$20,000	$5,000	*Y04510*
BOWBELLS FIRE DISTRICT			
FIRE HALL ADDITION & DIGITAL RADIO	$35,000	$15,000	*Y04556*
FLAXTON FIRE DISTRICT			
SELF CONTAINED BREATHING AIR PACS	$16,600	$10,000	*Y04573*
LIGNITE FIRE DISTRICT			
SAFETY EQUIPMENT	$5,000	$5,000	*Y04541*
POWERS LAKE RURAL FIRE DISTRICT			
FIRE FIGHTING EQUIPMENT	$15,500	$10,000	*Y04519*
TOTAL FOR BURKE COUNTY	***$924,405***	***$202,500***	

DIVIDE COUNTY

DIVIDE COUNTY			
GRAVEL CRUSHING & EQUIPMENT	$150,000	$0	
CITY OF CROSBY			
UPGRADE WATER TREATMENT PLANT & SYSTEM	$2,500,000	$0	
EQUIP CAB & CHASSIS WITH FIRE APPARATUS	$25,000	$15,000	*Y04435*
CITY OF NOONAN			
BULK WATER DISTRIBUION BUILDING	$10,000	$5,000	*Y04492*

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
CITY OF AMBROSE			
GRADING & GRAVELING STREETS	$6,500	$6,500	*Y04620*
USED 3/4 TON PICKUP WITH PLOW	$35,000	$0	
ALEXANDRIA TOWNSHIP			
ROAD WORK	$5,000	$5,000	*Y04500*
AMBROSE TOWNSHIP			
ROAD MAINTENANCE & REPAIR & SNOW REMOVAL	$5,000	$5,000	*Y04476*
BLOOMING PRAIRIE TOWNSHIP			
ROAD IMPROVEMENT & MAINTENANCE	$25,000	$10,000	*Y04606*
BLOOMING VALLEY TOWNSHIP			
MILLER OIL WELL ROAD	$30,000	$10,000	*Y04672*
BORDER TOWNSHIP			
ROAD REPAIR & MAINTENANCE	$15,000	$5,000	*Y04607*
BURG TOWNSHIP			
OIL ROAD MAINTENANCE	$15,000	$5,000	*Y04533*
CLINTON TOWNSHIP			
REBUILD 1 MILE OF ROAD	$15,000	$5,000	*Y04450*
COALFIELD TOWNSHIP			
ROAD BUILDING & REPAIR	$25,000	$10,000	*Y04491*
DANEVILLE TOWNSHIP			
GRAVEL HIGH TRAFFIC ROADS	$5,000	$5,000	*Y04520*
DEWITT TOWNSHIP			
MOWER	$10,000	$5,000	*Y04635*
ELKHORN TOWNSHIP			
ROAD BLADING, SNOW REMOVAL & SPOT GRAVELING	$5,000	$5,000	*Y04486*
FERTILE VALLEY TOWNSHIP			
REPLACE CULVERT, MAINTAIN ROADS	$10,000	$5,000	*Y04619*
FILLMORE TOWNSHIP			
PURCHASE NEW WOODS ROTARY MOWER	$12,000	$5,000	*Y04575*
FREDERICK TOWNSHIP			
ROAD CONSTRUCTION & MAINTENANCE	$38,000	$10,000	*Y04602*
GARNET TOWNSHIP			
ROAD GRAVELING, REPAIR AND MAINTAINING	$13,334	$10,000	*Y04455*
GOOSENECK TOWNSHIP			
ROAD GRAVELING & MAINTENANCE	$6,000	$5,000	*Y04670*
HAWKEYE TOWNSHIP			
ROAD GRAVELING & MAINTENANCE	$20,000	$10,000	*Y04605*
HAYLAND TOWNSHIP			
GRAVEL EAST SIDE OF SECTIONS #17 & 20	$4,000	$10,000	*Y04562*
LINCOLN VALLEY TOWNSHIP			
ROAD MAINTENANCE	$8,000	$5,000	*Y04664*
LONG CREEK TOWNSHIP			
ROAD IMPROVEMENT	$13,000	$5,000	*Y04553*

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
MENTOR TOWNSHIP			
ROAD MAINTENANCE	$18,000	$5,000	*Y04610*
PALMER TOWNSHIP			
ROAD CONSTRUCTION & MAINTENANCE	$6,000	$6,000	*Y04669*
PLUMER TOWNSHIP			
REPAIR & MAINTANCENCE	$13,000	$5,000	*Y04494*
SMOKEY BUTTE TOWNSHIP			
BLADING & GRAVELING ROADS	$15,000	$10,000	*Y04514*
STONEVIEW TOWNSHIP			
2008 ROAD MAINTENANCE	$22,000	$5,000	*Y04616*
TROY TOWNSHIP			
ROAD MAINTENANCE	$15,000	$10,000	*Y04509*
TWIN BUTTE TOWNSHIP			
ROAD REPAIR, MAINTENANCE & WAGES	$6,000	$5,000	*Y04641*
WESTBY TOWNSHIP			
ROAD MAINTENANCE	$8,000	$5,000	*Y04511*
FORTUNA RURAL FIRE DISTRICT			
NEW FIREHALL OR REMODEL EXISTING FACILITY	$150,000	$15,000	*Y04441*
TOTAL FOR DIVIDE COUNTY	***$3,258,834***	***$227,500***	

DUNN COUNTY

DUNN COUNTY			
RESURFACING WERNER ROAD	$93,110	$0	
RIGHT OF WAY PURCHASE	$3,200	$0	
DUNN COUNTY HISTORICAL MUSEUM STORAGE DOOR REPLACEMENT	$1,217	$0	
SEMI TRACTORS & BELLY DUMP TRAILERS	$200,000	$0	
RESURFACING 97TH AVE SW	$80,740	$0	
FEDERAL AID ROUTE #1330	$800,000	$0	
MILLER HILL	$45,000	$0	
RESURFACING 11TH ST SW	$42,160	$0	
SOUTH DUNN CENTER ROAD	$300,000	$0	
DUST CONTROL	$350,000	$100,000	*Y04657*
GRAVEL STOCKPILE	$800,000	$100,000	*Y04658*
SOUTH HEART ROAD INTERSECTION	$125,000	$100,000	*Y04659*
SKACHENKO ROAD UPGRADE & REALIGNMENT	$225,000	$0	
LITTLE KNIFE GAS PLANT ROAD	$300,000	$0	
HOUGHTON ROAD UPGRADE	$300,000	$0	
HENDRICKS BRIDGE REPLACEMENT	$200,000	$100,000	*Y04660*
KOVASH ROAD	$70,000	$0	
EXPERIMENT STATION ROAD	$225,000	$0	
DEPUTY SHERIFF AND EQUIPMENT	$83,000	$0	
DUST CONTROL - JOHN SCHMIDT ROAD	$75,000	$0	
GAP ROAD	$150,000	$0	

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
KILLDEER PSD			
SCHOOL BUS REPLACEMENT	$73,000	$10,000	*Y04420*
CITY OF DODGE			
DODGE STREET IMPROVEMENT PROJECT	$270,000	$5,000	*Y04526*
CITY OF KILLDEER			
DIESEL GENERATOR/EMERGENCY SERVICE	$21,000	$21,000	*Y04653*
2008 STREET PROJECT	$200,000	$0	
DUNN COUNTY FAIR BOARD			
HIGH PLAINS CULTURAL CENTER	$7,000	$0	
WEST DUNN RURAL FIRE DISTRICT			
RAIOS & TANK	$4,400	$4,400	*Y04584*
TOTAL FOR DUNN COUNTY	***$5,043,827***	***$440,400***	
GOLDEN VALLEY COUNTY			
GOLDEN VALLEY COUNTY			
CRUSHING, MOTOR GRADER, SEMI-TRACTOR TRAILER, OVERTIME, TECHNOLOGY EQUIP & 911	$571,300	$75,000	*Y04501*
CITY OF BEACH			
NEW FIRE HALL FOR CITY & RUAL FIRE DEPT	$25,000	$15,000	*Y04477*
CITY OF GOLVA			
REMOTE CONTROLLED TURRET FUN FOR FIRE TRUCK	$10,000	$5,000	*Y04506*
DELHI TOWNSHIP			
RESURVACE SCORIA (HAUL ROADS)	$5,000	$5,000	*Y04586*
ELK CREEK TOWNSHIP			
ELK CREEK OIL ROAD & SURFACE HUSL ROAD	$16,000	$10,000	*Y04667*
LONE TREE TOWNSHIP			
HIGHWAY 16 BYPASS PROJECT	$37,125	$5,000	*Y04502*
PEARL TOWNSHIP			
ROAD CONSTRUCTION & REGRAVELING	$111,074	$20,000	*Y04585*
SADDLE BUTTE TOWNSHIP			
ROAD PROJECTS # 1, 2, & 3	$70,106	$10,000	*Y04656*
CENTRAL RURAL FIRE DISTRICT			
6 TIRES	$1,200	$1,200	*Y04418*
GOLVA RURAL FIRE DISTRICT			
NEW FIRE HALL	$25,000	$10,000	*Y04507*
TOTAL FOR GOLDEN VALLEY COUNTY	***$871,805***	***$156,200***	
MCHENRY COUNTY			
MCHENRY COUNTY			
CLAY AND GRAVEL	$30,000	$0	

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
TOTAL FOR MCHENRY COUNTY	**$30,000**	**$0**	
MCKENZIE COUNTY			
MCKENZIE PSD #1			
BUS REPLACEMENT	$63,970	$10,000	Y04427
ALEXANDER PSD #2			
BOILER REPLACEMENT	$75,000	$0	
CITY OF WATFORD CITY			
PURCHASE A REPLACEMENT AMBULANCE	$140,445	$10,000	Y04436
FIRE FIGHTING EQUIPMENT	$18,600	$10,000	Y04438
HOUSING NEEDS STUDY FOR WATFORD CITY	$30,000	$0	
MAIN STREET RECONSTRUCTION (US 85 & ND 23)	$200,000	$10,000	Y04437
BLUE BUTTE TOWNSHIP			
ROAD MAINTENANCE	$12,000	$5,000	Y04551
HAWKEYE VALLEY TOWNSHIP			
GRAVEL 10 MILES OF TWP ROADS	$60,000	$20,000	Y04555
SIOUX TOWNSHIP			
ROAD REBUILDING AND MAINTENANCE	$15,000	$0	
YELLOWSTONE TOWNSHIP			
REPAIR ROADS DAMAGED FROM INCREASED OIL ACTIVITY	$20,000	$15,000	Y04417
GRASSY BUTTE FIRE DISTRICT			
1 1/2 TON USED 4X4 CREW CAB PICKUP	$30,000	$10,000	Y04447
ARNEGARD RURAL FIRE DISTRICT			
SLIDE IN UNIT & EQUIPMENT	$11,000	$10,000	Y04603
HORSE CREEK FIRE DISTRICT			
PORTABLE FIRE EQUIPMENT	$50,000	$10,000	Y04439
MCKENZIE COUNTY RURAL FIRE PROT. DIST.			
FIRE PAGERS	$8,000	$8,000	Y04538
TOTAL FOR MCKENZIE COUNTY	**$734,015**	**$118,000**	
MCLEAN COUNTY			
LOQUEMONT TOWNSHIP			
ROAD MAINTENANCE	$2,500	$1,000	Y04552
TOTAL FOR MCLEAN COUNTY	**$2,500**	**$1,000**	
MERCER COUNTY			
ZAP RURAL FIRE PROTECTION DISTRICT			
5,000 GALLON FUEL TRUCK CONVERTED TO WATER TANKER	$17,750	$2,000	Y04531

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
TOTAL FOR MERCER COUNTY	**$17,750**	**$2,000**	
MOUNTRAIL COUNTY			
MOUNTRAIL COUNTY			
BACKHOE	$80,000	$0	
GRAVEL FOR COUNTY	$500,000	$0	
COLDMIX	$90,000	$0	
109 MILES PAVEMENT STRIPING	$37,500	$0	
109 MILES PAVEMENT CRACKSEALING	$30,000	$0	
STANLEY PSD #2			
BUS REPLACEMENT	$60,000	$10,000	Y04662
CITY OF NEW TOWN			
E-85 FIRE EQUIPMENT	$10,700	$10,000	Y04618
MAIN STREET CHIP SEAL PROJECT	$100,000	$20,000	Y04650
CITY OF PARSHALL			
RAW WATER SUPPLY & TREATMENT FACILITY EXPANSION/IMPROVEMENTS	$720,000	$20,000	Y04415
CITY OF PLAZA			
PATCH & REPAIR STREETS & NEW WATER SOURCE	$340,000	$10,000	Y04590
	$0		
CITY OF STANLEY			
OIL INDUSTRIAL SALES & ACCESS	$183,000	$0	
1000/1250 GPM PUMPER UNIT & EQUIPEMTN	$141,000	$25,000	Y04466
EQUIP DEPARMENT FOR OFFICER SAFETY	$3,385	$0	
NEW AMBULANCE GARAGE	$150,000	$10,000	Y04467
NEW TOWN AIRPORT AUTHORITY			
REPLACE RUNWAY LIGHTS	$7,000	$0	
ALGER TOWNSHIP			
ROAD MAINTENANCE	$37,260	$15,000	Y04582
AUSTIN TOWNSHIP			
ROAD MAINTENANCE	$240,000	$75,000	Y04554
BICKER TOWNSHIP			
ROAD BUILDING & GRAVELING	$20,000	$5,000	Y04601
BROOKBANK TOWNSHIP			
GRAVELING ROADS	$20,000	$10,000	Y04536
BURKE TOWNSHIP			
ROAD REPAIR	$50,000	$20,000	Y04564
COTTONWOOD TOWNSHIP			
ROAD GRAVELING & MAINTENANCE	$5,000	$5,000	Y04549
CRANE CREEK TOWNSHIP			
GRAVEL & MAINTAIN ROADS	$75,440	$30,000	Y04668
DEBING TOWNSHIP			
ROAD MAINTENANCE	$40,000	$10,000	Y04637

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
FERTILE TOWNSHIP			
GRAVEL ROADS	$25,000	$10,000	*Y04544*
IDAHO TOWNSHIP			
MAINTENANCE & REGRADING	$6,000	$5,000	*Y04426*
JAMES HILL TOWNSHIP			
TOWNSHIP ROAD REPAIR	$7,200	$5,000	*Y04613*
KICKAPOO TOWNSHIP			
ROAD MAINTAINANCE ETC	$15,000	$5,000	*Y04487*
KNIFE RIVER TOWNSHIP			
SIGNAGE, TREE REMOVAL & GRAVELING	$20,000	$20,000	*Y04578*
MCGAHAN TOWNSHIP			
ROAD GRAVELING	$10,000	$5,000	*Y04666*
MANITOU TOWNSHIP			
LYFRIG & HYNELS OIL WELL ROAD REPAIRS	$20,000	$5,000	*Y04499*
MOUNTRAIL TOWNSHIP			
ROAD CONSTRUCTION	$20,000	$5,000	*Y04621*
MYRTLE TOWNSHIP			
GRAVEL & ROAD BLADING REPAIR	$35,550	$10,000	*Y04599*
OAKLAND TOWNSHIP			
HOLE IN ROAD & GRAVEL 1 MILE	$6,660	$6,000	*Y04632*
OSBORN TOWNSHIP			
ROAD MAINTENANCE & REPAIR	$10,000	$10,000	*Y04649*
OSLOE TOWNSHIP			
ROAD MAINTENANCE	$5,000	$5,000	*Y04566*
PALERMO TOWNSHIP			
PALERMO TOWNSHIP GRAVEL PROJECT	$18,000	$5,000	*Y04469*
PARSHALL TOWNSHIP			
PARSHAL TOWNSHIP ROAD STABILIZATION	$230,240	$75,000	*Y04651*
PLAZA TOWNSHIP			
CULVERT REPLACEMENT	$45,000	$15,000	*Y04576*
POWERS TOWNSHIP			
ROAD REPAIR & MAINTENANCE	$12,000	$5,000	*Y04567*
POWERS LAKE TOWNSHIP			
ROAD MAINTENANCE	$25,000	$5,000	*Y04518*
PURCELL TOWNSHIP			
ROAD REPAIR & UPKEEP	$41,700	$15,000	*Y04583*
RAT LAKE TOWNSHIP			
GRAVELING & MAINTAINING	$10,000	$5,000	*Y04482*
ROSS TOWNSHIP			
GRAVEL REPLACEMENT & MAINTENANCE	$32,500	$10,000	*Y04532*
SHELL TOWNSHIP			
ROAD REPAIR	$45,600	$30,000	*Y04521*

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
SIKES TOWNSHIP			
OPERATION GRAVEL CONSTRUCTION	$10,000	$10,000	*Y04513*
SORKNESS TOWNSHIP			
INCREASED ROAD MAINTENANCE	$10,000	$5,000	*Y04644*
SPRING COULEE TOWNSHIP			
OIL IMPACT RAOD REPAIR & MAINTENANCE	$55,000	$10,000	*Y04473*
VAN HOOK TOWNSHIP			
UPKEEP OF GRAVEL ROADS	$40,000	$20,000	*Y04497*
WAYZETTA TOWNSHIP			
BRIDGE & ROAD CONSTRUCTION & MAINTENANCE	$325,000	$150,000	*Y04493*
WHITE EARTH TOWNSHIP			
WHITE EARTH ROAD PROJECT 2008	$16,400	$10,000	*Y04639*
NEW TOWN RURAL FIRE DISTRICT			
WILD LAND FIRE UNIT	$45,385	$5,000	*Y04458*
NEW TOWN AMBULANCE			
MORE EMPLOYEES AND EQUIPMENT	$18,000	$5,000	*Y04432*
PARSHALL RURAL FIRE DISTRICT			
TANK & PUMP FOR WATER TANKER	$23,000	$0	
REPLACE FOAM USED LAST YEAR	$9,300	$0	
4 SETS OF PROXIMITY GEAR	$10,000	$0	
REPLACE OLD PUMPER TRUCK	$125,000	$25,000	*Y04508*
PLAZA FIRE DISTRICT			
REPLACE QUICK ATTACK UNIT	$50,000	$15,000	*Y04416*
STANLEY RURAL FIRE DISTRICT			
1 1/2 TON PUMPER/WILDLAND UNIT	$72,500	$10,000	*Y04470*
TOTAL FOR MOUNTRAIL COUNTY	***$4,390,320***	***$796,000***	

RENVILLE COUNTY

RENVILLE COUNTY			
GLENBURN SHOULDER WIDENING	$100,000	$0	
MOTORGRADER	$50,000	$0	
PAVEMENT CR3	$100,000	$0	
FLARE ALERT BEACON KIT	$1,500	$0	
4X4 PATROL VEHICLE	$10,000	$0	
PHOTO COPIER	$10,000	$0	
MOHALL LANSFORD SHERWOOD PSD			
BUS PURCHASE	$35,500	$10,000	*Y04424*
ENERGY RETROFIT	$13,545	$0	
GLENBURN PSD #26			
PURCHASE BUS	$25,000	$10,000	*Y04647*
CITY OF GLENBURN			
CHIP SEAL	$40,000	$10,000	*Y04440*

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
CITY OF MOHALL			
MAIN STREET RECONSTRUCTION - HWY 5	$50,000	$10,000	*Y04598*
CITY OF SHERWOOD			
WATER/SEWER EXTENTION TO PARK	$20,000	$0	
SWEEPER FOR BOBCAT	$4,500	$0	
STREET REPAIR	$50,000	$10,000	*Y04414*
STREET SIGNS	$500	$0	
CITY OF TOLLEY			
ROAD MAINTENANCE	$17,400	$8,000	*Y04540*
BRANDON TOWNSHIP			
ROAD GRAVELING & REPAIR	$15,000	$5,000	*Y04480*
CALLAHAN TOWNSHIP			
DUT CONTROL & ROAD MAINTENANCE & RESURFACING	$7,500	$5,000	*Y04490*
CLAY TOWNSHIP			
REPAIR ROADS	$30,000	$10,000	*Y04565*
COLQUHOUN TOWNSHIP			
GRAVEL TOWNSHIP ROADS	$21,500	$5,000	*Y04558*
EDEN VALLEY TOWNSHIP			
ROAD GRAVELING & MAINTENANCE	$20,000	$5,000	*Y04581*
ENSIGN TOWNSHIP			
BRIDGE REPLACEMENT & ROAD REPAIR	$20,000	$10,000	*Y04645*
GRASSLAND TOWNSHIP			
ROAD GRAVELING 2008	$20,000	$5,000	*Y04643*
GROVER TOWNSHIP			
GRAVEL	$8,000	$5,000	*Y04560*
HAMERLY TOWNSHIP			
ROAD REPAIR & UPKEEP	$13,000	$0	
HAMLET TOWNSHIP			
ROAD UPKEEP & REPAIR	$10,000	$5,000	*Y04481*
PLAIN TOWNSHIP			
PLAIN ROAD IMPACT	$15,800	$5,000	*Y04640*
PRESCOTT TOWNSHIP			
BRIDGE REPAIR AND ROAD RESURFACING	$20,000	$10,000	*Y04642*
PROSPERITY TOWNSHIP			
ROAD UPKEEP	$1,200	$1,000	*Y04489*
ROOSEVELT TOWNSHIP			
PULLING IN ROADS & GRAVELING	$10,000	$0	
STAFFORD TOWNSHIP			
ROAD GRAVEL & MAINTAINANCE	$3,000	$3,000	*Y04483*
GLENBURN RURAL FIRE DISTRICT			
MULTI USE QUIK ATTACK TRUCK	$35,000	$10,000	*Y04622*
MOHALL RURAL FIRE DISTRICT			
EQUIPMENT & PPE	$10,000	$10,000	*Y04600*

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
RENVILLE COUNTY RURAL AMBULANCE DISTRICT			
ENCLOSED MASS CASUALTY INCIDENT TRAILER	$5,400	$5,000	*Y04456*
MEDTRONIC LIFEPAK 1000 DEFIB (AEO)	$2,600	$0	
SHERWOOD RURAL FIRE DIST			
TRAINING FOR AMBULANCE PERSONNEL	$2,000	$2,000	*Y04571*
AMBULANCE EQUIPMENT	$4,300	$3,400	*Y04570*
FIREMEN TRAINING	$3,000	$3,000	*Y04569*
FIRE EQUIPMENT & SUPPLIES	$6,500	$2,000	*Y04572*
TOLLEY FIRE DEPARTMENT			
ADD EQUIPMENT TO QUICK RESPONSE VEHICLE	$50,000	$10,000	*Y04423*
TOTAL FOR RENVILLE COUNTY	***$861,745***	***$177,400***	
SLOPE COUNTY			
SLOPE COUNTY			
ROAD REPAIR ON OLD HIGHWAY 16	$50,000	$20,000	*Y04528*
DUST CONTROL O COUNTY ROADS	$43,000	$0	
GRAVEL CRUSHING	$155,000	$30,000	*Y04527*
PURCHASING A DUMP TRUCK	$30,000	$0	
PURCHASE 2 MOWERS	$35,000	$0	
PATCH & CHIP SEAL SOUTH MARMARTH ROAD	$30,000	$15,000	*Y04529*
SPEED SIGN ON HIGHWAY 85	$2,000	$0	
CITY OF MARMARTH			
AMBULANCE LOAN REPAYMENT	$6,000	$5,000	*Y04446*
MARMARTH AMBULANCE SERVICE MINI-CONFERENCE	$1,000	$1,000	*Y04445*
EMS TRAINING EQUIPMENT FOR MARMARTH AMBULANCE SERVICE TRAINING CENTER	$11,815	$2,000	*Y04444*
TOTAL FOR SLOPE COUNTY	***$363,815***	***$73,000***	
STARK COUNTY			
STARK COUNTY			
ROAD REPAIR PROJECTS	$319,000	$0	
DICKINSON PSD #1			
2 RURAL ROUTE SCHOOL BUS REPLACEMENTS	$72,675	$10,000	*Y04449*
SOUTH HEART PSD			
ENERGY IMPROVEMENT PROJECT	$50,000	$0	
CITY OF DICKINSON			
BUILDING INSULATION REMOVAL	$5,000	$5,000	*Y04496*
CITY OF BELFIELD			
STREET IMPROVEMENT, OVERLAY CURB & GUTTER	$240,000	$20,000	*Y04413*
STORAGE UNIT FOR FIRE HALL	$10,000	$10,000	*Y04412*
DEMOLISH OLD BUILDING	$10,000	$0	

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
CITY OF GLADSTONE			
CRACK SEALING CITY STREETS	$10,000	$5,000	*Y04431*
LAGOON REHABILITATION	$20,000	$0	
CITY OF SOUTH HEART			
STREET REPAIRS	$50,000	$5,000	*Y04474*
TRAFFIC SIGNS, SOLAR POWERED, MARKING CROSS WALKS	$4,000	$0	
DUMP TRUCK	$35,000	$5,000	*Y04475*
PATROL CAR (POLICE)	$35,000	$0	
GLADSTONE PARK DISTRICT			
PARK GRILLS AND PAD	$1,500	$0	
DICKINSON MUNICIPAL AIRPORT AUTHORITY			
COMMERCIAL TERMINAL PARKING LOT	$70,000	$5,000	*Y04588*
GENERAL AVIATION PARKING LOT REHAB	$31,000	$0	
GENERAL AVIATION HANGAR PAINTING	$30,000	$0	
DICKINSON RURAL FIRE DISTRICT			
NEW FIRE TRUCK	$400,000	$15,000	*Y04609*
GLADSTONE CONSOLIDATED FIRE DISTRICT			
NEW FIRE HALL	$100,000	$5,000	*Y04471*
SOUTH HEART FIRE DISTRICT			
6 PAIR BUNKER GEAR	$7,800	$5,000	*Y04464*
TOTAL FOR STARK COUNTY	***$1,500,975***	***$90,000***	
VARD COUNTY			
CITY OF KENMARE			
FIRE DEPT COMMUNICATIONS & PAGING SYSTEM IMPROVEMENT	$7,500	$5,000	*Y04524*
PURCHASE CIMLINE MELTER MODEL 230 DIESEL	$40,000	$10,000	*Y04525*
CARPIO RURAL FIRE DISTRICT			
FIRE TRUCK	$25,000	$5,000	*Y04630*
DES LACS FIRE DISTRICT			
BRUSH - ATTACK UNIT	$20,000	$5,000	*Y04652*
TOTAL FOR WARD COUNTY	***$92,500***	***$25,000***	
WILLIAMS COUNTY			
WILLIAMS COUNTY			
GRAVEL & CRUSHING	$150,000	$0	
GRADING & AGGREGATE SURFACING 4 MILES ON COUNTY ROAD 8B	$118,880	$0	
FIX ROAD TOP ON COUNTY ROAD 9	$13,120	$0	
CULVERTS	$25,000	$0	
WILLISTON PSD #1			
WILLISTON HIGH SCHOOL SCIENCE LAB UPDATE	$69,300	$0	

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
NESSON PSD #2			
STUDENT ACTIVITY VEHICLE	$16,000	$10,000	*Y04542*
TIOGA PSD #15			
THS ROOF, WINDOWS & LIBRARY IMPROVEMENTS	$149,364	$0	
CITY OF WILDROSE			
ASPHALT OIL CHIP SEAL & STREET MAINTENANCE	$30,000	$5,000	*Y04589*
CITY OF WILLISTON			
WATER TREATMENT PLANT	$2,000,000	$0	
WETLANDS PREVENTION - POND LINER	$50,000	$0	
POLICE CRASH RESCUE EQUIPMENT	$80,000	$10,000	*Y04461*
AVENUE R STREET DRAINAGE IMPROVEMENTS	$50,000	$15,000	*Y04459*
AIR REFILL EQUIPMENT	$10,000	$10,000	*Y04460*
CITY OF GRENORA			
STREET REPAIRS	$15,000	$8,000	*Y04504*
SALARIES - SUMMER HELP	$5,000	$0	
CITY OF RAY			
LIME SLUDGE REMOVAL	$60,000	$0	
WATER SALESMAN FOR OILFIELD/AG USE	$75,000	$0	
ROAD GRADER REPAIR & STREET REPAIR	$12,500	$12,500	*Y04594*
CITY OF TIOGA			
REVUILD 2ND ST SE	$220,000	$0	
AMBULANCE REPLACEMENT & FIRE TRUCK UNIT	$91,500	$15,000	*Y04591*
AIRPORT ROAD IMPROVEMENT	$115,000	$10,000	*Y04592*
POLICE CAR	$27,000	$0	
GENERAL STREET REPAIR	$20,000	$10,000	*Y04593*
PAY LOADER PLOW	$15,985	$0	
WATER SALESMAN RELOCATION	$39,000	$0	
UPPER MISSOURI VALLEY FAIR			
CONCRETE FLOOR IN MULTI PURPOSE BUILDING	$34,875	$0	
WILLISTON PARK DISTRICT			
RAYMOND FAMILY COMMUNITY CENTER BUILDING RENOVATION	$150,000	$0	
BIG MEADOW TOWNSHIP			
REPAIR ROADS	$5,000	$2,000	*Y04547*
BIG STONE TOWNSHIP			
ROAD GRAVELING	$10,000	$0	
BUFORD TOWNSHIP			
REBUILD APPROACHES 150TH & 151ST & SPOT GRAVEL	$42,000	$20,000	*Y04517*
CHAMPION TOWNSHIP			
PURCHASE A DITCHBANK MOWER	$15,500	$5,000	*Y04546*
DRY FORK TOWNSHIP			
ROAD MAINTENANCE	$34,700	$15,000	*Y04537*
EAST FORK TOWNSHIP			
GRAVELING OF TOWNSHIP ROADS	$20,000	$5,000	*Y04495*

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
EQUALITY TOWNSHIP			
ROAD MAINTENANCE	$54,000	$10,000	*Y04568*
FARMVALE TOWNSHIP			
ROAD REPAIR, REBUILD & MAINTENANCE	$30,000	$15,000	*Y04636*
GOLDEN VALLEY TOWNSHIP			
GRAVEL & BLADE ROAD, PURCHASE ROAD GRADER	$19,000	$5,000	*Y04462*
HARDSCRABBLE TOWNSHIP			
ROAD MAINTENANCE	$20,000	$5,000	*Y04648*
HAZEL TOWNSHIP			
SAFTEY SIGNS	$5,500	$0	
JUDSON TOWNSHIP			
REBUILD & UPGRADE ROADS	$100,000	$0	
LINDAHL TOWNSHIP			
ROAD REPAIR & MAINTANCE	$40,000	$10,000	*Y04443*
MISSOURI RIDGE TOWNSHIP			
SIGN REPLACEMENT TO MEET FEDERAL REGS	$10,500	$0	
NEW HOME TOWNSHIP			
GRAVELING	$20,000	$5,000	*Y04505*
PLEASANT VALLEY TOWNSHIP			
ROAD REPAIR OF OIL IMPACTED ROADS	$42,000	$15,000	*Y04557*
ROUND PRAIRIE TOWNSHIP			
GRAVEL AND MAINTAIN 3 MILES OF ROAD	$8,000	$5,000	*Y04624*
SAUK VALLEY TOWNSHIP			
TRACTOR, ROAD & BUILDING MAINTENANCE	$98,000	$15,000	*Y04612*
SOUTH MEADOW TOWNSHIP			
REGRAVEL TOWNSHIP ROADS & CULVERTS	$50,000	$10,000	*Y04545*
SPRINGBROOK TOWNSHIP			
MAINTAIN HEAVILY TRAVELED ROADS	$4,500	$3,000	*Y04485*
STONY CREEK TOWNSHIP			
ROAD MAINTENANCE, GRAVELING, REBUILD 1 MILE	$30,000	$10,000	*Y04634*
TRENTON TOWNSHIP			
ROAD REPAIR & MAINTENANCE & GRAVEL	$41,600	$20,000	*Y04433*
TIOGA TOWNSHIP			
GRAVEL PURCHASE & ROAD MAINTENANCE FOR 2008	$20,000	$10,000	*Y04543*
TWELVE MILE TOWNSHIP			
MAINTENANCE AND GRAVELING	$4,000	$4,000	*Y04522*
VIEW TOWNSHIP			
ROAD REBUILDING & IMPROVEMENTS	$77,000	$10,000	*Y04663*
WEST BANK TOWNSHIP			
ROAD REMEDIATION & GRAVEL	$40,000	$0	
WILLISTON TOWNSHIP			
ROAD CONSTRUCTION	$125,000	$10,000	*Y04626*

PROJECT DESCRIPTION	REQUEST	AWARD	GRANT#
BUFORD-TRENTON IRRIGATION DISTRICT			
EXCAVATOR, HAZARDOUS RIGHT-A-WAY	$156,500	$15,000	*Y04617*
WILLIAMS COUNTY WATER RESOURCES DISTRICT			
LITTLE BEAVER BAY ACCESS ROAD UPGRADE	$204,000	$0	
WILDROSE FIRE DISTRICT			
NEW 1-TON TRUCK & AIR WATER FOAM FIR UNIT	$100,000	$15,000	*Y04563*
WILLISTON RURAL FIRE DISTRICT			
GRASS TRUCK EQUIPPED WITH FOAM & TOOLS	$60,000	$15,000	*Y04623*
ALAMO RURAL FIRE DISTRICT			
FOAM UNIT FOR FIRE TRUCK	$15,007	$5,000	*Y04674*
EPPING RURAL FIRE DISTRICT			
UPDATE OLDEST FIRST RESPONSE BRUSH TRUCK	$20,000	$15,000	*Y04673*
RAY FIRE DISTRICT			
FIRE TRUCK	$20,000	$10,000	*Y04472*
RAY AMBULANCE DISTRICT			
GPS & PORTABLE RADIOS	$4,672	$4,500	*Y04498*
TOTAL FOR WILLIAMS COUNTY	***$5,189,003***	***$394,000***	

GRAND TOTAL	***$29,139,205***	***$3,000,000***

North Dakota Association of Oil & Gas Producing Counties

Testimony # 3

Testimony

In support of House Bill 1225

House Finance and Taxation Committee- Chairman Wes Belter

January 12, 2009 11:30 AM

Mr. Chairman Belter and members of the House Finance and Tax. My name is Vicky Steiner. I am the Executive Director for the North Dakota Association of Oil and Gas Producing Counties. I live in Dickinson. House Bill 1225 removes the cap from the energy impact fund in the 5% oil and gas gross production tax. We support that action. We thank you for your action last session that increased the first category on the 5% oil and gas gross production tax by 25% or about $250,000 more a year to the smaller oil producing counties. The impact fund was not adjusted last session. This bill takes off a cap that was put in place in 1981. By 1983, it wasn't quite right and legislators adjusted it to again. It's a percentage- 1/3 of 1% of the first percentage of the 5% oil and gas gross production tax. The percentage will rise and fall with the production and it makes sense. Of the $1.2 billion surplus, approximately $800 million is from the oil and gas activity.

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These tax revenues are proof of the impact that the oil industry has on our state. However, the boom activity sometimes has impacts before the 5% oil and gas gross production tax revenues begin.The oil counties conducted a study a year ago to give information to the interim Taxation committee. The hearing was in July of 2008. We presented the findings from NDSU's study of the region. It showed a range of yearly damages of $36.9 million-$45.2 million a year or about a $90 million a biennium. The study is attached to my testimony. The State Land Department Energy Impact office reported that the amount of grant requests has increased substantially from $22.7 million in the 1999-01 biennium to $72.7 million in 05-0 biennium. The requests dropped off somewhat in the last year because there is no significant money. $3 million a year doesn't come close to what is needed out there. We produced a video that has been sent to you in the mail but it's also on You Tube on the Internet. You may also access it by typing the search words "ND oil impact". There are some residents of Mountrail County talking about the many challenges of being a boom oil county. Most of impact dollars have gone to transportation issues so on page one, line 19, making "transportation infrastructure projects" a priority reinforces what has traditionally been funded in the past.Please support HB 1225 and the removal of the cap of the impact fund. I am happy to answer questions.

Effects of Petroleum Industry Activities on Cost of Providing County Government Services in North Dakota

Report prepared for
the North Dakota Association of Oil and Gas Producing Counties

Submitted by
Dean A. Bangsund
F. Larry Leistritz

July, 2008

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Two individuals were helpful in providing data and information used in this study. Our appreciation and thanks are extended to:

Vicky Steiner, ND Association of Oil and Gas Producing Counties
Dan Brosz, Brosz Engineering Inc., Bowman, ND

The authors also wish to recognize the efforts of the county government officials who took the time to complete the survey. Without support and cooperation from those individuals, this study would not have been possible.

The authors assume responsibility for any errors of omission, logic, or otherwise. Any opinions, findings, or conclusions expressed in this publication are those of the authors and do not necessarily reflect the views of the ND Association of Oil and Gas Producing Counties.

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Introduction

Western North Dakota has been experiencing a boom in oil and gas activity in recent years. The history of oil production in North Dakota can be characterized by periods of boom and decline. Commercial oil and gas production in the state did not start until the mid 1950s. Shortly after oil production began, oil production in the state increased substantially until the mid 1960s. The late 1960s and most of the 1970s saw a slow decline in oil production. Starting in the late 1970s, oil production again began to increase, and this upturn resulted in a substantial change in the level of petroleum activities in the state.

The oil boom of the early 1980s has been well documented, and peak oil production in the early 1980s remains the milestone against which subsequent production has been measured. Consistent with cycles of boom and bust, oil production in the state precipitously declined in the 1980s, and increased again in the mid- to late-1990s. However, the rapid increase in production in the late 1990s quickly subsided, and production again declined for several years.

The current boom in oil activity started in the early 2000s. Current production in North Dakota now exceeds the all time production highs found in the early 1980s. While a number of factors have lead to the latest boom in oil production, the increase in the petroleum sector is not limited to an increase in oil flow or gas output. All phases of the petroleum sector have seen tremendous increases in activity levels. For example, the number of drilling rigs, often a measure of the level of exploration, has gone from under 20 in 2003 to around 70 in May of 2008.

Historically, periods of increasing and decreasing oil activity have occurred in nearly all of the oil producing counties in North Dakota. The nature of oil exploration and production are driven by a complex set of factors, many of which are related to technology and the ability to discover and extract oil and gas from new geologic formations. The current oil boom is no exception. Advances in drilling technologies, increased oil prices, and the ability of companies to target new oil reservoirs is readily apparent in the oil activity in North Dakota. While increases in oil activity are up throughout the oil producing region in ND, much of the increase in activity is associated with the Bakken formation. Much of this increase in oil exploration and production related to the Bakken formation is occurring in counties that historically have had very little oil activity.

Increases in oil exploration and production have impacts on local infrastructure (e.g., roads) and the provision of governmental services (e.g., law enforcement). Some counties (e.g., Billings County) have gone through the boom/bust cycles of oil activity, while other counties (e.g., Mountrail) are experiencing those changes for the first time. As a result, the ability to manage those changes are not necessarily equal among county governments, nor are the resource bases (e.g., personnel, funding) equal among all counties affected by changes in the oil production.

Oil industry activities can create challenges for small, rural governments to handle the increased demands on the provision of government services and maintenance of local infrastructure. The state recognized those issues many decades ago, and dedicated a portion of the gross production tax collected from oil and gas production to be returned to local

governments. It is often debated whether the level of tax re-distribution from state collected taxes is sufficient to offset local costs of providing government services. An additional consideration is that counties that have had small amounts of oil production in the recent past are not positioned to receive revenues to fund the cost increases associated with recent spikes in oil exploration. This is precisely the problem in some areas of ND that are now experiencing substantial increases in oil industry activity which puts a burden on government services before revenues from oil production can be redistributed. Still additional concerns exist on whether limits on revenue re-distribution are adequate to compensate local governments for additional costs.

Project Scope

The overall goal of this study was to examine how recent increases in oil and gas exploration and production have affected the cost of providing county government services in North Dakota. The interim legislative taxation committee, beginning in early 2008, sought information on how oil production and exploration have impacted the costs of providing government services. Through a separate process, cities and school districts have assessed their cost increases. This study was designed to provide insights on how increased oil and gas activity has affected the provision of county government services. These cost assessments will be used to address potential changes to the oil impact fund or other measures that may assist local governments in areas of high oil and gas activity.

Data Sources and Procedures

A survey of county governments in 16 oil and gas producing counties in North Dakota was conducted in February, 2008. The distribution of survey materials (i.e., questionnaires, cover letters) was conducted by the North Dakota Association of Oil and Gas Producing Counties.

The survey was comprised of two separate questionnaires: one questionnaire was developed for road departments and another for all other county offices (Appendix). Copies of the questionnaires were mailed to each county auditor, with instructions for the county auditor to distribute the questionnaires to offices/departments in the county. Each office was then responsible for filling out the questionnaire and returning it to the Auditor's office.

The survey was designed to solicit information on how increased oil and gas activity in the county affected the various county government departments/offices. For the non-road departments, a series of questions were structured to determine 1) if an increase in oil and gas activity has led to an increase in the provision of services by the county office, 2) what the office or department has done to handle the increased work load, 3) the change in the cost of providing services for the department over the past year, 4) the specific reasons for an increase in costs, and 5) if the office or department has been able to offset cost increases with additional fees or revenues. For the road departments, a separate questionnaire was developed to track the costs of maintaining roads impacted by oil and gas activity. The design of the questionnaire was to determine the cost of maintaining county roads in areas of oil and gas exploration and

production, and compare those costs to the costs of providing similar services on roads in the county that were not impacted by oil and gas activities. In most counties, oil and gas activities do not affect county roads equally throughout the county.

The sample size for the survey approximates a census of county governments affected by oil and gas activity in ND. However, due to less than 100 percent participation by all counties and departments, the survey represents a sample of county government offices in the counties affected by oil and gas activity. Since the survey represents a sample of counties affected by oil and gas activity, it was necessary to extrapolate survey information to project a cost estimate for all oil and gas producing counties. The techniques used to extrapolate the survey information to generate estimates of the changes in costs of providing county government services are presented and discussed in following sections.

Results

Petroleum exploration and extraction in North Dakota has been expanding for several years. Two key measures of identifying changes in the level of oil industry activity are oil production and drilling activity. Oil production in December of 2005, 2006, and 2007 was compared among the oil producing counties in North Dakota. Comparisons of oil output in December were used as a proxy for annual output in each county. Despite tremendous increases in statewide oil production since 2005, increases in oil production have not been uniform across all oil-producing counties (Table 1). In absolute (i.e., barrels per month) and in percentage terms from 2005 through 2007, the change in oil output has been greatest in Mountrail County. Dunn County has also seen a substantial increase in oil output since 2005–a 146 percent increase. Bowman and Williams Counties have also had substantial increases in monthly oil production from 2005 to 2007, although those increases do not represent as large of a percentage change as found in Mountrail and Dunn Counties.

From 2005 to 2007, oil production in the state went from 35.7 million barrels to over 45 million barrels. In percentage terms, statewide oil production increased 26 percent in two years. Drilling statistics also mirror the same level of changes in oil activity in the state. Total drilling rigs in the state were 33 in January of 2006, compared to 53 in December of 2007. Drilling rigs in North Dakota in May of 2008 were 71 (Department of Mineral Resources 2008). Total producing oil wells in the state increased from an average of 3,391 in 2005 to 3,759 in 2007. Clearly, if measured by oil production, drilling activity, and producing wells, the petroleum industry has undergone tremendous increase in activity in the state in the past two years.

Evidence throughout western ND indicates that the petroleum industry is having a substantial effect on local governments, local economies, labor force, housing, and other economic and social institutions. The provision of government services is part of the fabric of effects felt in many areas of western North Dakota.

Table 1. Change in Oil Production, by County, North Dakota, 2005 through 2007

County	December Oil Production (barrels)			Percentage Change		
	2005	2006	2007	2005 to 2006	2006 to 2007	2005 to 2007
Billings	377,779	418,448	387,507	10.8	-7.4	2.6
Bottineau	181,249	168,327	145,420	-7.1	-13.6	-19.8
Bowman	1,318,821	1,475,596	1,480,079	11.9	0.3	12.2
Burke	63,676	71,862	78,465	12.9	9.2	23.2
Divide	53,994	64,288	65,017	19.1	1.1	20.4
Dunn	75,870	102,570	187,019	35.2	82.3	146.5
Golden Valley	78,814	68,951	54,330	-12.5	-21.2	-31.1
McHenry	1,983	2,271	2,339	14.5	3.0	18.0
McKenzie	463,505	499,217	540,479	7.7	8.3	16.6
McLean	4,273	3,221	3,115	-24.6	-3.3	-27.1
Mountrail	21,247	59,802	204,569	181.5	242.1	862.8
Renville	60,651	64,070	65,090	5.6	1.6	7.3
Slope	47,359	59,350	38,004	25.3	-36.0	-19.8
Stark	175,277	151,078	132,059	-13.8	-12.6	-24.7
Ward	4,917	5,291	4,286	7.6	-19.0	-12.8
Williams	292,721	342,859	388,164	17.1	13.2	32.6

Survey Response

Response to the survey appears to be representative of the counties affected by oil and gas activity in North Dakota. Some response was obtained from 14 counties. Only Bottineau and Ward Counties did not respond. Response across departments was also representative. A total of 53 departments in 14 counties provided useable responses to the written questionnaire. An additional six road departments filled out the road cost questionnaire, but did not complete the written departmental questionnaire. Combining responses to both questionnaires, a total of 59 useable responses were obtained.

A survey response rate is difficult to estimate. First, it is unknown how many of each county's offices/departments received a questionnaire. Offices that never received a questionnaire should not be included in estimating a survey response rate. Second, some

counties share certain offices/officers with neighboring counties, although both counties list the office. Finally, how many of a county's functions should the study include? Should the job development officer be considered equally with the county auditor? Should the county library be counted the same as the sheriff's department? Not all counties have the same number of offices, although nearly all have the primary county offices (e.g., auditor, treasurer, sheriff, etc.). Based on the offices that did respond to the survey, this study estimated that there were 176 departments/offices in the 16 counties. Specifically, the offices included in the study were auditor, treasurer, recorder, clerk of court, states attorney, sheriff, road/highway, social services, emergency services, tax equalization, extension, and veterans services. Many miscellaneous offices/functions/services were not included. The most common services/offices not included were library, fair, coroner, council on aging, and parks or recreation. Based on the above definition of 176 offices in the 16 counties, the overall response rate for the survey was just over 30 percent.

Responses across all county offices were not uniform, but reasonably balanced (Table 2). Collectively, the offices of sheriff, auditor, register of deeds, and roads/highways represented over half of all responses (36 of 59 total responses).

Table 2. Survey Responses by County Department, Oil and Gas Producing Counties, North Dakota, 2007

County Department	Number of Responses	Percentage
Auditor	7	11.9
Sheriff	9	15.3
Treasurer	4	6.8
Register of Deeds	7	11.9
Social Services	4	6.8
States Attorney	2	3.4
Clerk of Court	4	6.8
Tax Equalization	4	6.8
Emergency Services	2	3.4
Highways/Road	13	22.0
Miscellaneous[a]	3	5.1
Total Responses	59	100.0

[a] Included janitorial, weed control, and job development.

Survey Results

Instructions for interpreting the questions on the survey were very specific. County officials were asked to only answer the questions with respect to how increases in oil and gas activity in their county have affected their office over the past 12 months. The importance of only considering the effects of increased oil industry activity was stressed in the instructions and in the wording of all questions since many factors could influence the cost of delivering county services.

The first issue on the questionnaire dealt with workload for the county office (Appendix). Specifically, the first question asked if the county office has experienced an increase in services provided or a change in workload due to increases in oil and gas activity. A total of 53 offices answered the question. Forty-two of the 53 total responses (79 percent) indicated that county office workloads had increased over the past year due to increases in petroleum industry activities (Table 3).

Table 3. Responses to Changes in Workload for County Offices, Oil and Gas Producing Counties, North Dakota, 2007

Has increased oil industry activities increased county office workloads?	Number of Responses	Percentage
Yes	42	79.2
If yes, how has office dealt with increased workloads?		
added additional staff	15	na
more hours for existing staff	30	na
purchased additional equipment	18	na
outsourced some of the work load	3	na
other (write-in) responses	24	na
No	10	18.9
Don't Know	1	1.9
Total Responses	53	100.0

If the office experienced an increase in their workload due to changes in the level of oil and gas activities in the county, the office was then asked to identify what measures were taken to handle the increased workload . Of the 42 offices that experienced an increased workload, 15 offices added additional staff, 30 offices were requiring staff to work more hours, 18 offices

purchased additional equipment, 3 offices outsourced some of the work, and 24 offices described other measures (Table 3). (Note: offices could select more than one option so multiple responses were possible). In most cases, the 24 write-in responses to the question were mostly comments about the work load and represented a re-iteration of some variation of the prior options. However, several departments did indicate work priorities and schedules were adjusted to accommodate oil activity requests.

County offices were subsequently asked if increased activities in the petroleum industry changed the cost of providing public services. Since a number of factors might affect the costs of delivering public services and since some of those factors may not be tied to the amount of public services (e.g., escalating wage rates, other input costs), the question was not conditional on changes in office workload. Alternatively, there was no requirement that the county office must have experienced an increased workload to have incurred increased costs.

Forty-two departments indicated that they have experienced an increase in office workload due to increases in petroleum industry activities in their county. Twenty nine of those 42 departments (69 percent) indicated that costs of providing services had increased (Table 4). One department reported costs had increased even though their workload had not changed. If the number of departments that indicated an increase in costs is compared to the total number of survey responses, about 57 percent (30 offices out of 53 responses) of all county offices experienced an increase in costs in the last year due to expanded oil and gas activity in their county.

Table 4. Survey Response to Change in Costs of Providing County Services, Oil and Gas Producing Counties, North Dakota, 2007

Change in Workload (n)	Increase in Costs (n)
Yes (42)	Yes (29)
	No (10)
	Don't Know (3)
No (10)	Yes (1)
	No (9)
Don't Know (1)	Don't Know (1)

The question regarding if the office or department has experienced an increase in costs also contained a statement that asked for an estimate of the change in costs over the past 12

months. Only 24 of the 30 departments that indicated that costs had increased gave an estimate of the actual cost increase. The 6 offices that did not report the actual increase just omitted that portion of the question. Of the 24 departments that provided an estimate of the cost increase, 5 were highway departments. Thus, 19 of the 24 general county departments provided a cost estimate. All of the 6 highway departments that filled out the general questionnaire (see Appendix) also provided estimates of cost increases. However, the survey was designed so that cost changes to the county highway/road departments would come from information obtained in the road cost questionnaire instead of the general office questionnaire.

The cost increase over the past year for the 19 general departments (i.e., providing an estimate of the increase) was $697,600 or $36,716 per office (Table 5). An additional question was also provided to determine, for those county offices that experienced a cost increase, had the office been able to offset any of the cost increase by charging higher fees or adding new revenues over the same period. Of the 19 general offices that reported cost increases, only 2 of those offices (10.5 percent) reported offsetting some cost increases with higher fees or new charges. The amount of the offset for those 19 offices was $75,500 or 10.8 percent of the total reported cost increase. Recalculating the cost increase to include revenue offsets, the average net cost increase per county office (non-road) was estimated at $32,742 over the last year.

Table 5. Estimates of Cost Increases by County Offices, Oil and Gas Producing Counties, North Dakota, 2007

Has the cost of providing county services changed as result of increased petroleum industry activity (n)	Survey respondents providing an estimate of the increase in costs (n)	Classification of county office providing cost estimates (n)	Average per-office cost increase over the past 12 months for those offices reporting cost increases[a]
Yes (30)	Yes (24)	General offices (19)	$36,716
		Road departments (6)	not used
	No (6)	General offices (6)	na
		Road departments (0)	na
No (19)	na	na	na
Don't Know (4)	na	na	na

[a] Cost estimates do not include offsetting revenues. Increases in road costs were derived from the road cost questionnaires.
na–not applicable.

The issue of revenue collection for counties is much too complex to fully explore given the time and resources available to this study. A few caveats are presented here, even though the topic is largely outside the scope of this study. Counties receive revenues from a multitude of sources, and the effects of increased oil activity can influence those revenues in many forms. Property values can be bid up, which can increase the tax base, but also increases the tax paid by county residents–some of which can be used by counties. However, in those cases, without offsetting changes in tax rates, the burden of increased costs falls on the residents of the counties; individuals who may or may not benefit from an increase in petroleum industry activities. While the county offices were asked in the survey to indicate if they had increased fees or added new charges to offset costs, most county offices do not and probably can not look to fees/permits/fines or other collections as a means to offset costs. Again, some of those increases would fall on county residents. Counties do receive a share of the Gross Production Tax, and those revenues can increase with changes in oil production and value, but the dollar value of those transfers is limited by state statutes. In some isolated cases, oil companies have made direct financial contributions to counties in an effort to assist in offsetting some road development and maintenance costs. However, those contributions can not be considered a reliable source of revenue for county governments since those situations are rare and are obviously not made equally by all companies to all counties in western ND. So, despite reports of assistance directly from oil companies, private financial assistance cannot be expected to address the larger issues of county-wide increases in the cost of providing public services. Essentially, the rapid increase in costs of providing public services presents real problems for most county governments in western North Dakota.

The net cost increase for the general county offices, based only on those that indicated they had incurred cost increases, was estimated to be over $32,000 per office per year. The scope of the study prevented the survey from collecting information on each county's operating budget or other related issues. Thus, due to a lack of data, it is problematic to put the reported cost increases in perspective to the size of operating budgets. Besides, those percentages would be of little assistance in estimating a collective assessment of cost increases. The survey did ask for county offices to indicate the reasons for increases in operating costs due to increased oil activity. In other words, if they actually incurred an increase in costs, what items were paid for with those increased expenditures.

Of the 30 county offices that reported cost increases, 28 of those offices answered the survey question regarding what the increased expenditures represented. The most common reason listed (25 out of 28 offices) was the purchase of additional supplies and inputs (e.g., office supplies, communications, fuel, computer services, etc.) over what the office would normally require/use (Table 6). The next most cited reason (21 out of 28 offices) was that the office needed to purchase/lease/acquire additional equipment and/or upgrade existing equipment sooner than expected. Following closely with 20 of the 28 offices was increased expenses for additional hours worked by staff. The following reasons were reported with similar frequency (about 10 of the 28 offices)--costs increased due to higher number of customers/clients/people serviced, hired additional full-time staff, and increased the wage rates for existing staff. Hiring part-time employees and incurring additional training/recruitment expenses had the lowest frequency among the reasons cited (Table 6).

Each county office, on average, listed over four reasons why the office had increased expenditures. Clearly, the increase in costs is not due to just one type of expenditure or just one area of operation. Increase in labor costs from both an increasing wage rate and additional hours, increased use of inputs and supplies, and additional equipment/capital purchases were all common areas where county offices incurred additional expenses.

Table 6. Reasons for Increases in Operating Costs due to Increased Oil Activity for County Offices, Oil and Gas Producing Counties, North Dakota, 2007

Specific Reasons for Cost Increases	Number of Responses	Percentage[a]
Increased use of supplies and inputs (e.g., computer services, paper, communications)	25	89.3
Purchase/lease/acquire additional equipment, upgrade existing equipment sooner than planned	21	75.0
Increased hours for existing personnel	20	71.4
Hiring additional full-time employees	12	42.9
Increased wage rates for office personnel	11	39.3
Increased number of customers/clients, servicing a larger population base, more applicants for county programs	10	35.7
Increased training and recruitment expenses due to additional hiring and employee turnover greater than normal	8	28.6
Hiring additional part-time employees	5	17.9
Other reasons[b]	10	35.7

[a] Represents the frequency reported for that reason divided by the 28 total responses to the question. Percentages will not total to 100 due to multiple answers.

[b] Some of the other reasons included additional meetings, more building cleaning and maintenance, converting old and existing records to electronic formats, handling specialized requests from landmen, increased travel for county officers.

Cost Projections

Survey responses were used to develop projections (estimates) of the increased costs of providing county services for all 16 of the oil and gas producing counties. Several approaches were considered. Road departments were considered separately from all other county offices.

General Offices

The first approach considered in forecasting cost increases to all oil and gas producing counties in ND would be to use survey responses for a specific office (e.g., auditor) and apply the survey average cost increase to that county office in all 16 counties. After a cost estimate was generated for each office, that cost increase would be summed for all of the offices, thereby providing an overall estimate of the cost increase in each county. In order for this approach to work, the survey average for each individual office would need to be representative of oil and gas activity effects on that office across the 16 oil and gas producing counties. For some offices (e.g., auditor, sheriff), survey responses are representative of the effects of increased oil and gas activity on the cost increase for that particular office because responses were collected from a large number of counties (i.e., in some cases over 50 percent of affected counties). However, for other offices, too few survey responses were available to place sufficient confidence that the survey results would be representative of the cost increases for all counties (see Table 2). In examining the number of survey responses by office it was clear that too many offices had too few survey responses for this approach to provide reliable projections of cost increases for just individual county offices.

An alternative approach would be generate an average cost per office by using all survey responses, regardless of the county or type of office represented by the response. In this approach, the cost increases for auditor, treasurer, sheriff, and all the other county offices responding to the survey would be averaged into single per-office estimate, and then applied to each county based on the number of offices in that county. A key drawback to this approach is that the impacts or effects of oil activities are implicitly treated equally across all counties. This assumption may not be a problem if proportionally equal numbers of responses came from counties with high oil and gas activity and from counties with more moderate oil and gas activity. Unfortunately, the impacts of the petroleum industry on the cost of providing county government services are not equal among the 16 counties, nor are the number of survey responses equal among the counties. The counties with substantial changes in oil and gas activities in the past few years accounted for the majority of survey responses. All things equal, the counties having the most trouble dealing with recent increases in oil and gas activities are perhaps the ones that would be most willing to respond or participate in the survey.

To correct for the problem of treating all counties equally, survey responses were stratified based on the level of change in petroleum sector activities within the county in the past two years. Survey responses were divided into 1) counties which have had the most change in oil output, both in absolute and percentage terms and 2) counties that have experienced more moderate changes in petroleum sector output in the last two years. Billings, Bowman, Dunn, McKenzie, Mountrail, and Williams Counties were considered high impact counties, based on

changes in oil exploration and extraction in the past two years (see Table 1). The remaining 10 counties were considered moderate impact counties.

For each county group, an average net (costs less increases in fee revenues) cost increase was estimated for all general offices that provided a cost estimate (some offices indicated that costs had increased, but provided no dollar estimate). It was assumed that offices that indicated they had experienced a cost increase, but did not provide a monetary estimate of the cost increase, would have a cost increase that was equal to the average per office cost increase. The number of offices indicating a cost increase was then multiplied by the average cost increase per office. The total dollar amount of the cost increases were then divided by the total number of offices responding, less the number of offices that provided 'do not know' responses to the question of having a cost increase. By dividing the total cost estimate by the total number of offices responding to the survey (less the 'do not know' responses), an average cost increase per office was estimated. The end result is an average cost increase that takes into consideration that some county offices did report a cost increase. The final average cost increase per office can be multiplied by the number of offices in the county group to project total cost increases for those counties (Table 7).

Road Departments

Estimating the cost increases incurred by county road departments due to increases in oil and gas exploration and production is somewhat complex. All county road departments, throughout the state, have incurred increases in their operating costs from increases in the price of basic inputs (e.g., gravel, fuel, labor) and from escalating equipment expenses (e.g., tires, lubrication, price of new equipment). Therefore, operating costs for county road departments will increase even when traffic patterns or traffic volumes do not change. However, the petroleum industry has tremendous effects on traffic volumes and traffic patterns on rural roads within areas where the industry is actively exploring or currently producing oil and gas. The key issue in this study was to identify how changes in oil and gas exploration and extraction affected the operating costs for county road departments and avoid including within those operating costs any increases in expenses that are not linked to the petroleum industry's use of rural roads.

The road cost questionnaire, developed by Dan Brosz of Brosz Engineering in Bowman, was designed to separately collect cost information for county roads that are impacted and roads that are not impacted by oil and gas activities. Two separate forms were developed. County road departments were instructed to complete both an impacted road form and a non-impacted road form (see Appendix for road cost forms). The goal was that information from both forms would be used to estimate the cost effects of oil and gas activities on county road departments.

Table 7. Projections of the Change in Costs of Providing County Government Services (Excluding Road Departments) Due to Changes in Oil Industry Activities, North Dakota, 2007

Forecasting Step/Explanation	Survey Responses	Cost Estimates
	High Impact Counties[a]	
Average of the net cost increase reported per county office		$35,777
Number of county offices providing a monetary increase	13	
Number of county offices reporting a cost increase	18	
Number of county offices multiplied by average cost increase		$643,985
Number of county offices indicating no cost increases	8	
Number of county offices with useable responses	26	
Average net cost increase across all county offices		$24,769
Estimated number of county offices in high impact counties	67	
Estimated increase in county government costs		$1,659,000
	Moderate Impact Counties	
Average of the net cost increase reported per county office		$27,417
Number of county offices providing a monetary increase	6	
Number of county offices reporting a cost increase	7	
Number of county offices multiplied by average cost increase		$191,917
Number of county offices indicating no cost increases	11	
Number of county offices with useable responses	18	
Average net cost increase across all county offices		$10,662
Estimated number of county offices in high impact counties	105	
Estimated increase in county government costs		$1,120,000
Total cost increases in all counties, all general county departments		$2,779,000

[a] High impact counties were Billings, Bowman, Dunn, McKenzie, Mountrail, and Williams.

The survey solicited per-mile costs, frequency of need, and miles of need for most road maintenance, repair, and construction operations performed by county governments (Table 8). Snow and ice maintenance, ditch mowing, and weed control were not included in the survey. The frequency of county road operations, on a per-mile basis, was included to provide an indication of how often each road maintenance or construction activity was performed relative to the number of miles in the county (see Appendix). Obviously, not all activities on every road would be expected to occur each year, so the frequency of some road operations would, on a per-mile basis, be less than the total miles of roads in the county. Yet other road operations, such as blading gravel roads, occur several times per month, and so would represent a level of need substantially greater than the total miles of roads in the county.

To arrive at an estimate of the cost to the county for performing each type of road operation, the number of miles of need for the next three years for each road operation was multiplied by the per-mile cost. The total costs to the county for all of the road operations were then summed. Miles of need, determined by the county, was a function of how often (frequency) that road operation was required and the total miles of that road type in the county. If completed properly, the questionnaire accounted for the per-mile costs for various county road operations, accounted for the frequency at which those operations were needed, accounted for the number of miles requiring those operations in the next three years, and collected that information separately for impacted and non-impacted roads. The road forms were designed to provide for a direct comparison of the cost of maintaining roads impacted by oil and gas activities and the costs of maintaining roads that were not impacted by oil and gas activities.

Two issues arose with regards to the survey of county road departments. Unfortunately, comparing the total costs of maintaining oil impacted roads with the costs of maintaining roads not affected by oil and gas does not provide the true measure of the impact of oil and gas activities on county road departments. The second issue was that several counties only filled out the impacted roads form.

In the first issue, what is needed is the amount of additional expense in road maintenance caused by oil and gas activities. Stated alternatively, the correct figure is the net cost increase on impacted roads, not the total cost of maintaining those roads or the difference in total costs between impacted roads and non-impacted roads. In the absence of oil and gas activities, the county would still need to maintain all roads in the county. Thus, the correct assessment was to estimate the maintenance cost on the impacted roads, assuming a per-mile cost and frequency of need similar to that of the non-impacted roads, and then subtract those costs from the estimated cost on the impacted roads to arrive a net cost to the county. The above approach is the reason why only returning the impacted road form created problems for determining the net costs of oil and gas activities on road operations.

Table 8. County Road Repair, Maintenance, and Construction Activities Contained in the Road Cost Survey, Oil and Gas Producing Counties, North Dakota, 2007

Maintenance Operations
Asphalt Overlay (1.5 inch or less)
Asphalt Chip Seal (labor, chips, oil)
Asphalt Repair (cold mix, patching, crack sealing)
Blading Gravel Roads (equipment, fuel, labor, repairs)
Gravel Surface Repairs (spot graveling, 2 inch lift or less)
Reconstruction Operations
Mine and Blend Rehab (milling, 0-2 inch asphalt, chip seal, loading, hauling, laying)
Asphalt Surface Treatment (3 inch or greater asphalt & chip seal, loading, hauling, laying)
Asphalt Overlay (milling, 2-3 inch overlay, loading, hauling, laying)
New Hot Bit Paving (3-5 inch new pavement)
Gravel Resurfacing (3-4 inch gravel, loading, hauling, laying, blading)
New Gravel Surfacing (4-6 inch gravel, loading, hauling, laying, blading)
Road Reconstruction (width improvement, preparation for surfacing, dirt work, culverts, erosion control, does not include surfacing)

The oil and gas industry has somewhat different effects in each county, depending upon the basic capacity (i.e., width, load limit, surface type) of county roads, how many road miles are impacted, how much traffic volume is generated on the impacted roads, and any per-mile cost differential for the county between operations on impacted versus non-impacted roads. To sort out all of the individual road effects in each county is beyond the scope of this study; however, what the survey did reveal is that, in most cases, the per-mile costs were somewhat higher for the same operation on impacted roads as for the same operation on non-impacted roads (Table 9). While average per-mile costs for operations on impacted versus non-impacted roads did not differ greatly in each county (Table 9), there were substantial per-mile cost differences among the counties for the same road operation. Also contributing to differences between counties was the number of miles of county roads affected by oil and gas activities (Table 10). Essentially, the nature of the impacts from oil and gas activities on county roads are somewhat different in each county.

Table 9. Estimated Average Per-mile Costs for Selected Road Operations, Oil and Gas Producing Counties, North Dakota, 2007

Road Operations	Roads Impacted by Oil and Gas Activities[a]	Roads Unaffected by Oil and Gas Activities[b]
	------- per mile cost -------	% of per-mile cost for impacted roads
Asphalt Overlay	$91,000	100
Asphalt Chip Seal	$20,329	85
Asphalt Repair	$7,774	69.2
Blading Gravel Roads	$96	99.1
Gravel Surface Repairs	$3,942	90.6
Mine and Blend Rehab	$72,500	100
Asphalt Surface Treatment	$59,250	100
Asphalt Overlay	$150,833	100
New Hot Bit Paving	$259,000	100
Gravel Resurfacing	$22,564	91.2
New Gravel Surfacing	$38,530	75.1
Road Reconstruction	$120,455	91.9

[a] Average of per-mile costs for Billings, Bowman, Burke, Dunn, Golden Valley, McHenry, McKenzie, Slope, Stark, and Williams Counties.

[b] Per-mile costs for roads unaffected by oil and gas activities were expressed as a percentage of the per-mile cost for impacted roads for Bowman, Billings, Slope, and Stark Counties.

The real effect on operating costs for county road departments comes from a substantial change in the frequency of the required road operations. In nearly all cases, road maintenance schedules (frequency of need) were often several times greater for impacted roads versus the level of need on non-impacted roads (Table 11). The level of need was expressed as a percentage because miles of need on impacted roads cannot be directly compared to miles of need on unaffected roads since the total miles in each group are not equal. It would be expected that miles of need for impacted roads would be greater since many more miles of roads were affected. Those effects were most pronounced for the road operations with highest per-mile costs, such as resurfacing, reconstruction, and road surface upgrades, as well as blading, which is the most common maintenance activity on gravel roads (Table 11). Thus, roads impacted by oil and gas activities required much more frequent resurfacing and reconstruction, and those activities are among the most expensive of the road operations described in the survey.

Table 10. Miles of Roads Under County Control, Oil and Gas Producing Counties, North Dakota, 2007

	Impacted by Oil and Gas Activities		Unaffected by Oil and Gas Activities	
County	Gravel	Asphalt	Gravel	Asphalt
Billings	537	12.5	104	0
Bowman	78	68	55	65
Burke	202	44	na	na
Dunn	862	14	na	na
Golden Valley	109	0	na	na
McHenry	201	90	na	na
McKenzie	1,008	135	na	na
Renville	927	74	na	na
Slope	202	2	234	0
Stark	81	16	1715	100
Williams	1,986	166	na	na
Total	6,093	621	2,108	165

na = not available.

The effects of oil and gas activities on the operating costs for road departments were estimated by first determining the total costs over the next three years for roads impacted by oil and gas activities. The per-mile costs and miles of need represented 2007 conditions and were held constant over the three-year period (i.e., costs didn't increase nor did miles of impacted roads change). After estimating the total operating costs for impacted roads, the likely costs of maintaining those same roads in the absence of oil and gas impacts were calculated. To estimate the operating costs in the absence of oil and gas impacts, a new frequency of need and a new cost per mile for each road operation was developed. The average frequency of need (i.e., percentage) for each road operation for roads unaffected by oil and gas activities in Bowman, Billings, Slope, and Stark Counties was multiplied by the total miles of impacted roads in Burke, Dunn, Golden Valley, McHenry, McKenzie, Renville, and Williams Counties. Thus, the average rate at which non-impacted roads in Bowman, Billings, Slope, and Stark Counties were repaired, re-surfaced, re-constructed, bladed, etc., was used to create a new level of miles of need, by road operation, for the impacted roads (i.e., assuming they were now managed as if they had no oil and gas impacts) in the other counties.

Table 11. Frequency of Road Operations for Impacted and Unaffected County Roads, Expressed as Miles of Need over the Next Three Years, North Dakota Oil and Gas Producing Counties, 2008 through 2010

	Frequency of Need Over Next Three Years			
Road Operations	Roads Impacted by Oil and Gas Activities[a]		Roads Unaffected by Oil and Gas Activities[b]	
	Miles	Percent[c]	Miles	Percent[c]
Asphalt Overlay	29.3	4.7	5.0	3.0
Asphalt Chip Seal	244.7	39.4	45.0	27.3
Asphalt Repair	619.5	99.7	295.0	179.0
Blading Gravel Roads	66,622.0	1,093.4	6,242.0	296.2
Gravel Surface Repairs	1,490.0	24.5	192.0	9.1
Mine and Blend Rehab	17.0	2.7	8.0	4.9
Asphalt Surface Treatment	32.0	5.2	2.0	1.2
Asphalt Overlay	94.0	15.1	5.0	3.0
New Hot Bit Paving	121.0	19.5	5.0	3.0
Gravel Resurfacing	673.0	11.0	127.0	6.0
New Gravel Surfacing	356.0	5.8	81.0	3.8
Road Reconstruction	162.0	2.7	10.5	0.5

[a] Average for Billings, Bowman, Burke, Dunn, Golden Valley, McHenry, McKenzie, Renville, Slope, Stark, and Williams Counties.

[b] Average for Bowman, Billings, Slope, and Stark Counties.

[c] Total miles of need in for each road operation for both impacted and unaffected roads were divided by total miles of roads impacted or unaffected in each county. The percentage for the impacted and unaffected categories is a relative index of how the frequency of need for road operations changes between impacted and unaffected roads.

Two methods were used to estimate a per-mile cost for maintaining impacted roads under the assumption that they were no longer affected by oil and gas activities. The first method simply used the average per-mile cost for road operations on unaffected roads in Bowman, Billings, Slope, and Stark Counties. For example, the average per-mile cost to blade gravel roads (unaffected by oil and gas) in those counties was used as the per-mile cost for blading gravel roads in the other counties. The second method used the average ratio of the per-mile cost for impacted roads to the per-mile cost for unaffected roads in Bowman, Billings, Slope, and Stark Counties and applied that ratio to the impacted roads' per-mile cost in the remaining counties. For example, if road operation A averaged $1,000 per mile on impacted roads and the same road operation averaged $800 per mile on unaffected roads, then a ratio of 80 percent was applied in each of the remaining counties to arrive at an estimated cost per mile to maintain the impacted roads assuming they were no longer impacted by oil and gas activities. This second

method uses each county's per-mile costs for impacted roads to produce a per-mile cost assuming those roads were no longer affected by oil and gas activities. Conversely, the first method assigns the same per-mile cost, assuming no oil and gas impacts, for road operations in Burke, Dunn, Golden Valley, McHenry, Renville, and Williams Counties. Because the average per-mile cost of maintaining roads not impacted by oil and gas activities in Bowman, Billings, Slope, and Stark Counties may not be the appropriate rate for all of the remaining counties, both methods were used and produced two separate estimates of the cost of maintaining impacted roads in the absence of oil and gas activities.

In the absence of oil and gas activities, each county would still need to maintain all roads under county control. Under that assumption, the correct assessment of the impact of oil and gas activities on county road department costs was to estimate the difference between costs of maintaining impacted roads and the cost of maintaining those same roads in the absence of oil and gas activities. Using 2007 data on per-mile costs and 2007 data on miles of need for various road operations, 11 of the 16 oil and gas counties responding to the survey were estimated to have operating costs on roads impacted by oil and gas activities that would exceed $110 million over the next three years (2008 through 2010) (Table 12). By contrast, costs to maintain the same roads impacted by oil and gas activities assuming those roads were not used by the oil and gas industry were estimated at about $22 million to $25 million (Table 12). The net cost increase due to impacts of oil and gas activities on road costs for those 11 counties was estimated to be about $86 to $89 million over the next three years. The added cost of oil and gas activities on county road costs was about $2.6 million to $2.7 million per county per year.

It is important to recognize that the change in road costs calculated from the survey data represent the overall presence of the oil and gas industry in a county. A considerable amount of additional research would be required to estimate only the marginal effects of recent changes in oil and gas industry activities on a corresponding change in maintenance costs for county road departments. Given the information collected in this study, it would difficult, if not impossible, to accurately estimate only the change in road maintenance costs associated with just recent increases (e.g., a 10 percent increase in oil output in the last 12 months) in oil and gas industry activities. An example of this could be framed such as what would be the increase in road maintenance costs if a county added 15 oil wells over the past year?

Mountrail County responded to the survey by indicating that the county did not currently have the data to fill out the road cost forms. The Mountrail County auditor, through a telephone interview, indicated that their road department was unable to comply with the detailed information in the road cost forms, but indicated that their increase in road costs in the next year would be about $1 million. This cost increase was based on the level of additional work that the county was experiencing with the current work load and was reflective of current (Spring of 2008) road costs. The substantial increase in the work load for the Mountrail County Road Department has largely been reactionary to the changes in oil exploration and production in the county over the past 18 months. At this point, it was suggested that most of the work load has been devoted to dust control, blading, and adding gravel to existing roads, among other maintenance activities. Past cost increases in Mountrail County are likely to be very conservative since those cost changes do not reflect future increases in many of the more expensive resurfacing operations found in the other counties. Since impacts from the oil and gas

industry are relatively recent in Mountrail County, the cumulative effects of increased traffic volumes and traffic patterns have perhaps not been manifested in physical deterioration of road beds or road surfaces to the extent found in other counties.

Table 12. Estimated Net Cost Increases of Maintenance of Roads Under County Control, Oil and Gas Producing Counties, North Dakota, 2008 through 2010

	Estimated Costs (000s of 2007 dollars)				
		Average Cost Analysis[a]		Ratio Analysis[b]	
County	Impacted Roads	Non-impacted Status[c]	Net Cost Increase	Non-impacted Status[c]	Net Cost Increase
Billings	29,420	6,930	22,490	6,930	22,490
Bowman	10,550	1,600	8,950	1,600	8,950
Burke	9,090	910	8,180	840	8,250
Dunn	19,700	2,140	17,560	3,450	16,250
G. Valley	2,890	330	2,560	300	2,590
McHenry	4,810	1,590	3,220	1,770	3,040
McKenzie	7,100	2,070	5,030	3,120	3,980
Renville	670	570	100	510	160
Slope	2,810	480	2,330	480	2,330
Stark	3,850	620	3,230	620	3,230
Williams	19,990	4,790	15,200	5,210	14,780
Total	110,880	22,030	88,850	24,830	86,050
Average annual	36,960	7,343	29,617	8,277	28,683
Average annual per county	3,360	668	2,692	752	2,608

[a] Assigning average per mile costs for operations on non-impacted roads for Bowman, Billings, Slope, and Stark Counties to remaining counties.

[b] Used the average ratio of the per-mile cost for impacted roads to the per-mile cost for unaffected roads in Bowman, Billings, Slope, and Stark Counties and applied that ratio to the impacted roads' per-mile cost in the remaining counties.

[c] The cost of maintaining those roads was based on assuming the impacted roads were unaffected by oil and gas activities.

Summary of Cost Projections

Cost increases over the next year for general county offices (i.e., non-road offices) were estimated separately for six counties experiencing high oil development and production and for ten counties that have been less impacted by oil and gas activities. Increases in costs of providing services for the general county offices in the high impact counties were estimated at about $1.7 million in the last year. The remaining counties were estimated to collectively have cost increases around $1.1 million over the last 12 months for provision of services by the general county offices. Combined, cost increases for general county offices in the 16 oil and gas producing counties were estimated at about $2.8 million over the past year.

Road costs were estimated separately from cost estimates for the general county offices. The effects of oil and gas activities on the costs of maintaining county roads was estimated to range from $2.6 million to $2.7 million per county per year for the counties responding to the survey. Thus, the presence of oil and gas activities in a county was estimated to increase road maintenance costs, on average, about $2.65 million over the costs of maintaining those roads in the absence of the oil and gas industry (i.e., the industry was not present in the county). If the estimated cost increases for the counties responding to the survey are representative of all oil and gas producing counties in North Dakota, then the net cost to counties to maintain county roads affected by the oil and gas industry over the next year could approach $42.4 million ([$2,600,000+$2,700,000]/2*16). However, if the effects of the oil and gas industry, in the counties that did not respond to the survey, are closer to the impacts in Mountrail County, where the additional expense was estimated at $1 million annually, then the change in operating expenses for county road departments would be closer to $34 million ($2,650,000*11+5*$1,000,000) annually.

Collectively, all 16 oil and gas producing counties could expect the net cost of the oil and gas industry to be $36.9 million ($34 million for roads plus $2,779,000 for other services) to $45.2 million ($42.4 million for roads plus $2,779,000 for other services) annually in the next few years. It is important to recognize that the change in road costs represents the overall presence of the oil and gas industry in a county, and does not represent just the marginal increase in costs associated with recent changes in oil and gas industry output. However, the change in the cost of providing county services represents the marginal increase in expenses associated with changes in the level of oil and gas activities over the past year, and does not necessarily represent the overall costs of the oil and gas industry in the county. Additional research would be required to estimate only the marginal effects of recent changes in oil and gas industry activities on the change in maintaining roads.

Conclusions

North Dakota has experienced tremendous increases in oil production and exploration in the last five years. Current levels of oil exploration and production now exceed the all-time highs of the state's largest oil boom of the early 1980s.

Rapid changes in oil and gas activities, like which is occurring in some western North Dakota counties, can strain local governments and increase the costs of providing services. Often these cost increases occur without corresponding revenue offsets.

The purpose of this study was to survey county governments, solicit information on how increased oil and gas activity has affected the workload in county offices, how county offices have adjusted to changes in workload, if changes in oil and gas activities have affected costs of providing county services, and extrapolate survey estimates to project the overall cost of changes in oil and gas activities on county governments.

Results from the survey clearly showed that the workload for a majority of county offices has increased due to changes in oil and gas activities in western North Dakota. Further, a majority of the county offices responding to the survey indicated that operating costs had increased over the past 12 months due to changes in oil and gas industry activities in their county. It is clear that changes in workload have translated into increased costs. The increased costs are attributable to changes in wages, personnel, input purchases, equipment/capital purchases, and a host of other factors. In addition, most offices and departments have not been able to offset those additional costs with changes in fees or charges (at least not in the short run). Increased workloads have had an unequal effect on office personnel, as many offices indicated that only salaried employees could work more than 40 hours per week. Many elected and appointed officials have been left to cover the additional work load, and many of those individuals suggest that turnover of personnel in the future may become a growing issue. Many respondents echoed sentiments that current pay scales are not commensurate with existing workoads or responsibilities.

The influence of oil and gas production and development on the cost of maintaining rural roads is more complex to estimate than the financial effects on other county offices. While a number of factors influence road maintenance costs within any particular county, the most common factors are the number of miles of rural roads affected, the per-mile costs for road operations, the geographic scope of oil and gas activities within a county, rural road capacities/characteristics, and the intensity of use by oil and gas industry vehicles.
In the absence of oil and gas activities, the county would still need to maintain all county roads under their control. Thus, determining the financial effects of oil and gas activities on county road departments required first estimating the maintenance cost on the impacted roads, assuming a per-mile cost and frequency of need for road maintenance similar to that of non-impacted roads within those counties, and then subtract those costs from the estimated cost of the impacted roads to arrive a net cost to the county.

Cost increases over the next year for general county offices (i.e., non-road offices) were estimated separately for six counties experiencing high oil development and production and for ten counties that have been less impacted by oil and gas activities. Increases in costs of providing services for the general county offices in the high impact counties were estimated at about $1.7 million in the last year. The remaining counties were estimated to collectively have cost increases around $1.1 million over the last 12 months. Combined, cost increases for general county offices in the 16 oil and gas producing counties were estimated at about $2.8 million over the next year.

Road costs were estimated separately from cost estimates for the general county offices. The presence of oil and gas activities in a county was estimated to increase road maintenance costs, on average, about $2.65 million over the costs of maintaining those same roads without the presence of the oil and gas industry. The net cost of maintaining roads used by the oil and gas industry was estimated to range from $34 million to $42 million annually, depending upon assumptions of the change in costs for county road departments.

Collectively, all 16 oil and gas producing counties could expect the net cost of the oil and gas industry to be $36.9 million ($34 million for roads plus $2,779,000 for general services) to $45.2 million ($42 million for roads plus $2,779,000 for general services) annually in the next few years. It is important to recognize that the change in road costs represents the overall presence of the oil and gas industry in a county, and does not represent just the marginal increase in costs associated with recent changes in oil and gas industry output.

APPENDIX

General County Department Questionnaire and Road/Highway Department Questionnaires

Survey Goal

The purpose of this survey is to gather insights into how increased oil and gas exploration and production have affected the provision and cost of county government services. This is not an in-depth analysis, but rather the survey is designed to provide a cursory or periphery assessment of the impacts of increased activity in the petroleum industry on local governments in western North Dakota.

Survey Instructions

(1) Please limit your assessment of the effects of oil and gas activity to the last 12 months. We are not concerned about effects that may have happened more than 1 year ago.

(2) To the best of your ability, please consider all of your responses with respect to just the effects of increased activity in the petroleum industry. We recognize that the provision of public services and the costs to provide those services change over time, so again, try to only describe those changes that are a result of the additional business activity associated with oil and gas exploration and production in your county.

(3) Please call Vicky Steiner (701-290-1339) if you have any questions.

(4) Please complete the questionnaire by February 8, 2008.

(5) Please return this form to your county Auditor's Office. The county auditor will collect the forms and mail them to NDSU for analysis.

Please fill in the following information.

County _____

Office or Department _____

Your name and Position _____

(1) Has there been an increase in services provided or change in workload in your office/department due to increases in oil and gas exploration and extraction in your county? (Please circle and check all that apply)

Yes — If yes, how has your office/department handled the increased workload?

_____ added additional staff

_____ more hours for existing staff

_____ purchased more equipment

_____ outsourced some of the work load

_____ other measures (please specify_____

_____)

No — Our office workload has not been affected by oil and gas activity.

Don't know

(2) Have increases in oil and gas exploration and production in your county changed the cost of providing public services in your office or department? (please circle)

Yes Please estimate the approximate cost increase over the past 12 months $_____

No Please skip to Question 4.

Don't Know

(3) What would be the reasons for increases in your office/department's operating costs due to increased oil and gas activity in your county? (Please check all that apply)

____ increased wage rates for office personnel

____ more hours for existing personnel

____ hired additional part-time employees

____ hired additional full-time employees

____ had to incur increase in training and recruitment expenses due to higher than normal employee turnover or additional hiring

____ purchase/lease/acquire additional equipment or upgrade existing equipment sooner than expected (please clarify _____)

____ had to purchase more supplies and inputs than normal (e.g., fuel, electricity, paper, computer services, communications, etc.)

____ costs went up because of an increased number of customers and/or servicing a larger population base and/or more applicants for our programs

____ other reasons (please specify_____)

____ don't know

(4) Has your office or department offset cost increases in the last year by increasing rates/fees or by adding new/additional fees? (please circle)

Yes Please estimate the approximate revenue increase due to higher fees or new fees added over the past 12 months $_____.

No Our office or department has not increased existing fees or added any new fees.

Don't know

(5) Please comment on any other fiscal effects on your office or department that are a direct result of increased oil and gas activity in your county (add additional sheets if necessary).

THANK YOU–please return this form to the County Auditor's Office.

OIL AND GAS IMPACTED COU[illegible]OAD COST SURVEY

Item No.	COUNTY ROAD INVENTORY	TOTAL MILES ASPHALT	TOTAL MILES GRAVEL
1	COUNTY COLLECTORS (Federal Aid and others that serve as major collectors)		
2	MINOR COUNTY COLLECTORS (Most roads leading to the County and State Collectors)		
3	OTHER COUNTY ROADS (Secondary roads that are like township roads)		

COUNTY

	MAINTENANCE COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
5	ASPHALT OVERLAY (1-1/2" or less will be considered maintenance)		per mile	every		years	
6	ASPHALT CHIP SEAL (Include oil, chips, equipment and labor to complete)		per mile	every		years	
7	ASPHALT REPAIR (include cold mix, patching and crack sealing)		per mile	every		years	
8	BLADING GRAVEL ROADS (Include equipment, labor, fuel and repairs)		per mile			per month	
9	GRAVEL SURFACING REPAIRS (spot graveling, 2" lift or less for maintenance)		per mile	every		years	
10	GRAVEL CRUSHING (Include equipment, fuel, labor, testing and royalty)		per ton/CY	<-Circle ton or CY			
11	GRAVEL HAULING AND LAYING (Based on average haul miles in County)						
	(Include loading, hauling, laying and all other costs)		per ton/CY	<-Circle ton or CY			

	RECONSTRUCTION COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
12	MINE AND BLEND REHAB. (Includes Milling, 0" to 2" Graveling, and Chip Seal)		per mile	every		years	
13	ASPHALT SURFACE TREATMENT (Includes 3"or Thicker Graveling and Chip Seal)		per mile	every		years	
14	ASPHALT OVERLAY (Includes milling and 2" to 3" overlay)		per mile	every		years	
15	NEW HOT BIT. PAVING (Includes 3" to 5" for new pavement)(Specify thickness in notes)		per mile	every		years	
16	GRAVEL RESURFACING (3" to 4")(Based on average haul miles in County)						
	(Include loading, hauling, laying and all other costs)		per mile	every		years	
17	NEW GRAVEL SURFACING (4" to 6" -Specify)(Based on average haul miles in County)						
			per mile	every		years	
18	ROAD RECONSTRUCTION(Needed to improve safety/widening to accommodate surfacing)						
	(Cost for Dirt Work, Culverts, Erosion Control, etc., do not include surfacing)		per mile				

NON-IMPACTED COUNT[illegible]D COST SURVEY

Item No.	COUNTY ROAD INVENTORY	TOTAL MILES ASPHALT	TOTAL MILES GRAVEL
1	COUNTY COLLECTORS (Federal Aid and others that serve as major collectors)		
2	MINOR COUNTY COLLECTORS (Most roads leading to the County and State Collectors)		
3	OTHER COUNTY ROADS (Secondary roads that are like township roads)		

COUNTY

	MAINTENANCE COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
5	ASPHALT OVERLAY (1-1/2" or less will be considered maintenance)		per mile	every		years	
6	ASPHALT CHIP SEAL (Include oil, chips, equipment and labor to complete)		per mile	every		years	
7	ASPHALT REPAIR (include cold mix, patching and crack sealing)		per mile	every		years	
8	BLADING GRAVEL ROADS (Include equipment, labor, fuel and repairs)		per mile			per month	
9	GRAVEL SURFACING REPAIRS (spot graveling, 2" lift or less for maintenance)		per mile	every		years	
10	GRAVEL CRUSHING (Include equipment, fuel, labor, testing and royalty)		per ton/CY	<-Circle ton or CY			
11	GRAVEL HAULING AND LAYING (Based on average haul miles in County)						
	(Include loading, hauling, laying and all other costs)		per ton/CY	<-Circle ton or CY			

	RECONSTRUCTION COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
12	MINE AND BLEND REHAB. (Includes Milling, 0" to 2" Graveling, and Chip Seal)		per mile	every		years	
13	ASPHALT SURFACE TREATMENT (Includes 3"or Thicker Graveling and Chip Seal)		per mile	every		years	
14	ASPHALT OVERLAY (Includes milling and 2" to 3" overlay)		per mile	every		years	
15	NEW HOT BIT. PAVING (Includes 3" to 5" for new pavement)(Specify thickness in notes)		per mile	every		years	
16	GRAVEL RESURFACING (3" to 4")(Based on average haul miles in County)						
	(Include loading, hauling, laying and all other costs)		per mile	every		years	
17	NEW GRAVEL SURFACING (4" to 6" -Specify)(Based on average haul miles in County)						
	(Include loading, hauling, laying and all other costs)		per mile	every		years	
18	ROAD RECONSTRUCTION(Needed to improve safety/widening to accommodate surfacing)						
	(Cost for Dirt Work, Culverts, Erosion Control, etc., do not include surfacing)		per mile				

HB 1225
January 12, 2009
Testimony #4

Killdeer Public School
Gary A. Wilz, Superintendent
Email –
Phone – 701-764-5877

Transportation Concerns –

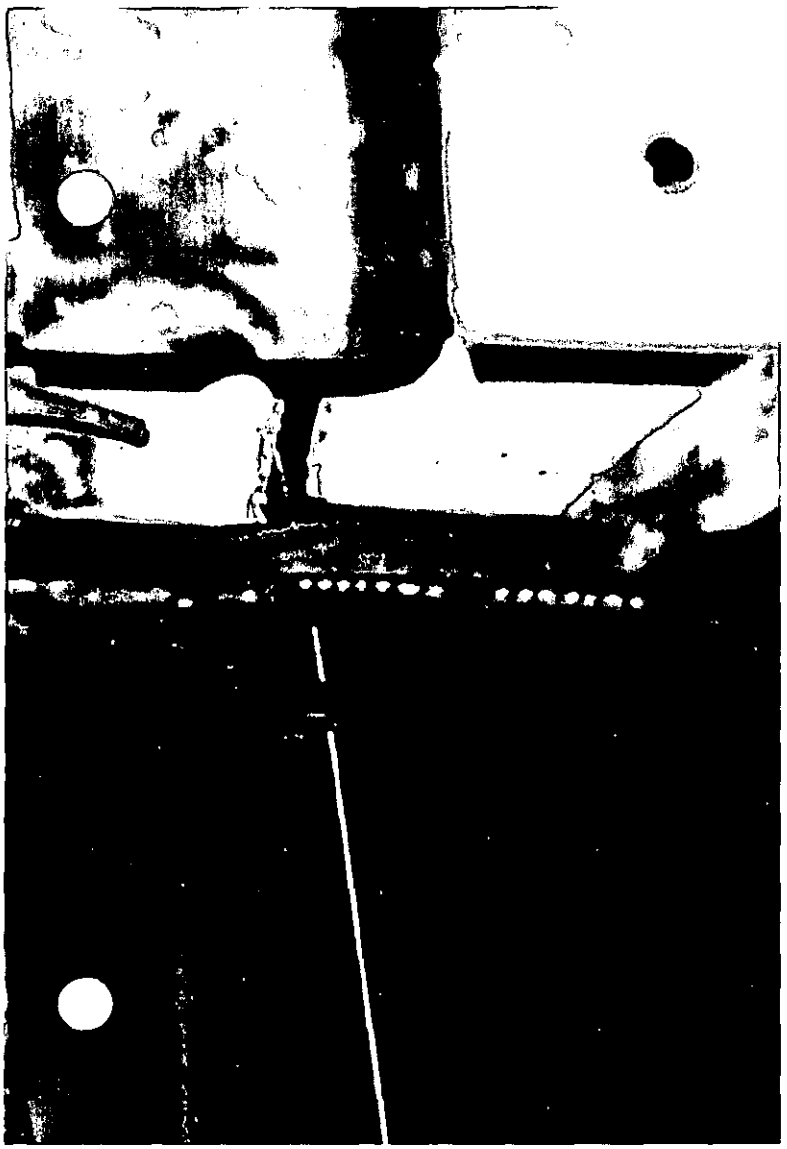
- School bus repair bill has nearly doubled since 2006 – 2007
- Bus chassis wear out at 140,000 – 160,000miles, problems starting at 90,000
- Hiring drivers nearly impossible – a quote from a potential driver... "I am not sure if I want to be responsible for all those children, and I certainly don't want the responsibility for driving them with all the oil traffic."
- Bus driver reports of vehicular traffic NOT stopping when the bus is stopped with stop arm extended and flashers on has increased from 1 – 2 incidents per year to 1 – 2 incidents per month.
- Maintenance time at major repair facilities has doubled as we are being "trumped" by the oil industry. I currently have two buses in Bismarck for repair.
- Per mile costs have risen from $1.03/mile in 2003 – 2004 to $1.67/mile in 2007 – 2008
- 240 out of 376 students are transported by bus.
- Total bus mileage per day will approximate 825 miles.
- Total route mileage in 2007 – 2008 was slightly less than 110,000 miles on eight routes.
- Killdeer replaces one bus per year, last year we purchased two new buses
- A new "yellow" bus costs over $70,000.00
- I would put 200,000+ miles on a bus if it were feasible on our road networks...county roads not feasible, highway routes - this is feasible.

January 12, 2009
House Finance and Taxation Committee
In support of HB 1225

Killdeer-
Supt. Gary Wilz

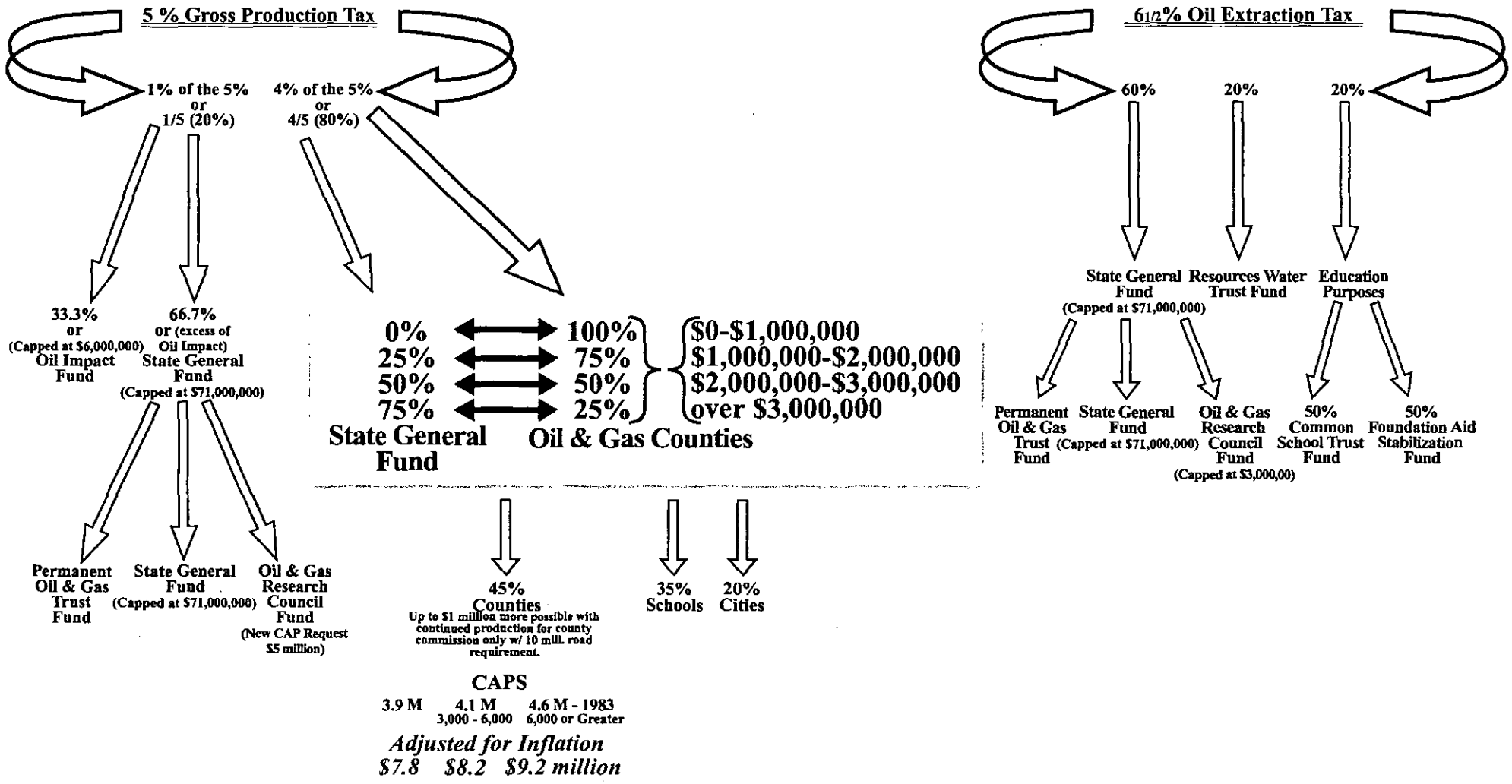
This bus had 90,000 miles at the time of the chassis frame breakage. The break is above the student loading door and "creates" the familiar "inverted U" shape to the bus body. This same framing structure holds the windshield in place. The windshield literally fell in on this bus. I have never heard of a bus where this frame broke completely through nor had any of the bus vendors that I spoke with. The route that this bus operated on had road sections that were a jarring ride at 10 mph. I ride each of our routes at least once per year. This was one of our shorter routes and I could hardly wait until we were back in town.

Killdeer School Bus
chassis frame broke
HB 1225



HB 1225
January 12, 2009
Testimony 5

Oil Taxes
2009



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, aricultural, 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 popultation 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 fundassists 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 fund.
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 dissemate information concerning the petroleum industry to foster the best interests of the public and industry.
45% counties= To receive additional $1 million funding over 2007 caps of $3.9, 4.1 and 4.6 million, counties must levy at least 10 mills for county roads. Cap levels are set by population.

HB 1225
January 12, 2009
Testimony 6

Thank you Chairman & Committee Members.

I am Cliff Ferebee-Dunn Co. Commissioner.

You have seen by Auditor Hauck's presentation that the cap has to be removed to help the oil producing counties with the huge impact on our roads & bridges. The traffic on most of the roads in our county has gone up from 3-10 vehicles a day to 4-5 hundred a day. Because of this increase in traffic we have had to put down dust control on many miles of our roads. This is a costly procedure and lasts for only one season.

Each oil well drilled in Dunn County from start to finish takes from 800-1000 vehicles, most of them heavy equipment. Each well takes approximately 1 million gallons of water to frac. After completion of a well there is still need for service vehicles & vehicles to haul the oil.

The need for gravel & scoria has increased enormously because of the oil and gas industry. The State Health Dept. & EPA found eronite in about ½ of our gravel supply and told us not to use it. This makes it necessary to haul gravel more miles putting more stress on our roads.

We want to thank those that have come to Dunn County and other oil producing counties to witness our needs. We extend an invitation to you to come visit the oil producing counties that have generated much of the states surplus funds. The State of North Dakota owns over 60,000 acres of minerals in Dunn County alone plus receives $'s from oil royalties, tax on oil companies, fuel taxes from vehicles working for oil companies, sales tax, and state income tax.

I'd like to share the Energy Development Impact Office Statement of Goals. Removing caps to oil producing counties would be a start in meeting those goals.

Thank you for your consideration in removing caps and your help to take care of the needs of the oil producing counties.

Attachment #1.

1707 North 9th Street
PO Box 5523
Bismarck, ND 58506-5523
Phone: (701) 328-2800
Fax: (701) 328-3650

www.land.nd.gov
www.nd.gov

ND STATE LAND DEPARTMENT
Helping to Fund Education

Gary D. Preszler, Commissioner

TESTIMONY OF JEFF ENGLESON
Director, Energy Development Impact Office
North Dakota State Land Department

IN SUPPORT OF REENGROSSED HOUSE BILL NO. 1225

Senate Natural Resources Committee
March 5, 2009

PURPOSE

The mission of the Energy Development Impact Office (EDIO) is to provide financial assistance to local units of government that are affected by energy activity in the state. Over the years, the EDIO has helped counties, cities, schools districts and other local units of government (organized townships, fire and ambulance districts, etc.) deal with both the booms and the busts associated with energy development in North Dakota. The EDIO became a part of the Land Department in 1989.

Since 1991, the EDIO has made grants only for impacts related to oil and gas development. Funding for these grants is appropriated by the State Legislature from a portion of the 5% Oil & Gas Gross Production Tax. For the 2007-09 biennium, the amount available to this program is capped at $6.0 million; prior to the current biennium, the cap was $5.0 million per biennium.

The Director of the EDIO is responsible for making all decisions related to the oil impact grant program. The Board of University and School Lands is the appellate for applicants not satisfied with the decisions made by the director. Over time, very few appeals have been made.

CURRENT PROGRAM

The EDIO is managed under NDCC Chapter 57-62. NDCC 57-62-05 and 57-62-06 provide the following guidance to the EDIO Director:

- Grants should be used "to meet initial impacts affecting basic government services, and directly necessitated" by oil and gas development impact. Basic government services does not mean marriage or guidance counseling, programs to alleviate other sociological impacts or programs to meet secondary impacts.
- The amount of tax an entity is entitled to from real property and from other tax or fund distribution formulas provided by law must be considered when determining grants.

The following award criteria are used when making grants to political subdivisions:

- A grantee must demonstrate the negative impact caused by oil and gas development in the area.
- A grantee must demonstrate its tax effort and financial need.
- The funds granted must be used to alleviate the hardship caused by oil and gas development.

Each year, the EDIO Director travels for about a month in western North Dakota, meeting with representatives of counties, cities, schools, organized townships, fire and ambulance districts and other entities that have applied for grants under this program. In 2008, 376 grant requests were received from 278 different political subdivisions. The total amount of grants requested in 2008 was $29.1 million. In addition to the grant rounds, the Director has also participated in the ND Petroleum Council's "Oil Can!" program, the Williston Basin Expo and other events in an effort to educate the public about this program and learn more about the problems associated with oil development.

The EDIO is only one of the ways that funding gets back to western North Dakota to help deal with the impacts of oil and gas development. Under current state law, a portion of the gross production taxes collected by the state flow back to counties, cities and school districts. I will not go over the details of the gross production tax distribution formula today; there are others that can better explain it to you. However, it is important to note that organized townships, fire and ambulance districts, and many other political subdivisions do not share in any of the gross production taxes collected by the state even though these entities can be greatly impacted by oil and gas development in a given area.

HISTORIC INFORMATION

One of the great things about this program is that the EDIO Director has always had flexibility in administering the oil and gas impact grant program. This has allowed the program to adapt to changing needs as drilling activity has moved from one area of the state to another, and as oil and gas development has gone through both boom and bust cycles. The attached tables provide a breakdown of grants requested and awarded over the past 5 biennia by political subdivision type, by county, and by function.

These tables contain a lot of information; however, there are a few specific things I'd like to point out:

- The amount of grant requests has increased substantially over the past nine years, from a total of $22.7 million for the 1999-01 biennium to $29.1 million in fiscal year 2008 alone.
- The amount of grants awarded to counties has decreased over the past nine years, while the amount awarded to organized townships has increased. This is partly a result of the fact that the amount of tax revenue going to many counties has increased in recent years as both production and oil prices have risen. It is also partly a result of the program recognizing that organized townships have major, direct impacts from oil and gas development, but do not receive any share of the production tax revenues collected by the state.
- The amount of grants awarded to political subdivisions in Bowman County had decreased, while the amount of grants awarded to entities in Mountrail and Dunn counties has increased. This is result of the focus of development activity moving from the Cedar Hills area in Bowman County in the late 1990s and early part of this decade to the Bakken play in the Mountrail and Dunn County areas in more recent years.
- The one thing that hasn't really changed much over the years is the fact that the vast majority of the grants awarded (85%-90%) have been for transportation related projects/functions and for fire and ambulance related equipment and services. This reflects the program's recognition that these government services are probably the services most directly impacted by oil development.

As these tables show, the flexibility of the EDIO program has allowed the EDIO Director to try to balance the needs of the various political subdivisions at any given point in time with the resources available. The tables also show that this program allows the EDIO Director to address the fact that there are many political subdivisions which are directly impacted by oil and gas development, but which do not receive an adequate amount of tax revenues to help defray the cost of reducing those impacts.

PROPOSED CHANGES

Reengrossed HB 1225 amends NDCC 57-51-15(1) to increase the cap of funding to the EDIO oil impact grant program from $6 million per biennium to $8 million per biennium. It also adds language to NDCC 57-62-06 which states that transportation infrastructure projects will have a priority.

Reengrossed HB 1225 also provides $5 million of additional funding for the oil impact grant program for the 2009 grant rounds, which will begin in April 2009 and will end in late-June 2009 when final grant awards are determined.

The EDIO supports the oil impact grant program and believes there is a tremendous need for additional funding to flow back to western North Dakota to help deal with the impacts of oil and gas development. . Not only is there is a need for additional funding for the oil impact grant program, but there is also a need for additional funding directly to counties, cities and schools via the gross production tax distribution formula.

I would like to take this time to make a few of comments about this bill and how the proposed changes could impact the way that the EDIO oil impact grant program is administered.

- The amount of funding needed for this program is directly related to the amount of gross production taxes that flow to counties, cities and schools under NDCC 57-51-15(2). If the Legislature provides more funding directly to these political subdivisions under NDCC 57-51-15(2), then there would be less need for grants for those entities from the oil impact grant fund The questions are; how much total funding is needed and what is the best way to get those funds back to those areas that need them?

- The EDIO has historically focused on "filling in the gaps" for those entities that receive either no funding or inadequate funding under the gross production tax distribution formula. Although increasing the amount of funding for this program to $8.0 million per biennium will help this program do a better job at filling in those funding gaps, on its own, it is not enough to meet the ongoing needs of political subdivisions that are negatively impacted by oil and gas development.

- SB 2013 (Land Department budget) and SB 2229, as amended, both allocate $10.0 million per biennium to the EDIO. There are also two bills still alive, SB 2229 and HB 1304 that deal with the gross production tax distribution formula.

- The language in reengrossed HB 1225 that states that the EDIO shall give priority to transportation infrastructure projects will have a minimal impact on the program, as historically, 70% - 80% of grant awards have gone to transportation related projects.

- The $5 million emergency appropriation for the oil impact program for fiscal year 2009 is definitely needed and can be put to use this summer, provided a decision about it is made sooner rather than later. It takes time to plan and implement major infrastructure projects, just as it takes time to determine how to divvy up $5.0 million. If these additional funds are going to benefit western North Dakota this year, it may make sense to deal with this one-time funding in one bill that gets a 'fast track" through the legislature and the ongoing funding of EDIO in a separate bill.

- The current budget for the EDIO is $6.0 million per biennium, of which $111,900 is used to administer the program. At the present time, the Land Department dedicates about 25% of one FTE to perform the functions of the EDIO, although the actual time involved in administering the program is somewhat more than currently allocated. Increasing funds available for this program to $8.0 million per biennium would have a minimal impact on administrative costs, as would a onetime funding boost of $5.0 million. However, increasing the amount to $10 million per biennium, or a higher amount, as has been proposed in various other bills would require additional funding and at least part of the new FTE that is currently included in the Land Department's budget bill (SB 2013).

With those comments and explanations, I will gladly answer any questions you may have.

#2.

North Dakota Association of Oil & Gas Producing Counties

Testimony

In support of House Bill 1225

Senate Natural Resources Committee

Chairman Senator Stan Lyson

Chairman Lyson and members of the Senate Natural Resources committee. My name is Vicky Steiner. I am the Executive Director for the North Dakota Association of Oil and Gas Producing Counties. There are 17 counties in our Association. We have some counties with large impacts like Mountrail County where they had about $18 million in damages. Dunn County has had significant impact. We also have a new member, Mercer County, where they are just starting to receive some of the 5% oil and gas gross production tax and are starting to see some initial impacts.

The impact fund fills in the gaps where the distribution formula doesn't reach. The 5% oil and gas gross production tax is "in lieu of" property tax for the oil counties. House Bill 1225 increases the cap from $6 to $8 million a biennium. The oil impact fund was not adjusted last session.

This bill also has an idea for your consideration that was not in the Senate's version of energy impact- it also includes an infusion of $5 million with an emergency measure for a one time shot.

The oil counties conducted a study a year ago to give information to the interim Taxation committee. The hearing was in July of 2008.

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North Dakota Association of Oil & Gas Producing Counties

It showed a range of yearly damages of $36.9 million-$45.2 million a year or about a $90 million a biennium. The study is attached to my testimony. These counties sustained damage from the past two years. During that time, over $800 million dollars was generated from the oil boom in the western counties and this is their property tax. I understand that you are dealing with the new budget but we have infrastructure that needs to be repaired. The State Land Department Energy Impact office reported that the amount of grant requests has increased substantially from $22.7 million in the 1999-01 biennium to $72.7 million in 05-0 biennium. The requests dropped off somewhat in the last year because there is no significant money. $3 million a year doesn't come close to what is needed out there.

We support the bill and we ask for your consideration of the House's infusion idea .

I am happy to answer questions.

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Effects of Petroleum Industry on County Government Costs in North Dakota

Dean A. Bangsund
F. Larry Leistritz

Report prepared for the North Dakota Association of Oil and Gas Producing Counties

Objective

Document how changes in oil and gas exploration and production have affected the cost of providing county government services in North Dakota

Approach

- Survey county officials -- ask county officials to document the effects on their individual office
- Use survey results to generate projections of cost increases for oil and gas producing counties

Survey

What did we ask?

- General (non-road) offices
  - Changes in office workload
  - Changes in cost of providing services
  - Ability to offset costs from new/increased fees & charges
- Road departments
  - Information on maintenance, repair, and construction operations on impacted and non-impacted roads

Survey
Response Rate

- 59 offices/departments in 14 counties (only Ward and Bottineau Counties absent)
  - 13 road departments
  - 4 or more responses each from offices of auditor, sheriff, treasurer, r. of deeds, social services, c. of court, & tax equalization
  - equates to about a 30 percent response rate

General County Offices

With respect to only changes in petroleum sector activities in the past 12 months

- 79% of offices reported increased workloads
- Offices internalized the additional workload (added staff, extra hours for existing staff, purchased equipment)
- Increased workload = increased costs (69 percent of offices with increased workloads reported costs increased, compared to 10% of offices without changes in workload)
- Overall, about 60% of general offices reported cost increases

General Offices
Areas of Additional Expense

Expense Types	Number	Percent
More supplies/inputs	25	89.3
Added equipment	21	75.0
Increased hours for staff	20	71.4
Hired full-time staff	12	42.9
Higher wage rates	11	39.3
More clients/applicants	10	35.7
More training/recruitment	8	28.6
Hired part-time staff	5	17.9

General Offices
Cost Projections

- Survey responses stratified based on county-level changes in petroleum output in last two years
  - Do not assume impacts equal in all counties
- Survey responses averaged across all county offices
  - Avoid estimating costs for specific offices

General Offices
Cost Projections

High Impact Counties Billings, Bowman, Dunn, McKenzie, Mountrail, and Williams	
Average net cost increase per general office in last 12 months (average of all offices with and without cost increases)	$24,769
Estimated number of county offices multiplied by average net cost increase per office	$1,659,000

General Offices
Cost Projections

Moderate Impact Counties	
Average net cost increase per general office in last 12 months (average of all offices with and without cost increases)	$10,662
Estimated number of county offices multiplied by average net cost increase per office	$1,120,000

General Offices
Cost Projections

Estimate of Cost Increases over Past 12 Months	
High Impact Counties (about $276,000 per county)	$1,659,000
Moderate Impact Counties (about $112,000 per county)	$1,120,000
All Counties	$2,779,000

Road Departments
Unique Challenges

- Effects in each county are different
  - Miles of roads affected
  - Type, capacities, characteristics of impacted roads
  - Geographic distribution of oil activity within county
  - Intensity of road use / traffic patterns
  - Costs for road operations
- Escalating input costs (e.g., gravel, fuel) not tied to petroleum sector use of roads
- In absence of petroleum industry, still have road maintenance costs

Road Departments
Unique Challenges

- Need to evaluate costs over broader time frames (majority of road operations not performed on all roads each year)
- Complex problem -- does not lend itself to relying on a single answer from road departments
- A different questionnaire and analysis was used

Road Departments
Questionnaire

- County officials provided the following for impacted and non-impacted roads
  - Miles, by road type
  - 12 separate maintenance, repair, and reconstruction/surfacing operations
    - Cost per mile
    - Frequency of need
    - Miles of need in next three years
  - Questionnaire developed by Dan Brosz, Brosz Engineering, Bowman, ND

Road Departments
General Findings

- Impacted vs non-impacted roads
  - Frequency of need is substantially higher (i.e., how often a particular operation is required)
  - Greater disparity with the most costly operations (e.g., reconstruction, resurfacing)
  - Nearly all road operations more expensive ($/mile) to perform on impacted roads than on non-impacted roads

Road Departments
Cost Projections

- Cost of maintaining impacted roads
- Cost in absence of oil industry
  - Applied non-impacted road data to impacted roads
    - Cost per mile by road operation
    - Frequency of need by road operation by road type
    - Miles impacted by road type
- Difference between the two estimates

Road Departments

Cost Projections 2008 through 2010

		Avg Cost Analysis		Ratio Analysis	
Counties*	Impacted Roads (6,700 miles)	Non-impacted Status	Net Cost Increase	Non-impacted Status	Net Cost Increase
	---------- 000s of 2007 dollars ----------				
Total**	110,880	22,030	88,850	24,830	86,050
Avg Annual	36,960	7,343	29,617	8,277	28,683
Avg Annual Per County	3,360	668	**2,692**	752	**2,608**

*Counties with useable data from survey were Billings, Bowman, Burke, Dunn, Golden Valley, McHenry, McKenzie, Renville, Slope, Stark, and Williams.

**Does not include snow removal, weed control, or mowing.

Summary

Cost Projections

Costs	Low Estimate	High Estimate
Roads Responding Non-responding*	$34.1 million $2.65 million x 11 counties $1 million x 5 counties	$42.4 million $2.65 million x 11 counties $2.65 million x 5 counties
General Offices	$2.8 million	$2.8 million
Total (2007 $)	$36.9 million	$45.2 million

* Regards assumptions on costs for road impacts in counties that did not respond to the survey. Personal interview with Mountrail County revealed $1 million increase in road costs from FY07 to FY08.

Conclusions

- Expansion of oil and gas sector has led to increased workload for majority of county offices
- Increased workloads = increased costs
- Financial impacts of oil and gas on maintenance of rural roads are substantial

Final Thoughts

- Financial burden of increasing costs of providing county services?
  - Are current levels of tax re-distributions sufficient?
  - Effect on county residents/tax payers?

Jorenson, Fire Chief. #3

Stanley Rural Fire Department – consists 653 square miles, 2nd largest in state.
25 volunteer firemen service the district.
Highways 2 & 8, Burlington Northern Railroad run through it.
City & Rural departments own their own equipment, except for the Rescue truck.

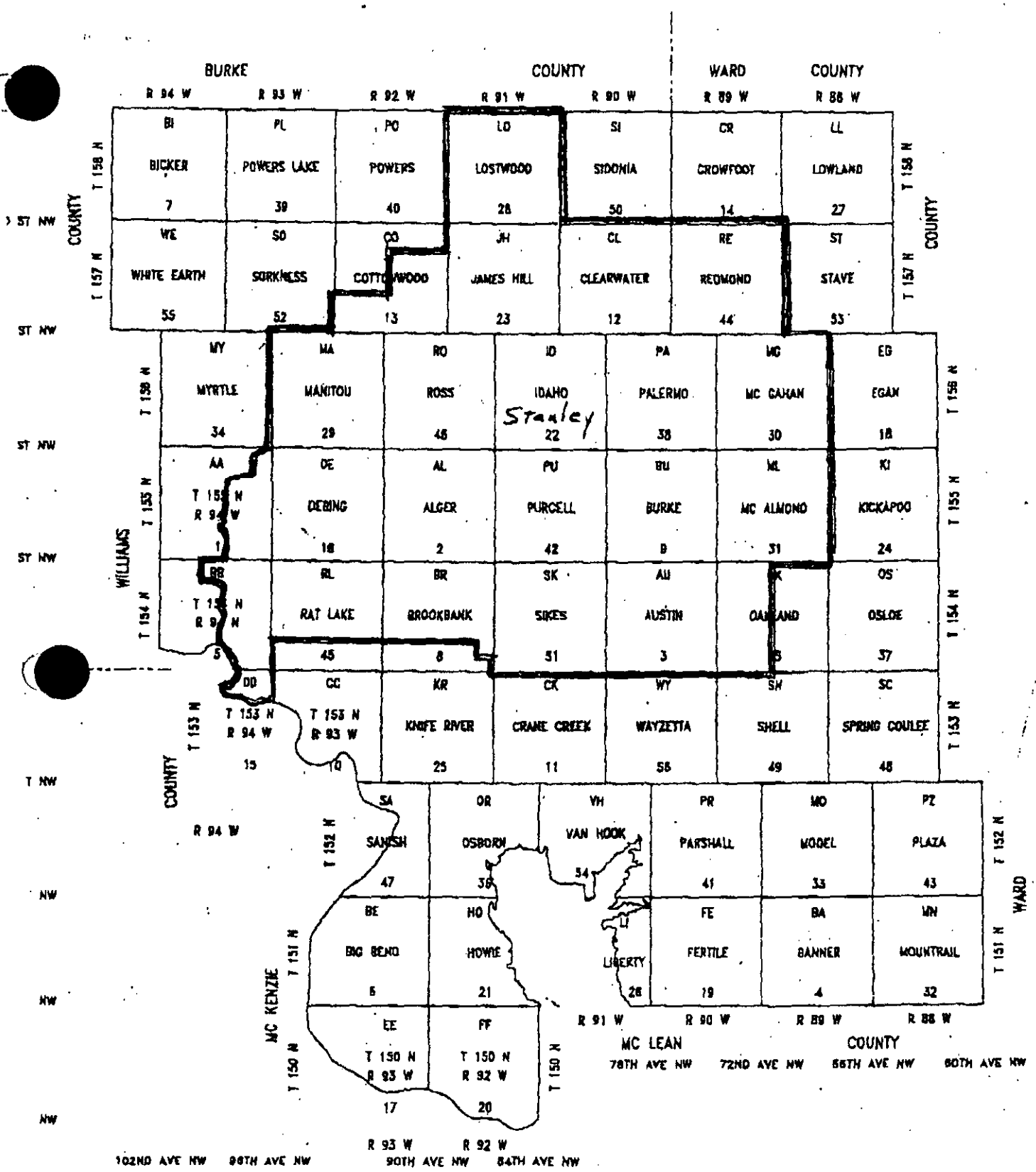
Our district has been dramatically impacted by the oil industry this past year & will be effected for many years to come.
The following are some of the examples of increased responsibility to our district.

- **The population has doubled in our district.**
- **100's of wells drilled already, with a potential of a well in each section in the next 2-3 years.**
- **100's of tanker trucks serving the wells.**
- **100's of miles of pipeline being laid**
- **100's of miles of new transmission line being erected, 2 fire calls directly form this.**
- **2 gas plants in operation, with 1 started construction.**
- **Salt water disposal site with more proposed this year. Tioga district battled 2 fires at the site next to our district line.**
- **110 car crude oil load out facility planned 1 mile from city limits.**
- **300 man camp to be built.**
- **RV trailer parks full of campers.**
- **Hwy 2 & 8 intersection increase accidents**
- **Enbridge tank farm just outside city limits, with a new one being built.**
- **Flood of trucks fueling & parking at local Cenex station.**

We felt that our ability to handle all this increased risk was critically out dated. So we along with the City department decided to do a fund drive to raise money to replace a 1976 Rural Pumper & a 1972 City Pumper with 2 new Pumper units with increased pumping& water carrying capacities, along with foam capabilities each costing about $260,000.00. We contacted all the oil companies & oil industry related companies for support & received a total of $8800.00 so far. No oil producing company donated to the project, their indication was that they felt they were doing their share, by paying the oil production tax.

Financially our district receives $22,000.00 in property tax funds & $7281.00 from insurance premium distribution. We were awarded a $10,000.00 Energy Impact grant toward a new truck. In 2008 we had a net operating loss of $11,683.00. We are currently paying off a $10,000.00 loan at our local bank.

Pass out maps of Fire District & fund raising letter.



Stanley Rural Fire District
653 Square Miles

#4.

Dunn County Fast Facts

County Taxable Valuation 2008 (2009 Budget based on this Valuation) ---$13,573,191
County Wide Mill Levy 2008 (Taxes payable 2009) ----------101.61 Mills

Road and Bridge Mills 2008 (Available for 2009 Budget) ----------39.19 Mills
Property Taxes for roads 2009 ----------$ 502,000
Other Revenue for Roads 2009 (Estimated) ----------$ 748,432
5% Gross Production Tax 2009 (Estimated) ----------$ 2,845,000
Total Available for 2009 Roads ----------$4,095,432

Road and Bridge Budget for 2007 ----------$2,000,000
Expenditures for 2007 ----------$2,280,890
Road and Bridge Budget for 2008 ----------$2,500,000
Expenditures for 2008----------$3,881,750

5% Gross Production Tax County Share 2008 ----------$ 2,815,086
Other Road and Bridge Revenue for 2008 ----------$ 1,409,256
Taxes for Roads (2007 pd in 2008) ----------$ 323,268
Total Revenues for roads (Using all of the 5% production Tax--$ 4,547,610

2008 Ending Balance in Road Funds----------$ 665,860

Road and Bridge Budget for 2009 ----------$3,600.000

Road Materials used per year (Gravel/Scoria) ----------200,000 yards
Road materials prices have tripled since 2004 (Pre-Boom)
Cost for royalties and crushing 300,000 yard @$4.64 ----------$1,392,000

Cost of road material royalties (Gravel/Scoria) 2005 ----------$.65/CY
Cost of road material royalties (Gravel/Scoria) 2007 ----------$1.00/CY
Cost of road material royalties (Gravel/Scoria) 2008 ----------$2.00/CY

Other costs related to the Oil Impact:
Additional Sheriff's Deputy Hired ----------$83,000
(Salary, Benefits, Fixed Costs, Vehicle, Uniforms, Vehicle Maintenance)

Additional Road Employees: Five part time and three full time:-----$169,776

Additional Administrative Staffing - Auditors Office, Recorders Office
(Three full time, two Part time) ----------$ 87,280

Energy Impacts Identified in March of 2008 ----------$4,250,000

Energy Impacts Funded in June of 2008 ----------$ 400,000
Impacts Identified since March of 2008 ----------$7,350,000

Total rebuild of 20 Miles Federal Aid Roads - heavily impacted oil roads - back to Federal Aid Standards at $200,000 per Mile ---------- $4,000,000

100 miles of dust control @ $6,000 per mile ---------- $ 600,000

150 miles of roads need to have the shoulders pulled and resurfaced
At $15,000 per mile ----------$2,250,000

Courthouse needs to add space for sheriff department and
Record retention/storage ----------$ 500,000

Dunn County's Road Budget needs to be doubled to begin to play catch up with the impacts. This cannot be done since the funding is not available.

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

#5.

Mr. Chairman and Committee Members:

My Name is Les Snavely, Commissioner of the City of Bowman. I rise to support HB1225.

You have heard Bowman County, and the other oil producing counties, present their expert testimonies clearly explaining their need for the removal of the "Caps" on oil and gas gross production taxes returned to the counties. They have shown how the oil industry impacts their roads, bridges, and other infrastructure.

HB1225 specifically addresses an increase in the "Oil Impact Grant Funds", and the City of Bowman supports that increase.

We ask you to remember that the impact extends into our towns and cities as well. The City of Bowman receives a portion of the oil and gas production taxes that come back to our county. These funds are a God-send as we struggle to provide essential services.

The City needs to assist in all areas of services, and also needs to maintain infrastructure put in place during the exploration phase as well as the production phase. For example, the City has to replace one major street that is being pounded by oil traffic. The 6-7 block construction costs will be at least $1,000,000. We also need additional road enhancements on the outer limits of our city.

Each year since 2005, the City of Bowman has reached the maximum funding allowed by the formula limits put in place in 1983. Because of continued demands on the City over the years, funding is tight. Our tax base is limited, and consequently, the City Commission has taken the unpopular step to increase our general fund mill levy by about 46% for 2009, and I'll tell you that the Commission has taken a lot of heat over this decision. Additional "Oil Impact Grant Funds" will help our town.

Bowman has maintained a stable population, thanks in most part, to the oil industry. With that in mind, we have seen a burden on our Police Department. The additional staffing and equipment equates to approximately $98,000 annually. There is need for additional and more specialized fire equipment, as well as expenses to house this equipment. Enhanced ambulance services and equipment has been essential. Training requirements in these areas has been required. In order to keep quality employees in place, the City has also seen the need to be competitive with the oil industry in the areas of salaries and benefits. This equates to $100,000 annually.

And last, but certainly not least, the City strives to enhance "Quality Of Place" services, in order to encourage families who are drawing oil-related salaries to select Bowman as their home community. Some of these expected essential services are public safety, transportation enhancement, healthcare, as well as the cultural and recreational facilities. These "Quality Of Place" issues are very difficult to quantify from a dollar and cent perspective, but these services have continued to be a significant public need. I am sure that many of the towns and cities in the Bakken play are beginning to experience these needs, and will continue to do so, just as we have over the years in Bowman.

We support House Bill 1225. This legislation will allow additional energy dollars to come back to the Bowman area, as well as to our neighbors in the other North Dakota oil and gas producing counties.

The citizens of Bowman thank you for your time.

#6.

BOWMAN CO. SUMMARY OF TESTIMONY

- Drilling to Production difficulties
- Production adds additional Training and Equipment
- Social Services Case Activity increased 8-10% in the last 10 yr.
- Sheriff's Deputies increased 400% in the last 10 yr.
- Civil Case Load increased 65% in the last 10 yr.
- Execution of Judgments increased 183% in the last 10 yr.
- Housing of Prisoners increased 900% per mo. in the last 10 yr.
- Resurface roads that were new 5 to 6 years ago
- Non-impacted Roads to Impacted Oil and Gas Roads increase will be 900% in next 3 yr.

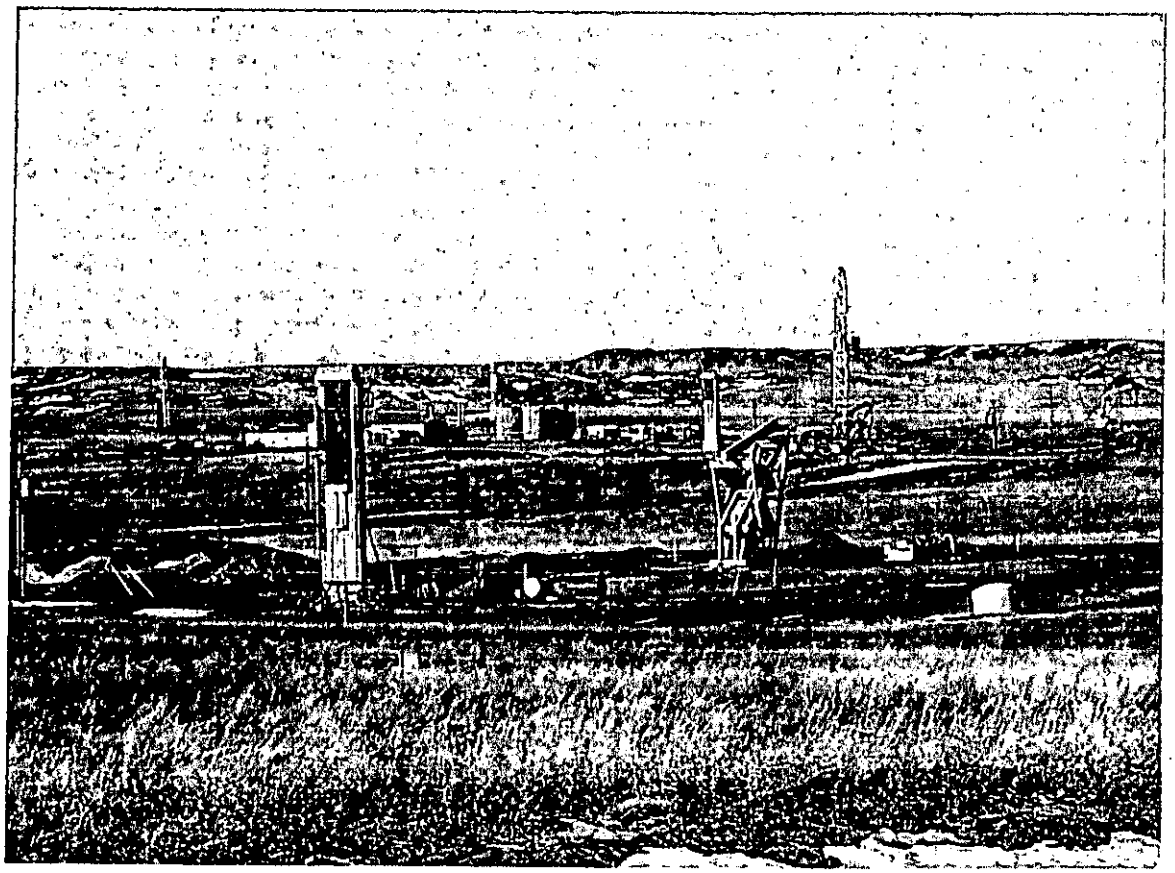
TESTIMONY FOR HOUSE BILL 1225

AMEND SUBSEC. 1 of SEC. 57-51-15 and SEC. 57-62-06

PREPARED FOR:

SENATE NATURAL RESOURCES COMMITTEE

SENATOR STANLEY W. LYSON, CHAIRMAN



PREPARED BY:

BOWMAN COUNTY COMMISSIONERS

COUNTY OF BOWMAN
BOARD OF COUNTY COMMISSIONERS

104 First Street NW
Suite One

Bowman, ND 58623
Phone: 701-523-3130

Senate Natural Resources Committee
Senator Stanley W. Lyson, Chairman

The Bowman County Commission would like to thank you for this opportunity to provide some information as to the importance of oil and gas production taxes to Bowman County. Tax revenues that come to the County have been of great assistance to the citizens of Bowman County, especially the past few years.

The demands on Bowman County have remained the same from drilling to production. The difficulties are still with Bowman County

The demands at the Auditor's Office have increased with the invoice processing with accounts payable system from the Social Services Dept., Sheriff's Dept. and Road Dept.

With the production of oil and gas comes transportation and storage of the products. The hazard that comes with production requires additional training and equipment for our local emergency responders.

The Bowman County Social Services has seen an increase of 8-10% in the last 10 years and remains steady. With the initial oil activity most workers did not bring their families to Bowman County. Now that we are in a production phase more families have moved to the area to make Bowman County their home, causing an increase use of their programs.

The court system for the county has stayed the same with their case loads, averaging 120 to 140 cases filed with the Clerk of Courts. The number of recordings in the records office has remained steady. In 1995 was a high of 4,419 to an average of 1,500 yearly from 1999 to 2008.

The number of deputies has risen from 1987-1994 with a sheriff and one part-time deputy to the present sheriff, two full-time deputies and on part-time deputy. The criminal and civil case load has gone from 156 cases in 1995 to 258 cases in 2008. The number of execution of judgments prior to 1995 was approximately 6 to a high of 24 in 2004 and present at 17 executions of judgments. Bowman County has seen a large increase in the housing of prisoners at the Southwest Multi-Correction Center. In the past housing expenses averaged 300-400 dollars an month to a present cost of 3,000-4,000 dollars a month to house prisoners. The sheriff's office has not slowed down from drilling to production phase. Number of civil process, criminal process, crime and the need for additional patrolling has steadily increases.

As for roads in Bowman County, we are seeing the need to resurface roads that were new 5 to 6 years ago. The county is running out of local gravel to continue to rebuild roads heavy enough to handle the heavy loads that are traveling on the roads. This shortage of gravel increases the cost of repairing and building of roads. The overload permits have remained steady with an average of 150 permits issued a month. Which does not include oil. water, gravel and scoria loads. The oil companies are now blending the oil from the Bakken formation with the oil in Bowman County. With this phase of production we are seeing trucks come into Bowman County loaded and leaving the county loaded.

As a result of the needs of permanent employees who work at or on these facilities or sites continue to impact the communities. The needs for housing, daycare, healthcare, schools recreation, culture, and roads are still placing demands on the county and communities of Bowman County.

Bowman County supports House Bill 1225 with amendment to ten million cap. The legislation is needed to maintain and provide additional needs for the residents of Bowman County. Your support is urgently needed.

Thank you for your time and favorable consideration.

Lynn Brackel, Commissioner
Bowman County Commission
lbrackel@ndsupernet.com

NON-IMPACTED COUNTY ROAD COST SURVEY

Item No.	COUNTY ROAD INVENTORY	TOTAL MILES ASPHALT	TOTAL MILES GRAVEL
1	COUNTY COLLECTORS (Federal Aid and others that serve as major collectors)	34	0
2	MINOR COUNTY COLLECTORS (Most roads leading to the County and State Collectors)	31	50
3	OTHER COUNTY ROADS (Secondary roads that are like township roads)	0	5

COUNTY: BOWMAN

	MAINTENANCE COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
5	ASPHALT OVERLAY (1-1/2" or less will be considered maintenance)	N/A	per mile	every		years	
6	ASPHALT CHIP SEAL (Include oil, chips, equipment and labor to complete)	$14,000	per mile	every	7	years	25
7	ASPHALT REPAIR (include cold mix, patching and crack sealing)	$500	per mile	every	1	years	195
8	BLADING GRAVEL ROADS (Include equipment, labor, fuel and repairs)	$65	per mile		1	per month	990
9	GRAVEL SURFACING REPAIRS (spot graveling, 2" lift or less for maintenance)	$600	per mile	every	7	years	25
10	GRAVEL CRUSHING (Include equipment, fuel, labor, testing and royalty)	$3.25	per ton/CY	<-Circle ton or CY			
11	GRAVEL HAULING AND LAYING (Based on average haul miles in County) (Include loading, hauling, laying and all other costs)	$5.75	per ton/CY	<-Circle ton or CY			

	RECONSTRUCTION COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
12	MINE AND BLEND REHAB. (Includes Milling, 0" to 2" Graveling, and Chip Seal)	$72,500	per mile	every	25	years	8
13	ASPHALT SURFACE TREATMENT (Includes 3"or Thicker Graveling and Chip Seal)	$103,500	per mile	every	N/A	years	
14	ASPHALT OVERLAY (Includes milling and 2" to 3" overlay)	N/A	per mile	every	N/A	years	
15	NEW HOT BIT. PAVING (Includes 3" to 5" for new pavement)(Specify thickness in notes)	N/A	per mile	every	N/A	years	
16	GRAVEL RESURFACING (3" to 4")(Based on average haul miles in County) (Include loading, hauling, laying and all other costs)	$24,000	per mile	every	15	years	12
17	NEW GRAVEL SURFACING (4" to 6" -Specify)(Based on average haul miles in County) (Include loading, hauling, laying and all other costs)	$58,500	per mile	every	N/A	years	
18	ROAD RECONSTRUCTION(Needed to improve safety/widening to accommodate surfacing) (Cost for Dirt Work, Culverts, Erosion Control, etc., do not include surfacing)	$90,000	per mile				

NOTES (Enter item no. and comments below)

6 22 wide = 12,900 sy @ $1.10 = $14,000

7 15 days patching @ $1600/day = $24,000 and 100 ton cold mix @ $80/ton = $8,000 Total $32,000/65 miles = $500/mile

8 Blade cost of $750/day - blade 12 miles/day = $65/mile

9 50 ton per mile @ $9.00 =$450 - 2 Hr. blade @ $75/Hr.= $150 for Total of $600/mile

10 Ave. price for 2007

11 Average haul in Bowman County is 10 miles

12 Recyle surface @ $7,500/ mile - 2" gravel is 2200 ton @ $9.00 = $20,000 - Double Chip Seal = $45,000/ mile - Total $72,500

13 6500 ton gravel @ $9.00 = $58,500 - double chip seal @ $45,000/ mile Total $103,500

16 (3" compacted) 2700 ton/ mile @ $9.00 = $24,000/ mile

17 (8" compacted) 6500 ton/ mile @ $9.00 = $58,500/ mile

18 Average per mile cost 2007

OIL AND GAS IMPACTED COUNTY ROAD COST SURVEY

Item No.	COUNTY ROAD INVENTORY	TOTAL MILES ASPHALT	TOTAL MILES GRAVEL
1	COUNTY COLLECTORS (Federal Aid and others that serve as major collectors)	68	21
2	MINOR COUNTY COLLECTORS (Most roads leading to the County and State Collectors)	0	51
3	OTHER COUNTY ROADS (Secondary roads that are like township roads)	0	6

COUNTY: BOWMAN

	MAINTENANCE COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
5	ASPHALT OVERLAY (1-1/2" or less will be considered maintenance)	N/A	per mile	every		years	
6	ASPHALT CHIP SEAL (Include oil, chips, equipment and labor to complete)	$20,000	per mile	every	3	years	68
7	ASPHALT REPAIR (include cold mix, patching and crack sealing)	$1,300	per mile	every	1	years	204
8	BLADING GRAVEL ROADS (Include equipment, labor, fuel and repairs)	$75	per mile		2	per month	2808
9	GRAVEL SURFACING REPAIRS (spot graveling, 2" lift or less for maintenance)	$600	per mile	every	3	years	68
10	GRAVEL CRUSHING (Include equipment, fuel, labor, testing and royalty)	$3.25	per ton/CY	<-Circle ton or CY			
11	GRAVEL HAULING AND LAYING (Based on average haul miles in County) (Include loading, hauling, laying and all other costs)	$5.75	per ton/CY	<-Circle ton or CY			

	RECONSTRUCTION COSTS and FREQUENCY	COST		FREQUENCY			MILES OF NEED NEXT 3 YEARS
12	MINE AND BLEND REHAB. (Includes Milling, 0" to 2" Graveling, and Chip Seal)	$72,500	per mile	every	15	years	15
13	ASPHALT SURFACE TREATMENT (Includes 3"or Thicker Graveling and Chip Seal)	$103,500	per mile	every	N/A	years	29
14	ASPHALT OVERLAY (Includes milling and 2" to 3" overlay)	N/A	per mile	every	N/A	years	
15	NEW HOT BIT. PAVING (Includes 3" to 5" for new pavement)(Specify thickness in notes)	N/A	per mile	every	N/A	years	
16	GRAVEL RESURFACING (3" to 4")(Based on average haul miles in County) (Include loading, hauling, laying and all other costs)	$24,000	per mile	every	5	years	35
17	NEW GRAVEL SURFACING (4" to 6" -Specify)(Based on average haul miles in County)	$58,500	per mile	every	5	years	12
18	ROAD RECONSTRUCTION(Needed to improve safety/widening to accommodate surfacing) (Cost for Dirt Work, Culverts, Erosion Control, etc., do not include surfacing)	$105,000	per mile				29

NOTES (Enter item no. and comments below)

6 31 wide = 18,100 sy @ $1.10 = $20,000

7 30 days patching @ $1800/day = $54,000 (includes flagging) and 500 ton cold mix @ $80/ton = $40,000 Total $94,000/68 miles = $1,300/mile

8 Blade cost of $750/day - blade 10 miles/day = $75/mile Note: Total miles in three years is 78 mile x 12 per year x 3 years

9 50 ton per mile @ $9.00 =$450 - 2 Hr. blade @ $75/Hr = $150 for Total of $600/mile

10 Ave. price for 2007

11 Average haul in Bowman County is 10 miles

12 Recyle surface @ $7,500/ mile - 2" gravel is 2200 ton @ $9.00 = $20,000 - Double Chip Seal = $45,000/ mile - Total $72,500

13 6500 ton gravel @ $9.00 = $58,500 - double chip seal @ $45,000/ mile Total $103,500

16 57 Miles of minor and secondary (3" compacted) 2700 ton/ mile @ $9.00 = $24,000/ mile

17 21 miles of collector (8" compacted) 6500 ton/ mile @ $9.00 = $58,500/ mile

18 Average per mile cost 2007

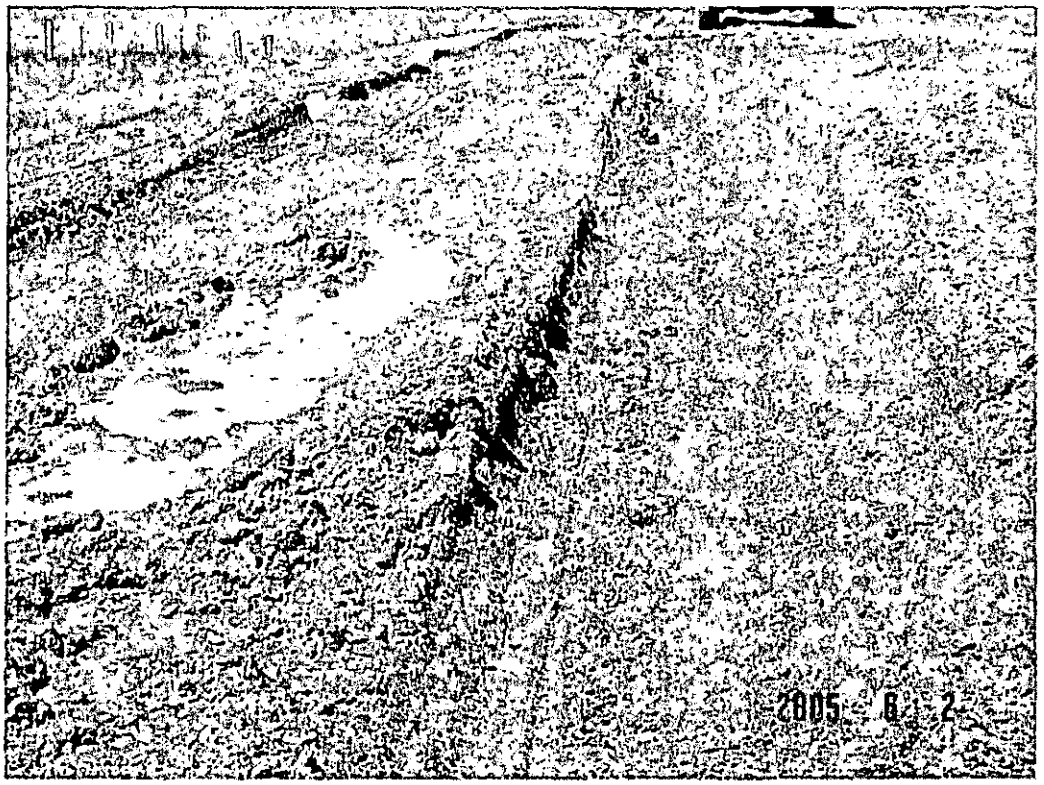
Bowman County
Non-impacted verses Oil and Gas Impacted

Non-impacted Roads

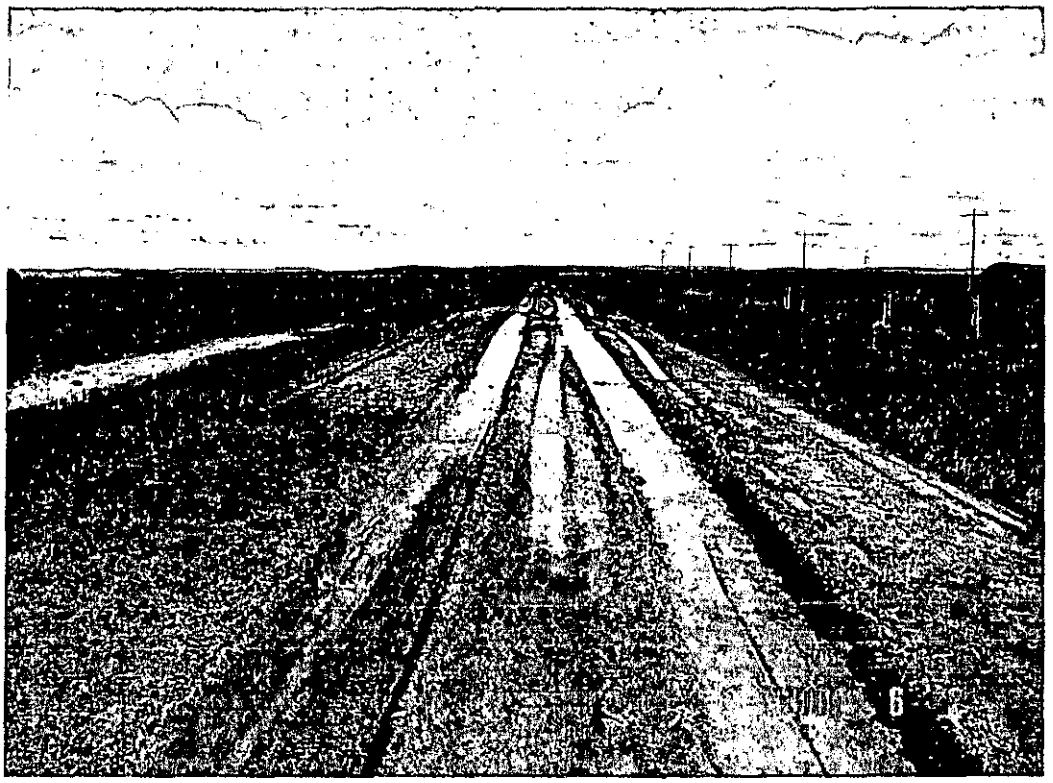
Item No.	Cost/mile	miles	Total
6	$14,000	25	$350,000
7	$500	195	$97,500
8	$65	990	$64,350
9	$600	25	$15,000
12	$72,500	8	$580,000
16	$24,000	12	$288,000
TOTAL			$1,394,850

Oil and Gas Impacted Roads

Item No.	Cost/mile	miles	Total
6	$20,000	68	$1,360,000
7	$1,300	204	$265,200
8	$75	2808	$210,600
9	$600	68	$40,800
12	$72,500	15	$1,087,500
13	$103,500	29	$3,001,500
16	$24,000	35	$840,000
17	$58,500	12	$702,000
18	$105,000	29	$3,045,000
TOTAL			$10,552,600



LOOP ROAD – SPRING

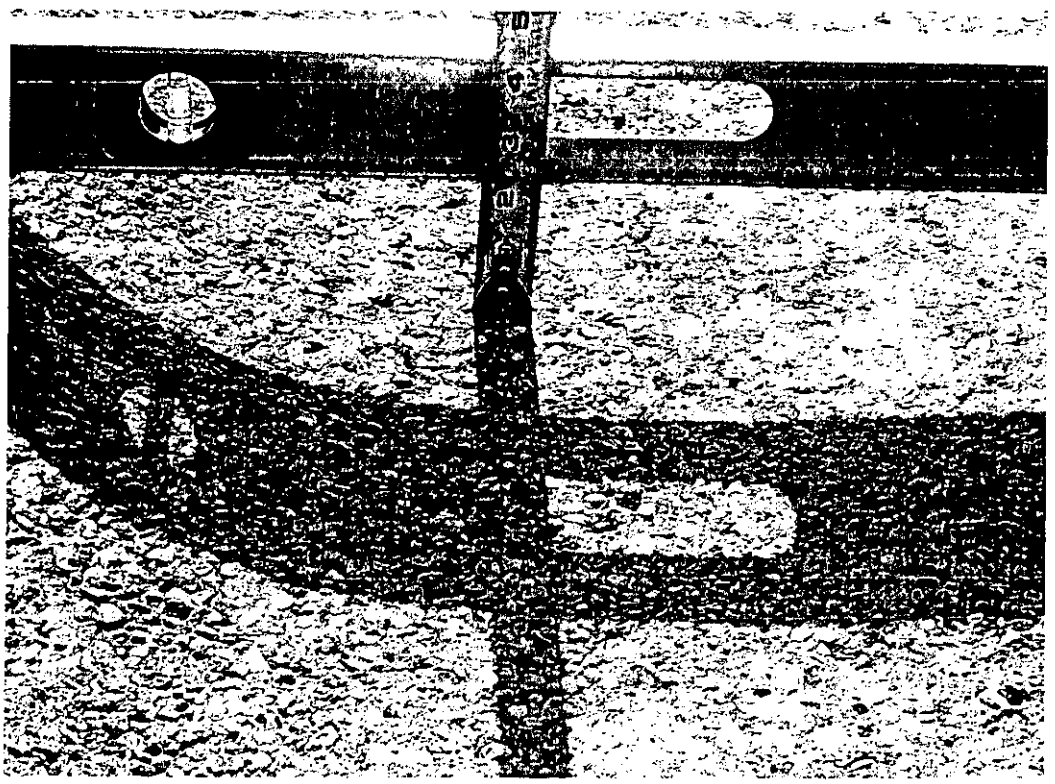


LOOP ROAD – SPRING

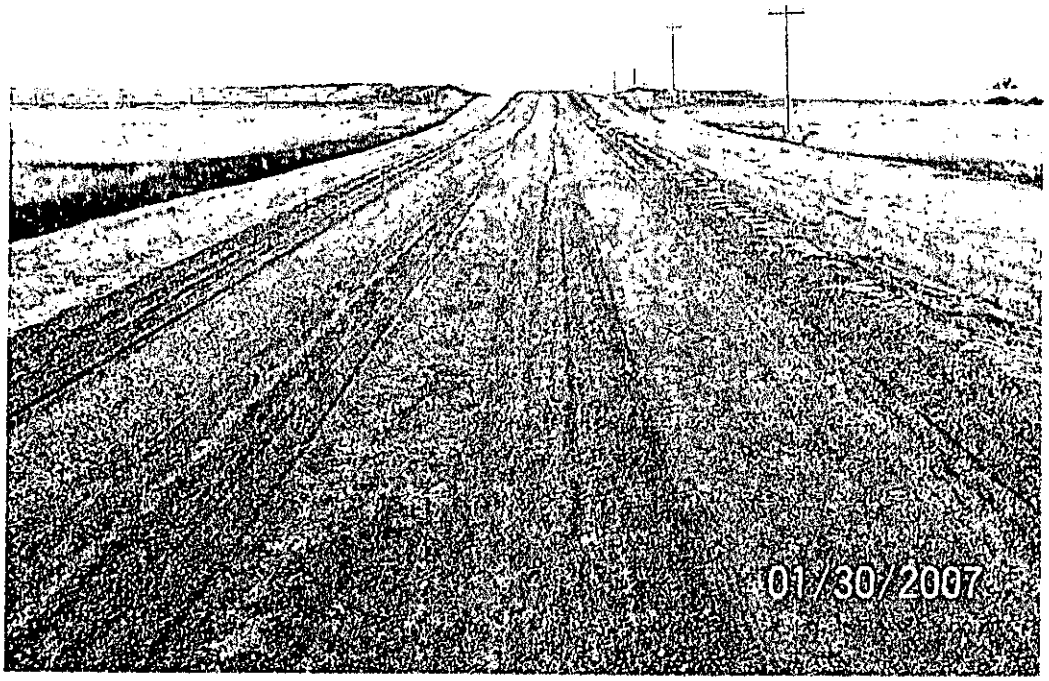
TOWNSHIP ROAD

TOWNSHIP ROAD

RHAME ROAD

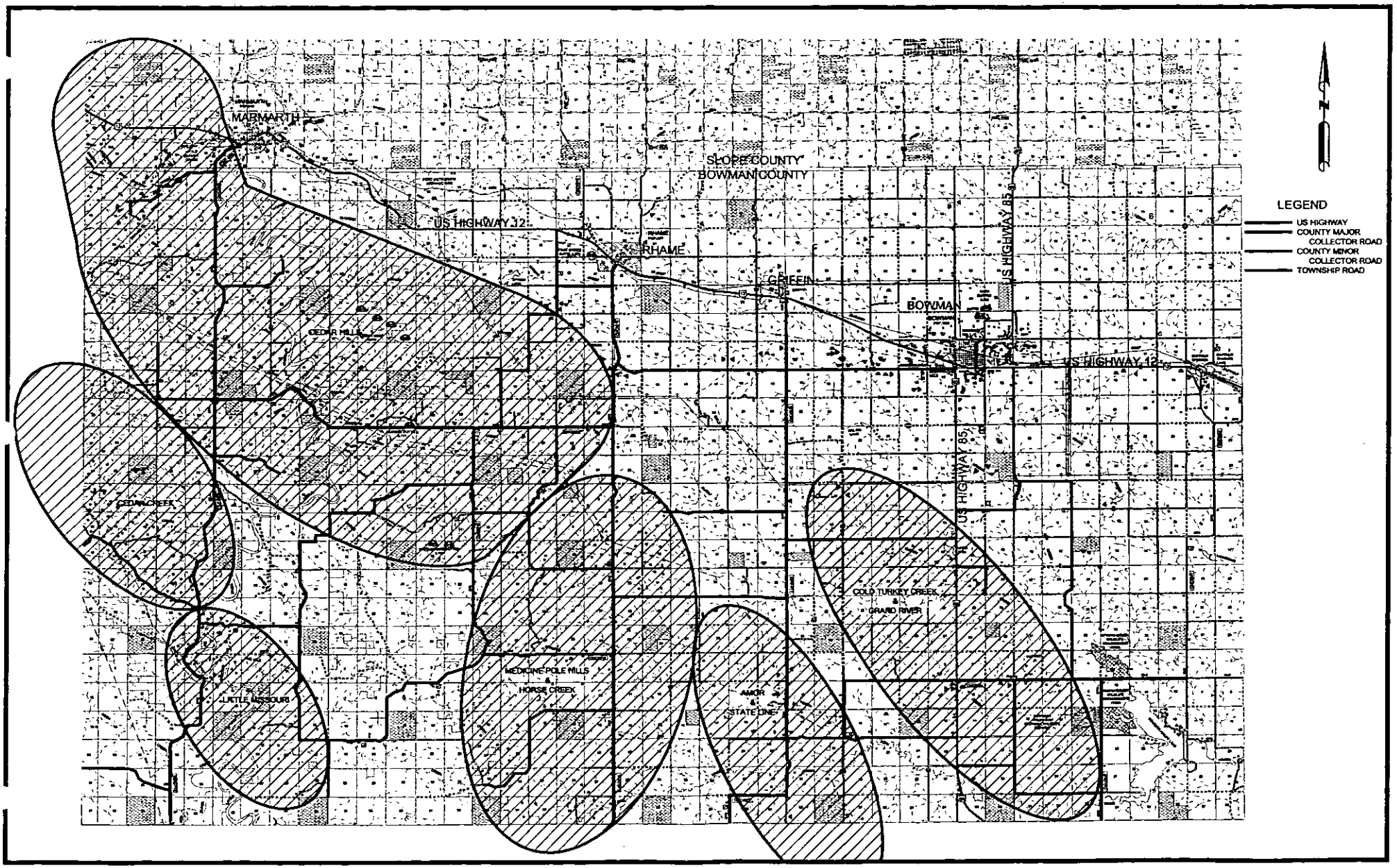


RHAME ROAD



GRIFFIN-RHAME CUT ACROSS

GRIFFIN-RHAME CUT ACROSS


MARMARTH
SLOPE COUNTY
BOWMAN COUNTY
US HIGHWAY 12
RHAME
GRIFFIN
BOWMAN
US HIGHWAY 85
US HIGHWAY 12
US HIGHWAY 85
CEDAR HILLS
CEDAR CREEK
COLD TURKEY CREEK
GRAND RIVER
MEDICINE POLE HILLS
HORSE CREEK
LITTLE MISSOURI
AMOR
STATE LINE
LEGEND
US HIGHWAY
COUNTY MAJOR COLLECTOR ROAD
COUNTY MINOR COLLECTOR ROAD
TOWNSHIP ROAD

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Senate Natural Resources Committee

March 5, 2009

Testimony by North Dakota Farm Bureau

presented by Sandy Clark, public policy team

Good morning, Mr. Chairman and members of the Natural Resources Committee. My name is Sandy Clark and I represent the members of North Dakota Farm Bureau. Unfortunately, we have other hearings this morning and are not able to attend your hearing, but want to submit written testimony.

North Dakota Farm Bureau supports HB 1225. Our Farm Bureau members have adopted policy that says, *"We believe the cap for the Oil and Gas Impact Grant Fund for the 17 oil and gas producing counties should be raised."*

Our House of Delegates, demonstrating that our members in the eastern part of the state also recognize the need for more money for oil producing counties, adopted the policy unanimously.

Many of our members live in these counties, as well as counties that will soon have impact from oil activity. The roads and bridges in these counties are severely impacted by oil activity.

We support the increase in the cap, as well as the additional funding from the Permanent Oil Tax Trust Fund to assist in the immediate needs. We also support the provision that the highest priority is given to transportation infrastructure.

Therefore, we would encourage you to give HB 1225 a "do pass" recommendation. Thank you for your consideration.

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Gary D. Preszler, Commissioner

TESTIMONY OF JEFF ENGLESON
Director, Energy Development Impact Office
North Dakota State Land Department

IN SUPPORT OF REENGROSSED HOUSE BILL NO. 1225

Senate Appropriations Committee
March 16, 2009

The mission of the Energy Development Impact Office (EDIO) is to provide financial assistance to local units of government that are affected by energy activity in the state. Over the years, the EDIO has helped counties, cities, schools districts and other local units of government (organized townships, fire and ambulance districts, etc.) deal with both the booms and the busts associated with energy development in North Dakota. For the 2007-09 biennium, the amount available to the EDIO oil impact grant program is capped at $6.0 million; prior to the current biennium, the cap was $5.0 million per biennium.

Each year, the EDIO Director travels for about a month in western North Dakota, meeting with representatives of counties, cities, schools, organized townships, fire and ambulance districts and other entities that have applied for grants under this program. In 2008, 376 grant requests were received from 278 different political subdivisions. The total amount of grants requested in 2008 was $29.1 million. In addition to the grant rounds, the Director has also participated in the ND Petroleum Council's "Oil Can!" program, the Williston Basin Expo and other events in an effort to educate the public about this program and learn more about the problems associated with oil development.

One of the great things about this program is that the EDIO Director has always had flexibility in administering the oil and gas impact grant program. This has allowed the program to adapt to changing needs as drilling activity has moved from one area of the state to another, and as oil and gas development has gone through both boom and bust cycles.

The EDIO is only one of the ways that funding gets back to western North Dakota to help deal with the impacts of oil and gas development. Under current state law, a portion of the gross production taxes collected by the state flow back to counties, cities and school districts. It is important to note that organized townships, fire and ambulance districts, and many other political subdivisions do not share in any of the gross production taxes collected by the state even though these entities can be greatly impacted by oil and gas development in a given area.

The EDIO believes there is a tremendous need for additional funding to flow back to western North Dakota to help deal with the impacts of oil and gas development. Not only is there is a need for additional funding for the oil impact grant program, but there is also a need for additional funding directly to counties, cities and schools via the gross production tax distribution formula. The gross production tax distribution formula is currently being addressed in two bills that are currently alive in the Legislature. These bills are SB 2229 and HB 1304.

I would like to take a minute to make a few of comments about HB 1225 and how the proposed changes could impact the way that the EDIO oil impact grant program is administered.

- The amount of funding needed for this program is directly related to the amount of gross production taxes that flow to counties, cities and schools under NDCC 57-51-15(2). If the Legislature provides more funding directly to the most impacted political subdivisions under NDCC 57-51-15(2), then there would be less need for grants for those entities from the oil impact grant fund. HB 1304 and SB 2229 both provide for additional funding to the most heavily impacted political subdivisions via the gross production tax distribution formula.

- The EDIO has historically focused on "filling in the gaps" for those entities that receive either no funding or inadequate funding under the gross production tax distribution formula. Although increasing the amount of funding for this program to $8.0 million per biennium will help this program do a better job at filling in those funding gaps, on its own, it is not enough to meet the ongoing needs of political subdivisions that are negatively impacted by oil and gas development.

- The $4 million emergency appropriation for the oil impact program for fiscal year 2009 is definitely needed and can be put to use this summer, provided a decision about it is made sooner rather than later. It takes time to plan and implement major infrastructure projects, just as it takes time to determine how to divvy up $4.0 million. The sooner a decision can be made about these funds, the more likely that they will be used this summer on much needed projects.

- The language in reengrossed HB 1225 that states that the EDIO shall give priority to transportation infrastructure projects will have a minimal impact on the program, as historically, 70% - 80% of grant awards have gone to transportation related projects.

- The current budget for the EDIO is $6.0 million per biennium, of which $111,900 is used to administer the program. At the present time, the Land Department dedicates about 25% of one FTE to perform the functions of the EDIO, although the actual time involved in administering the program is somewhat more than currently allocated. The Land Department's budget bill (SB 2013) currently includes $10 million for the EDIO, with a $222,241 appropriation and a new FTE to administer the program. The appropriation and new FTE were based on the governor's original recommendation to increase funding to this program to $20 million per biennium.

- If the funds dedicated to this program increase to $8.0 million per biennium, and an additional $8.0 million is made available for fiscal years 2009 and 2010, there would be additional costs and time involved in administering the program, however not the amounts currently included in the Land Department's budget bill. In my opinion, dedicating a total of one-half of an FTE to the program would be adequate, with some additional funding to pay for the added salary and travel expenses involved in administering the program.

With those comments and explanations, I will gladly answer any questions you may have.