2009 HOUSE FINANCE AND TAXATION

HB 1304

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB1304**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: January 27, 2009

Recorder Job Number: 7816

Committee Clerk Signature

Minutes:

Chairman Belter: We will open the hearing on HB1304

Representative Skarphol: I am going to address 1304 as amended **(Attachment 1)**. HB1304 as drafted did not accomplish what I wanted to accomplish. We ended up amending it and I still don't think it is all the way where I want to be. 1304 would take the caps off oil and gas tax allocations to cities, counties and schools. It would completely remove the caps. I tried to get an accurate fiscal note on this and I believe the Tax Department is still working on it. However, they cannot produce a fiscal note for a bill with an amendment unless the amendment has been adopted by a committee. So they will be producing a memo for me on the fiscal effect of this bill. Based on what has happened in the oil industry over the last couple of years, I think it is imperative we remove these caps. The money flowing to the counties is insufficient to cover the infrastructure needs out there. Mountrail County is an example and is getting pounded by today's environment. I believe when you begin to look at my handouts **(Attachment 2)** that you will see what I see happening. 1304 as amended would also change that distribution formula, primarily with regard to Stark and Williams County. If you look at the first page of the handout, from a comparison standpoint, Williams County is the last county reflected here. This is through May of 2008. If you look at the dollars that flow through the cities, there is a substantial difference in Williams County compared to McKenzie and Mountrail. It is not because of the total dollars flowing to the counties; it is because of the fact that Williston is in the boundary of Williams County and the dollars are distributed on population. It has had an inordinate effect on the smaller cities of Williams County. They are vastly underfunded by comparison to the cities in Mountrail or McKenzie County with the same amount of dollars flowing to those counties. I would submit to you that that can be fixed. Whether or not that mechanism is even in the amended bill to fully correct that problem remains to be seen. I think there is further work that needs to be done on it. When you look at cities like Parshall, New Town, Stanley in Mountrail County with $4.1 million at that point in time, they all had in excess of $200,000 and two of them had over a quarter of a million. During that same timeframe, the city of Tioga (nearly equal size if not larger than), only received $76,000. If you look at McKenzie County during that timeframe, Watford City got $800,000, Alexander got $121,000, Arnegard got $56,000, and Tioga got $77,000. The city of Tioga and other communities in both Stark and Williams County deserve more than what they are receiving from this formula. We have a difficult time in my community taking care of our infrastructure. We are getting pounded. Water is getting hauled up and down our streets and the streets are in terrible shape. If, in fact, we could create a formula that would treat them more equitably, I believe it would be appropriate. Williston also does not get enough money. When you look at information provided by Job Service and Workforce Development folks, and I guess I didn't incorporate that in here, the number of jobs in Williston directly related to the oil industry is 22½%. The number of jobs in Dickinson directly related is 4%, the number of jobs in Minot is less than 1%. I would submit to you that in a fluctuating oil economy, when things go down, Williston is much more adversely affected than anywhere else in this state. The city of Williston in its last fiscal cycle, had to increase their salary line for state and city employees by more than $1¼ million in order to insure they had sufficient money to compete with the oil industry and to hire a couple of needed individuals. Williston, if you look at this chart, gets about the same amount of money as Watford City (about $800,000 during this timeframe). I think it would be appropriate to find a way and to put in place a mechanism to insure that small towns in Williams and Stark County are treated fairly as compared to the other cities. I am not saying they need to be richly rewarded, but more adequately rewarded. At the same time, we need to address the needs of the city of Williston and the city of Dickinson. Minot is coming into the picture because of increased oil activity in that area; but at this point in time, the number of jobs in that community directly related to the oil industry is fairly small. Their infrastructure needs could be addressed with oil impact funds in the city of Minot if need be. Again, there are a couple of other handouts in your packet. More interesting among the things I have handed out is the second page with a big rectangle around a group of numbers. I asked Kathy Strombeck in the Tax Department to do a little reverse mathematics for me. What she has done with that particular document is use the October 2008 production level and work through it backwards to determine what the price of oil would need to be for those particular counties you see listed on the left side to reach the cap under the current mechanism. As you see, in Billings county it would take $78.06 to reach the cap, Williams County would take $77.85, Mountrail County would take $15.99. There is a very substantial difference in each county to reach the cap. If we are ever going to remove the cap in ND, there is no time like the present. I would submit to you that with today's oil prices, the effect on the state general fund of the permanent oil trust fund will be very minimal in this environment. I did ask the Tax Department and Legislative Council to put together some memos in regard to the effect, but they did not get it ready for me. If they do, I will be happy to share it with the committee, but I believe very strongly in removing the caps. I only will support a bill which will address what I believe it is a very unfair situation with regard to small towns in Williams and Stark Counties. With that, Mr. Chairman, I will try to answer any questions.

Chairman Belter: You made the comment that you were not completely satisfied with the methods we see here. Are you working on a new set of amendments to rectify some of the concerns you have?

Representative Skarphol: As soon as I get the memos from the Tax Department that I referred to, it will give me a much better ability to analyze what the net fiscal effect will be. I understand Williston has some concerns about the current mechanism. I agree with their concerns to some extent. When I got the first fiscal note on this, I thought it was working and that this is the way we need it; but the bill wasn't as it needed to be to begin with. Once you change one piece of the mechanism, it has an effect all the way down through the process. Mr. Chairman, I would be amenable to working to get this bill fixed. I believe what it is going to take is a combination of things and the combination of things, I believe, is that Williston would be given some set payment, as would Dickinson and still be included in some portion of the distribution from the formula in order to insure that their revenue would escalate and not be set. The current situation is that, as drafted right now with this amendment, Williston would receive $1¼ million, Dickinson would receive $625,000 and they are concerned that that not change, that it would be set in statute and it would take a change by the legislature to affect that. What I would probably attempt to do for the committee's sake is to try to get them to produce a document that would reflect the amendment in the language and make it much easier to read. I neglected one thing that quite a few people in this room feel strongly about. Any new revenue generated by taking the caps off would not flow to the current formula. In the current formula, some of the money flows to the schools. This would give additional revenue that would typically flow to the schools to the townships. Under the current scenario, there are some counties that treat the townships very well and some treat them very poorly. Again, I am not adverse to having some amendment with regard to that issue. I have talked to the school officials. There are some schools that are not adversely affected by the imputation type included in the education formula and there are some that are substantially affected. Some of us oil country legislators have talked about whether or not it is worthwhile to continue giving oil revenues to the schools based on that imputation factor. Some of the schools feel very strongly that they want to continue to get that money. I am certainly amenable to an amendment that would address that issue and I will continue to work with them in that regard.

Chairman Belter: Any other questions? Further testimony in support of this bill? I would ask that those who testify try not to duplicate a lot of the testimony presented.

Vicky Steiner, Executive Director for ND Association of Oil and Gas Producing Counties: (Testimony 3).

Reinhard Hauck, Dunn County Auditor: (Testimony 4) Presented testimony on how difficult it is for the county to meet infrastructure costs.

Senator Andrist: I just wanted to say that the principal county I am concerned with in our district is Mountrail. This is where the action is and this is where the state is getting its oil tax revenue now. If there are 50 more wells drilled in Mountrail County next year, that's 45,000 big trucks going over the township and county roads. Mountrail County would get nothing because of the cap. My quarrel is the assumption that the impact stops once you reach the cap. It is just the money that stops; the impact goes on and on. We don't know how many wells they will be drilling in Mountrail County. There is evidence at today's prices that they may not be drilling any place else. They may only be drilling where the structure is most positive for producing lucrative wells. I appreciate your acting favorably on this bill. It is my understanding, Mr. Chairman, that if today's prices don't improve, Mountrail County may be the only county affected. It is the ideal time to get rid of the cap because it won't really cost the state much money.

Christy Larsen, Dunn County Recorder/ Clerk of Court: (Testimony 5).

Representative Froseth: Can you only recover $.25 per copy or can you charge more? Can you charge the land men?

Christy Larsen: We can charge up to $1. We don't charge the land men for use of office space of any use of equipment; we treat them like the public.

Deb Harsch: (Testimony 6). Rural resident of Dunn County.

Cliff Ferebee, Dunn County Commissioner: I have had a chance to testify before this group before. I would just like to reiterate what Recorder Larsen and Reinhard Hauck said. We need the cap removed; we need the money now to get our infrastructure fixed up. We are going to have oil people leaving and farmers and ranchers having a tough time getting around on these roads. We have to find a way to get money to these oil producing counties and we have to do it now.

Brad Bekkedahl, Finance Commissioner for Williston and Past President of the ND Assoc. of Oil and Gas Producing Counties: (Testimony 7).

Ward Koeser, Mayor of Williston: (Testimony 8).

Dan Klewin, Chairman of Williams County: We have become training grounds for the oil fields. As soon as they learn the skills, they go out to the oil fields, whether it is county, highway, registrar of deeds, treasurer's office, auditor's office, all of those employees are valuable to the oil industry. It is difficult for us to retain employees in this climate. Secondly, the intensity of the impact and the number of loads being hauled are huge. There is one road west of Williston right now on its third fracture. There have been 800 loads of water hauled into that well. County Road 4 was brand new; it has totally been destroyed. The intensity of the impact cannot be overstated. How fortunate that we can gather to discuss this problem. Williams County appreciates your support. We are in favor of this and we desperately need it.

Lynn Brackel, Bowman County Commissioner: (Testimony 9). He highlighted people moving to Bowman, shortage of gravel, the need to build roads wider and stronger to withstand heavy loads.

Lyn James, President of Bowman City County: (Testimony 10).

David Hynek, Chairman of Mountrail: (Testimony 11).

Fred Kershisnik, Oil Field Worker in Dunn County: I have worked 24-30 years in oil field. I had a lot more testimony, but many things have been covered. I want to stress the impact of the oil business. For every well drilled, there are 500-700 heavy loads going in and out of that well. When rules were written up before the cap was put on, there were probably 150-200 loads involved in that process so it has tripled at least and maybe more. Also in the 70's and 80's, there were five mile by five mile fields; a big field was maybe 20 by 15 miles. Generally one or two county roads were affected by the field; but if you look at a map, they were just tiny specs across the Williston Basin where this traffic was being impacted. Now if you look at the Bakken, there is very little of Dunn County that is not involved. Nearly every road in Dunn County is being affected heavily by this oil traffic—not just from time to time. It is there all the time. Highway 22 north of Dickinson all the way to New Town is affected. I left my house this morning by the Lost Bridge and there was traffic all the way to Dickinson. You couldn't pass anyone. The county roads are almost the same. You just can't pass because of the amount of traffic everywhere. The caps need to be lifted so that there can be some help. The other thing is that the oil industry is blading roads for the county. We are not officially doing it, but we have to because the county cannot keep up. We push snow. Sometimes we are out there on

Saturday and Sunday and we have to push the county roads and the lease roads all the way in because there isn't any way they can keep up with it. That is now. In the spring when this snow melts, it is going to be a bigger mess and there will still be all the traffic to deal with.

Ken Halvorson, Mountrail County Sheriff: (Testimony 12).

Joan Hollekim, Mountrail County Auditor (Testimony 13).

LaRae Iwen, Recorder, Mountrail County: (Testimony 14).

Jack Olson, Assistant Director, ND Department of Transportation: (Testimony 15).

Chairman Belter: Any further testimony in favor or 1304?

Kelly Schmidt, State Treasurer: I just want to make the committee aware that our office has changed the distribution from a quarterly to a monthly distribution. We were able to do that working with the Tax Department. Now when we get those certified numbers, within 21-30 days, the dollars have been turned around and are in the accounts of the counties. The first distribution system that we worked on when you gave the dollars to rewrite our tax distribution system is the oil and gas distribution. It is up and running and ready to make any changes that are necessary. If there are any questions, I would be happy to answer.

Chairman Belter: Any opposition to 1304? Any neutral testimony.

Michael Ziesch, Research Analyst, Job Service North Dakota: (Testimony 16).

Chairman Belter: I suggest you work with Representative Skarpohl to get amendments drafted for us.

Representative Grande: I would like clarification when you talk about taking out schools and government entities. I am just thinking of Williston. If you take out Williston State College, there are a lot of people directly related to the oil fields. If you take that out of the mix, it could skew Williston's labor force percentages. I would think that there are some of the government entity people in the impact cities and counties that have oil and gas as part of their job so you might skew your numbers if you pull all of them out.

Michael Ziesch: That is true. We are actually trying to get to the other side of that by proposing the amendment that we allow just the mining industry. I can appreciate very much that the original language was labor force directly related to oil extraction. That is a little bit too vague for us to develop statistics for. If we were to determine all oil activity related to the labor force, we would almost have to conduct a cluster study because it would have to be self-declared. By dropping back and using a specific industry term from the employment and wage program, we have the ability to do something that is repeatable and already available. The reason for excluding the government entities was to lower the denominator to make each cities percentage total private cover employment larger. We didn't remove government entities to hurt any municipalities. We did it to benefit them; it reduces the denominator.

Chairman Belter: Any other testimony on 1304?

Representative Drovdal: Can I ask Vicky a question? We have heard from four or five counties today. There are a lot of other counties out there. Are there any counties with reserves?

Vicky Steiner: Can I go back and get them to you?

Chairman Belter: If there is no further testimony on 1304, we will close the hearing. I just want to say that we as representatives certainly understand the problems you face in oil country, but the big challenge will be for you as oil producing counties that you are involved with this legislation so you are all happy with the outcome of whatever the legislature does. Each and every county has individual problems so it is important you stay involved with the process so we can come up with a bill that treats all impacted counties equitably. We will close the hearing on 1304.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1304**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: February 4, 2009

Recorder Job Number: 8727

Committee Clerk Signature

Minutes:

Vice Chairman Drovdal: The first amendment's number is .0205. The intent of that amendment is to take the cap off the oil production 5% tax with revenue going back to counties, cities and schools. The first 1% is divided up. This removes the caps; and if a county is producing oil, they will get impact money back according to the amount of production they have in their county. This bill will go to appropriations. The Governor in his bill did allow some money to go to these people, but he did not remove the caps. The caps, if removed, at $35 would be $32 million and at $40, it would be $39 million. This bill will go from here to appropriations and they will look at it. At $42.46 a barrel with 206,826 barrels per day, the estimated impact at removing the cap would be $39 million. At $20.35 per barrel, the estimated impact at the same production would be $32 million at the current price of crude oil which is about $30. North Dakota crude oil would be a little less.

Representative Froelich: Representative Weiler's bill that we passed moved the cap from $6 million to $9 million on impact grant funds.

Vice Chairman Drovdal: This money cap is at $6 million per county, depending on the county size. This moves the cap off. Moving the cap off affects two counties for sure—McKenzie and Mountrail. I don't know if it is going to affect Dunn or not. Mainly it affects Bowman and

Mountrail County. Mountrail is the largest as far as production goes. It affects those two counties. I have been told that this will be reviewed by appropriations because a lot of people want to leave some cap on it. Right now we are setting policy saying we agree it needs to be looked at—that the cap is too much. That is really all we are saying—take the cap off. It doesn't have anything to do with the grant money we acted on earlier. Even though it is listed in the bill, it doesn't affect it. Any questions on the first amendment .0205? What are the committee's wishes? Representative Froseth moves the amendments and Representative Brandenburg seconds. Any more discussion? A voice vote on **amendments .0205 passed.** Skarphol's amendments.0206 address a concern in Williams and Stark County because the way the formula comes out, they end up getting most of the money that goes to cities. You have towns like Tioga and Ray that get "squat" in the formula. He did put in the original bill 1304 some wordage changes so the other cities would get some additional impact. He wasn't totally satisfied with the formula so he offered this amendment to go in place of that. We have two choices. We can adopt this amendment, which I can't explain; or since it is already mentioned in the subject in the bill, he could do it in appropriations. We could agree that those towns are not being treated fairly and he could amend in appropriations.

Representative Grande: I would like to see him take care of that himself.

Representative Weiler: Second.

Vice Chairman Drovdal: Okay, we will put those amendments aside. I have a motion for a **"do pass as amended"** from Representative Froseth and a second from Representative Brandenburg. Any discussion on HB 1304 as amended? **A roll call vote resulted in 9 ayes, 4 nays, 0 absent/not voting. Representative Drovdal will carry the bill. HB 1304 should be rereferred to appropriations.**

FISCAL NOTE
Requested by Legislative Council
04/28/2009

Amendment to: Reengrossed HB 1304

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				($28,000,000)		
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
			$25,000,000	$3,000,000				

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 1304 Second Engrossment with Conference Committee Amendments changes the allocation of Oil and Gas Gross Production tax revenues.

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.*

HB 1304 Second Engrossment with Conference Committee Amendments allocates $500,000 annually to cities in oil-producing counties that have a population greater than 7,500. This allocation is doubled for cities with a significant oil-related employment base. These city allocation provisions are estimated to total $1.5 million per year, or $3 million for the 2009-11 biennium. Dickinson is expected to receive $1 million and Williston is expected to receive $2 million in the 2009-11 biennium.

The county distribution is changed in the bill. The lowest tier from which the counties receive 100% of the revenue was increased from the first $1 million to the first $2 million. The current top tier of 25% counties/75% state was expanded to $14 million, and a new top tier was added from which counties producing more than $18 million per year would receive 10% and the state 90%. The population-based caps are removed in the bill, extending the new top tier of 10%/90% indefinitely. The formula changes and cap removal provisions are expected increase total county revenues by an estimated $25 million for the 2009-11 biennium. The bill also changes the distribution among the counties, cities, and infrastructure funds; only the total increase is shown in 1B above.

The bill also increases the revenue to the impact grant fund from $6 million to $8 million per biennium. Both of these changes are to "other funds" and are canceled out, and not shown in 1A above.

The provisions of this bill are expected to reduce permanent oil tax trust fund revenues by an estimated $30 million in the 2009-11 biennium. These estimates are consistent with the February 2009 Legislative Council revised forecast.

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.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	04/28/2009

FISCAL NOTE

Requested by Legislative Council
04/08/2009

Amendment to: Reengrossed HB 1304

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				($28,000,000)		
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
			$25,000,000	$3,000,000				

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 1304 Second Engrossment with Senate Amendments (90260.0600) changes the allocation of Oil and Gas Gross Production tax revenues.

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.*

HB 1304 Second Engrossment with Senate Amendments allocates $500,000 annually to cities in oil-producing counties that have a population greater than 7,500. This allocation is doubled for cities with a significant oil-related employment base. These city allocation provisions are estimated to total $1.5 million per year, or $3 million for the 2009-11 biennium. Dickinson is expected to receive $1 million and Williston is expected to receive $2 million in the 2009-11 biennium.

The county distribution is changed in the bill. The lowest tier from which the counties receive 100% of the revenue was increased from the first $1 million to the first $2 million. The current top tier of 25% counties/75% state was expanded to $14 million, and a new top tier was added from which counties producing more than $18 million per year would receive 10% and the state 90%. The population-based caps are removed in the bill, extending the new top tier of 10%/90% indefinitely. The formula changes and cap removal provisions are expected increase total county revenues by an estimated $25 million for the 2009-11 biennium. The bill also changes the distribution among the counties, cities, and infrastructure funds; only the total increase is shown in 1A above.

The provisions of this bill are expected to reduce permanent oil tax trust fund revenues by an estimated $28 million in the 2009-11 biennium. These estimates are consistent with the February 2009 Legislative Council revised forecast.

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.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	04/08/2009

FISCAL NOTE
Requested by Legislative Council
03/19/2009

Amendment to: Reengrossed HB 1304

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				($26,800,000)		
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
			$23,800,000	$3,000,000				

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 1304 Second Engrossment with Senate Amendments changes the allocation of Oil and Gas Gross Production tax revenues.

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.*

HB 1304 Second Engrossment with Senate Amendments allocates $500,000 annually to cities in oil-producing counties that have a population greater than 7,500. This allocation is doubled for cities with a significant oil-related employment base. These city allocation provisions are estimated to total $1.5 million per year, or $3 million for the 2009-11 biennium. Dickinson is expected to receive $1 million and Williston is expected to receive $2 million in the 2009-11 biennium.

The county population-based caps are also removed in the bill. The cap removal provisions are expected increase total county revenues by an estimated $23.8 million for the 2009-11 biennium. The bill changes the distribution among the counties, cities, and infrastructure funds; only the total increase is shown in 1A above.

The provisions of this bill are expected to reduce permanent oil tax trust fund revenues by an estimated $26.8 million in the 2009-11 biennium. These estimates are consistent with the February 2009 Legislative Council revised forecast.

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.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	03/20/2009

FISCAL NOTE

Requested by Legislative Council
02/17/2009

Amendment to: Engrossed
HB 1304

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				($35,450,000)		
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
			$33,200,000	$2,250,000				

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 1304 Second Engrossment authorizes the allocation of Oil and Gas Gross Production Tax revenues to certain cities. The bill also removes the population-based caps relative to the total amount of Oil and Gas Gross Production Tax revenue counties are allowed to receive.

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.*

Section 1 of HB 1304 Second Engrossment allocates $375,000 annually to cities with a population greater than 7,500. This allocation is doubled for cities with a significant oil-related employment base. The impact of these city allocation provisions is estimated to be +$1.125 million per year, or +$2.250 million for the 2009-11 biennium. Dickinson is expected to receive two $375,000 allocations and Williston is expected to receive two $750,000 allocations in the 2009-11 biennium.

The county population-based caps are also removed in Section 1 of the bill. The cap removal provisions are expected increase total county revenues by an estimated $33.2 million for the 2009-11 biennium. The bill changes the distribution among the counties, cities, and infrastructure funds; only the total increase is shown in 1A above.

The provisions of this bill are expected to reduce permanent oil tax trust fund revenues by an estimated $35.450 million in the 2009-11 biennium.

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.*

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 1304

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				($33,200,000)		
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
			$30,288,000	$2,912,000				

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 1304 changes the allocation of Oil and Gas Gross Production Tax revenues. The bill also removes the population-based caps relative to the total amount of Oil and Gas Gross Production Tax revenue counties are allowed to receive.

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.*

Section 1 of Engrossed HB 1304 creates a city allocation of $208,000 after each $1 million annual distributional tier, to be allocated to cities with a population greater than 7,500. This allocation is doubled for cities with a significant oil-related employment base. The impact of these city allocation provisions is estimated to be +$1.456 million per year, or $2.912 million for the 2009-11 biennium. Dickinson is expected to receive one $208,000 allocation each year, and Williston is expected to receive three $416,000 allocations each year.

The county population-based caps are also removed in Section 1 of the bill. The cap removal provisions are expected increase total local revenues by an estimated net amount of $30.288 million($33.2 million total, less $2.912 million directed to cities with a population over 7500) for the 2009-11 biennium. These increased local revenues are required to be distributed to the county infrastructure fund, and further distributed as set forth in the bill.

These distributional provisions in the bill result in shifts among cities and among county general funds, infrastructure funds, and others. Only those impacts that cause a net change in total local revenue are estimated here. The two provisions that result in a net gain in local revenues - the special city allocation and the removal of the population-based caps - result in a corresponding decrease in permanent oil tax trust fund revenues totaling $33.2 million for the 2009-11 biennium.

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.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	02/11/2009

FISCAL NOTE

Requested by Legislative Council
01/13/2009

Bill/Resolution No.: HB 1304

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				($8,712,000)		
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
			$5,800,000	$2,912,000				

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 1304 changes the allocation of oil and gas gross production tax revenues. The bill also increases the maximum amount the counties are allowed to recieve (increases the county caps).

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 bill creates a city allocation of $208,000 after each $1 million annual distributional tier, to be allocated to cities with a population greater than 7,500. This allocation is doubled for cities with a significant oil-related employment base. The impact of the city allocation provisions is esimated to equal +$1.456 million per year, or $2.912 million for the 2009-11 biennium. Dickinson is expected to receive one $208,000 allocation each year, and Williston is expected to receive three $416,000 allocations each year.

The county population-based caps are also increased in this bill. The cap provisions are expected increase total county revenues by an estimated $5.8 million for the 2009-11 biennium. These increased county revenues are expected to be allocated primarily to McKenzie, Mountrail, and Bowman Counties.

There are numerous other distributional provisions in this bill that result in shifts among cities and among county general funds, infrastructure funds, and others. Only those impacts that cause a net change in total revenue are estimated here. The two provisions that result in a net gain in city and county revenues - the special city allocation and the increase in the county caps - result in a corresponding decrease in permanent oil tax trust fund revenues totaling $8.712 million for the 2009-11 biennium.

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.*

Name:	Kathryn L. Strombeck	**Agency:**	Office of Tax Commissioner
Phone Number:	328-3402	**Date Prepared:**	01/26/2009

90260.0205
Title.0300

Prepared by the Legislative Council staff for Representative Drovdal
January 30, 2009

VR 2/4/09 1 of 2

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1304

Page 2, line 29, overstrike "limited based upon the population of" and insert immediately thereafter "allocated within" and overstrike "according to the last"

Page 2, line 30, overstrike "official decennial federal census"

Page 3, line 1, overstrike "no more"

Page 3, line 2, overstrike "than", after "dollars" insert "for allocation under subsection 4", and overstrike the semicolon

Page 3, line 3, overstrike "however, a county may receive up to", remove "five", overstrike "million", remove "eight", and overstrike "hundred"

Page 3, overstrike lines 4 and 5

Page 3, line 6, overstrike "county road and bridge, farm-to-market and", remove "federal aid", and overstrike "road, and"

Page 3, line 7, overstrike "county road purposes"

Page 3, line 12, overstrike "no more than"

Page 3, line 13, after "dollars" insert "for allocation under subsection 4", overstrike "; however, a county may receive up to", and remove "six"

Page 3, line 14, overstrike "million one hundred", remove "fifty", and overstrike "thousand dollars under this subdivision for each fiscal"

Page 3, overstrike line 15

Page 3, line 16, overstrike "combined levies for county road and bridge, farm-to-market and"

Page 3, line 17, remove "federal aid" and overstrike "road, and county road purposes"

Page 3, line 21, overstrike "no more"

Page 3, line 22, overstrike "than", after "dollars" insert "for allocation under subsection 4", and overstrike "; however, a"

Page 3, line 23, overstrike "county may receive up to", remove "six", overstrike "million", remove "nine", and overstrike "hundred thousand dollars"

Page 3, overstrike lines 24 and 25

Page 3, line 26, overstrike "bridge, farm-to-market and", remove "federal aid", and overstrike "road, and county road"

Page 3, line 27, overstrike "purposes"

Page 4, overstrike lines 1 through 3

Page 4, line 5, after "~~hereunder~~" insert "for allocation", after "under" insert "this", and remove "3"

Page 4, line 7, after "county" insert "for allocation", after "under" insert "this", and remove "3"

Page 4, line 30, after "~~hereunder~~" insert "for allocation" and after "under" insert "this"

Page 4, line 31, remove "3"

Renumber accordingly

Date: 2/4/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1304

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90260.0205

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Froseth Seconded By Brandenburg

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:

Amendments carry.

90260.0206
Title.

Prepared by the Legislative Council staff for Representative Skarphol
February 3, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1304

Page 1, replace lines 8 through 14 with:

"1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly~~, and who shall credit~~;

b. Allocate three hundred seventy-five thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

c. Credit the remaining revenues to the state general fund."

Page 1, remove lines 21 through 24

Page 2, remove lines 1 and 2

Page 2, line 3, replace "c." with "b."

Page 2, remove lines 7 through 12

Page 2, line 13, replace "e." with "c."

Page 2, remove lines 17 through 22

Page 2, line 23, replace "g." with "d."

Page 2, line 25, replace "f" with "c"

Page 3, line 2, overstrike the semicolon

Page 3, replace line 3 with "~~however, a~~. A county may receive ~~up to four~~ an additional one million nine hundred fifty"

Page 3, line 4, overstrike "under this subdivision"

Page 3, line 13, overstrike "; however, a" and insert immediately thereafter ". A", overstrike "up to", and replace "six" with "an additional two"

Page 3, line 14, overstrike "under this subdivision"

Page 3, line 22, overstrike "; however, a" and insert immediately thereafter ". A"

Page 3, line 23, overstrike "up to", replace "six" with "an additional two", and replace "nine" with "three"

Page 3, line 24, overstrike "under this subdivision"

Page 5, line 1, replace "that did not receive any" with ". An incorporated city may not receive more than five hundred thousand dollars during a fiscal year under this subsection and subsection 5."

Page 5, line 2, remove "allocation under subdivision b of subsection 2."

Page 6, line 11, replace "that did not receive any" with ". An incorporated city may not receive more than five hundred thousand dollars during a fiscal year under this subsection and subsection 4."

Page 6, line 12, remove "allocation under subdivision b of subsection 2."

Renumber accordingly

Date: 2/4/09

Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1304

House FINANCE AND TAXATION Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90260.0206

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By ______ Seconded By ______

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) ______ No ______

Absent ______

Floor Assignment ______

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

Amendments set aside.

Date: 2/4/09

Roll Call Vote #: 3

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1304

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 Froseth Seconded By Brandenburg

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) 9 No 4

Absent 0

Floor Assignment Representative Drovdal

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

Rereferred to approp.

REPORT OF STANDING COMMITTEE

HB 1304: 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** (9 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1304 was placed on the Sixth order on the calendar.

Page 2, line 29, overstrike "limited based upon the population of" and insert immediately thereafter "allocated within" and overstrike "according to the last"

Page 2, line 30, overstrike "official decennial federal census"

Page 3, line 1, overstrike "no more"

Page 3, line 2, overstrike "than", after "dollars" insert "for allocation under subsection 4", and overstrike the semicolon

Page 3, line 3, overstrike "however, a county may receive up to", remove "five", overstrike "million", remove "eight", and overstrike "hundred"

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Page 4, line 5, after "~~hereunder~~" insert "for allocation", after "under" insert "this", and remove "3"

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Page 4, line 30, after "~~hereunder~~" insert "for allocation" and after "under" insert "this"

Page 4, line 31, remove "3"

Renumber accordingly

2009 HOUSE APPROPRIATIONS

HB 1304

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1304

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 2/12/09

Recorder Job Number: 9334

Committee Clerk Signature

Minutes:

Ch. Svedjan: We will open the hearing on HB 1304.

Rep. Dave Drovdal: I am the carrier of HB 1304. HB 1304 and 1225 are related. We will try and match them up later. HB 1304 was brought in to raise the dollars going back in oil impact grants to the counties, cities, and schools. In listening to testimony, and the Governor does have $14 million dollars into the oil impact grant and $6 or $7 million into this particular part of the formula in his budget. The Finance and Tax Committee listened to testimony and realized that there are a couple of areas in the oil field where we are having a little bit of a problem. In the two I'm going to address first have to do with counties that have a large city in them and the money going back to that county for the city's share is being all sent to that one community and the other little outlying communities, I'm going to pick Williams County, because I am familiar with it. Ray and Tioga were receiving a very small portion of the funding compared to the impact cost to them. There is some additional language in the bottom of page 1, on page 2, that we hope will address that particular situation, so that we can distribute the money a little fairer in those counties that have such big towns. In the other counties, the formula has been working very well. The committee did come to the conclusion that they feel this formula is the best way to address the long term needs of the impact caused by oil and gas companies. We actually reduced the money in the oil impact grant fund in HB 1225, and wanted to discuss why we felt that the money should be in this grant. This particular bill has got the cap completely off. The reason that the cap is completely off is because I told the committee that Appropriation deals with the money and our committee deals with the policy; and the policy was that we feel that this is the best method to get the money back to the counties. The committee was under the gun trying to get bills out of committee and we had a number of amendments and the way the bill was supposed to come out, was that the money would go back to the counties, cities, and schools as it has in the past. Actually the bill came out that it goes to the county, townships and cities. It left the schools out. That was not the way it was told to the committee; it was too late to take it down and redo it because it was scheduled in Appropriations and the other thing that got overlooked is this bill, last session, Finance and Tax on this committee put in a 10 mil requirement for the counties in order to qualify for any more money above their original $5 million cap. That got somehow deleted out of here, that was not the intent. I do have an amendment that takes care of both of those changes and I apologize that they were left out (amendment .0303 - Attachment A). We were having a hard time coming up with a fiscal note.

Ch. Svedjan: We have a fiscal note dated 2/6/09, and I believe that is the most recent.

Rep. Drovdal: I had not seen that. I did get some figures. If crude oil was $35/barrel, ND sweet crude oil is $35/barrel. The fiscal note would be about $32 million dollars. I'm not sure what they figured it off. If it were $42/barrel, the fiscal note would be $39 million dollars. Crude oil right now, ND sweet, is right around $30/barrel or less, right in that area. We're hoping it goes up.

Ch. Svedjan: Does everyone have a copy of the amendment.

Rep. Williams: The amendment is just fixing the oversight in the bill.

Ch. Svedjan: We're going to cover that in just a minute. As soon as everybody gets the copy of the amendment.

Rep. Drovdal: There are three counties that I know of that have hit the cap. The problem counties are mainly Mountrail and Bowman County, who produce the most.

Ch. Svedjan: Please explain the amendment.

Rep. Drovdal: The first part of the amendment basically replaces line 1-31, page 1, with the language putting the $10 mil back in all three divisions so that it applies in all areas; that they are required to have a $10 mil levy for their share of road funds before they qualify for any additional dollars above the old $5 million dollar cap. They are currently all doing that. The second part of the amendment, section a, b, c all put the $10 mil in different portions of the formula. Putting the schools back in is on the back page, page 6, remove lines 1-17. That takes this language out and puts the old language back in again, which is the old formula, that school is in there, it removes this part of the bill, the part that put in townships instead of schools. It just takes it out.

Rep. Wald: Would roustabout companies and welders, who originally worked exclusively in oil patch be counted in that labor force, would that be the legislative intent here.

Rep. Drovdal: Thank you for bringing that up. I did miss that. That language is part of the new formula that we put in to try to address these communities that are highly impacted. The language came from Rep. Skarphol and the definition wasn't taken up during our Finance and Tax committee meeting. We're not positive about how this is going to work since it is new language. We will be revisiting this next session to see how this works.

Rep. Wald: I would hope that they would, because there are a lot of people, as you well know, in the oil patch, who are not directly on a derrick trying to discover oil. Those service companies, I would hope, would be included in that count.

Rep. Drovdal: I would think if they are servicing the oil company, they are directly involved, whether they are driving crude oil truck or whether driving service/work rig, or working on the rig. I think we can pretty well define which are directly involved. Their paycheck comes out of the oil field activity. I don't know if that is going to be the biggest challenge or not.

Rep. Skarphol: There is a needed language change in there. I do have amendments to do that with the understanding of the committee and the committee chairman, to make it reflect what Job Service desired with regard to language.

Ch. Svedjan: We haven't moved these amendments yet. Would anyone like to do that.

Rep. Skarphol: I do have amendments to this bill and I think it would be appropriate that I hand them out so that the committee can compare the amendment for purposes of discussion. It does several of the same things that Rep. Drovdal referred to, but there is a philosophical difference between these amendments and Rep. Drovdal's amendments in only one way that I am aware of.

Rep. Drovdal: The committee did hear testimony that the townships are greatly affected and the reason on HB 1225, we haven't gotten into it yet, the language put in there when we originally wanted to take the complete cap off to direct that money into the road projects which would be townships. We did not carry that over in the shuffle and include it, but we did recognize that the townships are certainly impacted and that there isn't any direct funding going into them. We do acknowledge the need for that.

Ch. Svedjan: These are .0304.

Rep. Skarphol: I do have some additional handouts just so that the committee can try and understand what it is that we are trying to address, quite frankly. As Rep. Drovdal stated, the first section of the bill, on pages 1 and 2, have to do with Williams and Stark County. If you look at the handout, it has a spreadsheet on it, quite honestly, and Finance & Tax is aware of this, I tried to make this as readable as possible. This is based on the first 11 months of 2008, and I am going to point out certain counties and I'm not saying that each of those counties has exactly the same amount of money that has flowed to them, but this demonstrates what I believe is inequity which is inherent in the formula in regard to Stark and Williams counties. If you start on the right side, where I have these cities starred, and you look across the top of the first page, is Bowman. The city of Bowman received $620,000. I'm not trying to submit that the city of Bowman doesn't deserve that, what I'm saying is that for comparison purposes I would like you to follow along. In Burke County, the city of Bowbells, about 400 people got $106,000. The city of Powers Lake, probably about the same size, gets around $80,000, Divide County, Crosby gets $257,000; Dunn County, Killdeer gets $329,000 and if you look at Mountrail county, there are three cities there about the same size as Tioga in Williams County, all of which gets close to $200,000 or more. The city of Tioga gets $78,000. Alexander in McKenzie County gets $121,000. Watford City gets $800,000. What I'm saying is that there is something inherently inequitable about this formula because of the two large cities involved in those two counties. On pages 1 and 2, we tried to address that problem. It's not an easy situation to try to address and Mr. Walstad has worked very hard at doing this, and I would hope that when the time comes we would have him explain the amendment. Ever since this formula has been put in place, the small communities in Stark and Williams County have been shortchanged by comparison to other cities. That's the first issue in this bill that I believe sincerely needs to be addressed. My community, and I'm not trying to be selfish in this, I believe that every community needs this. My community, when you get $77,000 as compared to $250,000, you have even less of an ability to take care of your infrastructure. The last grant round on the impact dollars, Tioga applied for $250,000 to fix the street that's in dire need of repair. The Impact Office said fine, we'll give you $5,000. When you are shortchanged by a

$200,000 to begin with, that's quite insulting. I would hope that the committee will recognize the need to do this and I'm in full agreement with Rep. Drovdal, that we are probably going to have to revisit how this is done during the next session, because Mr. Walstad has worked very diligently at trying to accomplish this, and I'm not sure that we will have a finished product yet in this session because the fiscal note is probably fairly close to what the cost would be for the changes that are recommended on .0304 but I'm not going to tell you that it's exact.

Ch. Svedjan: We will have Mr. Walstad explain the two amendments so that we fully understand them.

John Walstad, Legislative Council: Neutral capacity. Explain the amendments that Rep. Skarphol distributed (Attachment B). I have written numerous bills relating to oil taxes and oil tax allocations and the various amendments to those bills and discussions of fiscal effect, etc. That result is I'm extremely confused and I'm here to share my confusion with you.

Rep. Meyer: Referring to .0304, asked for clarification regarding the allocation under this subdivision must be doubled if the city has more than 7.5 of its private covered employment by the mining industry. Then on the other side, it says it may not receive a combined total of more than $500,000 during a fiscal year. If it must be doubled that's $750,000 and then you are capping in the other section at $500,000 or am I reading that incorrectly.

Mr. Walstad: There is a little trick to this.

Chm. Svedjan: I would like Mr. Walstad to explain both amendments.

Rep. Skarphol: This issue is in both amendments. This is an attempt in .0304 to more adequately do what I fully intended to accomplish. In .0303 the language is such that the city of Williston gets limited in their ability to get any increased money. I am hopeful that Mr. Walstad has accomplished that, based on his explanation, that Williston would get a certain amount of money, Dickinson would get a certain amount of money, and then they would share in any additional increase that may become available to the county or to the cities in that formula. I'm not trying to limit the city of Williston and the first run of this did limit the city of Williston to a certain amount of money. This issue is in both amendments. This is an attempt to more adequately ensure that the small cities in my county do not get compensated unfairly as compared to Williston.

Chm. Svedjan: The reason for my request, is that I'm getting the sense that we don't quite understand the details of this and that's going to be necessary for us to act on this bill. So I'm not looking for a detailed explanation of each of these, but I think the committee would benefit knowing what each of them does, do we need them both, or what is needed.

Mr. Walstad: Let's look at .0303 amendment presented by Rep. Drovdal. The a, b, c, language being inserted, clears up a potential misunderstanding from the HB 1304 as introduced. Making it clear that these caps for counties based on population that limit how much money they can receive from the production tax, come off completely if the county levies at least 10 mills for road purposes. The other thing that happens here, that Rep. Skarphol's amendment does not do, is this amendment takes out the change that is on the last page of the bill. Current law has one allocation formula within the county. When the oil tax money flows to the county, there is one allocation formula which says 45% goes to county, 35% goes to school districts and 20% goes to cities in the county on a population basis.

Rep. Skarphol: Under current law, no money flows to townships in the current formula.

Mr. Walstad: Absolutely, current law not one nickel flows directly to townships. The last page of the bill sets up a separate allocation and for money up to the existing statutory cap for the counties, the existing formula would govern that allocation. The cap comes off, the money above that cap get allocated according to this last page allocation, which is 45% to the county, 35% to schools with the current formula would instead go to townships but not directly to townships. It goes to the county for the benefit of townships, townships would have to make a case to the county commission for allocation of funds. But all of the money would be for townships, it would be that the county would have to make some decisions on where it goes according to the need demonstrated. Then 20% to the cities in the county, which is the same way that it is now. So the only difference in this second allocation formula is that townships take the place of the schools, and that money instead goes to townships.

Rep. Meyer: When that additional tier is hit, who allocates that? Now according to this language, the county will have to allocate that differently than how the original formula is done.

Mr. Walstad: Under current law, the allocation to school districts is done at the county level. All the other allocations are made through the treasurer's office. That would stay in place for the money to the county, the money to the cities, but the school district allocation is done at the county level and this township allocation would also be done at the county level, and this township allocation would also be done at the county level, the money would go to the county commission and then townships would have to make application to the board of county commissioners and present their case for whatever the project is that they want funding for.

Rep. Meyer: So these additional monies, after we have hit our cap, they would be given back to the counties in a lump sum for the county commission to allocate.

Mr. Walstad: Except for the city part, the treasurer would send that directly, and then there would be a payment directly from the treasurer to the county of the county share and the part that would be allocated among townships.

Rep. Skarphol: Could we incorporate an amendment that that money could be allocated by the State Treasurer at the request of counties.

Mr. Walstad: We could certainly do it that way.

Rep. Skarphol: I discussed this with the State Treasurer's office this morning and she sees no reason why this couldn't happen because they have a new distribution system within their office. I think if the counties were to give direction to the State Treasurer's office as to how they wanted that distributed, I believe we could amend this to ensure that there was no expense at the county level with regard to the distribution.

Mr. Walstad: I didn't have a discussion with the treasurer's office so I don't know.

Rep. Skarphol: But if we wanted to put that mechanism in place, there shouldn't be an additional expense to the county.

Mr. Walstad: I would think that if the county provides the treasurer's office a list of the townships and how much money goes out to them, that could be plugged into the payment system without a lot of trouble, yet.

Rep. Onstad: Some counties have unorganized townships, how would that deal with them?

Mr. Walstad: You're correct. In the western part of the state there are a lot of unorganized townships, that is dealt with on the last page of the bill, beginning on Line 8.

Rep. Kempenich: But 0303 takes out that back section.

Mr. Walstad: Right, I explained that last section just so that I could point out that .0303 takes that out and all of the money would go out under the current formula and no direct allocation to townships, school district would receive the 35% that they get under the current formula, but now of a significantly larger pot of money. The significant differences of .0304, in the first part there, page 1, replaces 1-14, that is going into a different subsection of law and carves out a portion, of the state general fund share of production tax revenue and for cities of 7500 or more in producing counties the allocation is $375,000 per year – a flat amount. That amount is doubled if private covered employment in mining is more than 7.5% of the employment for the city. (see Attachment B). As Rep. Skarphol indicated, that is the language suggested by Job

Service North Dakota; that's the tracking category that they use. I can't tell you exactly what the mining industry all includes but I know it's more than the people who are out on the rigs.

Rep. Skarphol: In an analysis that was done for the Association of Oil and Gas Counties, the president of that group asked for the information from Job Service with regard to jobs directly related to the oil industry in Williston and Dickinson. The numbers he received were that Williston was at 22.5% of their jobs directly related to the oil industry; Dickinson was at 4%; Minot was at less than 1%. Obviously, while we think in terms of the distribution of money across all the counties for oil related damage, a more significant portion of it probably lies in the largest cities. I say that because on any given day, on an oil location, I would say that 90% of the people on that location probably originated out of Dickinson or Williston. So I am trying to recognize the fact that those cities have a significant amount of impact even though they are not large land mass areas. This is an attempt, quite honestly, to ensure that they get some additional compensation. The city of Williston had to increase their budget by $1.25 million dollars to cover additional wage increases to sustain their current employees and add two additional employees to do the work that's necessary within the city. They only had a limited amount of resources to work with as a typical city. But in this case, they were directly competing with the oil sector because of the ratio I just talked about. Whether or not this adequately does what needs to be done, if we adopt this amendment, we can actually get a fiscal note for the effects of it and make whatever changes are necessary on the other side.

Rep. Meyer: One of the problems, we need to change the section of the code for oil and gas producing counties. That's always been my intent so that we can get more money. I just have a little problem with this because under this scenario, Dickinson is going to get $208,000 and Williston is going to get $1.2 million per fiscal year. Here we have two towns, of approx. the same size, and we are both impacted quite heavily, and I don't know how this can be fixed, but this is creating a huge discrepancy between these two cities.

Rep. Skarphol: If you would look at the handout I gave you, you would see that ratio is somewhat appropriate since Dickinson received $335,000 in this time frame, as opposed to Williston receiving $800,000. I wasn't trying to disadvantage Dickinson in any way, but I thought there was a relationship between the amount of money that should flow to a city, and the number of jobs directly related to the oil industry and quite frankly you have to set a threshold somewhere. I thought it appropriate that Williston should receive more money than Dickinson. We can discuss that.

Rep. Wald: What happens is if you were to look going west on I94 at about 6:30 am or Highway 22N, this is when people who work in the patch are leaving Dickinson, and I'm sure that the same thing happens in Williston. They work in Billings or Dunn counties during the day, but at night they are back in Dickinson. We get the school kids. We get the social impact, the police impact, and those kinds of things, but we don't get the revenue because Stark County's oil production is probably at an all-time low in the last 20 years. This tends to correct that inequity and I agree with the amendments, so that we are finally addressing this. I don't know whether legitimately Williston should get $875,000 and Dickinson $335,000 but it's much of an improvement to Dickinson, where there is a lot of impact, like I said we get the social impact but the production where these people work is in other counties.

Rep. Kaldor: The allocation is $375,000 is like a base amount for those communities and then the rest of it follows that formula based on employment. How did you arrive at the base amount.

Rep. Skarphol: I did not arrive at the base amount, I relied on Mr. Walstad for that base amount. You're absolutely correct, the $375,000 does flow to each city, and the doubling of it based on the number of jobs directly related to the oil industry or mining industry, which is what Job Service prefers; in order to try to ensure that a city that has a larger population in the mining industry gets compensated more.

Rep. Delzer: This is over and above the money from removing the cap.

Rep. Skarphol: Yes because I didn't want to take away from the other areas. That was a philosophical decision I made in having the bill drafted.

Chm. Svedjan: We have here a set of amendments proposed by Finance & Tax to take care of a couple of oversights that occurred when the bill was in their community, and then additionally we .0304 before us which is the set of amendments provided by Rep. Skarphol. I'm still wondering of the compatibility of those two sets of amendments.

Mr. Walstad: They are similar in some respects, but significantly different in others. I haven't discussing .0304 yet. That first part of the .0304, subdivision b underscored language, Rep. Skarphol touched on this, $375,000 for a city of 7500 or more, with 2% or more employment in mining. Any city could qualify, as it happens, only Dickinson and Williston qualify. The city of Minot would not receive this sort of allocation, even though Ward County has some oil production now; then that amount is doubled at more than 7.5%, and as Rep. Skarphol indicated, currently that applies only to the city of Williston. They will get $750,000 per year under this provision. That is not the limit of how much money the city of Williston can get and $375,000 is not the limit of how much the city of Dickinson can get. This is a separate allocation, to kind of pull out a part of the funding for those cities so that it does not impact the allocations going on within the county. On page 2 of .0304, Rep. Meyer asked about the $500,000 language being inserted (toward bottom of page). This goes into that excess allocation among cities in two places, so what the cities are getting from the existing distribution formula if you will, if the city would otherwise receive more $500,000, that's capped. For the city of Williston, $750,000 under subsection 1, and the significance here is this referenced the $500,000. That refers to subsection 4 and 5. There is a $500,000 limit under 4 and 5, $750,000 for Williston under subsection 1. The two amounts can be added together. Williston then, capping out would be at $1.25 million dollars per year. The city of Dickinson, capping out would be at $875,000 total per fiscal year. Now Stark County is not one of the counties that is at that cap number. I'm not exactly sure what the math says that Dickinson would receive. The fiscal note relates to the bill as submitted and it had that three steps of $208,000. All of that would be gone with the .0304 amendments. With the .0303 amendments that would still be there.

Rep. Wald: The amendment, .0304 under subsection b, where it says engaged in the mining industry, that is construed by Job Service to mean oil and gas production, correct.

Mr. Walstad: My understanding is it includes oil, gas and coal too.

Rep. Wald: That's where I'm going. If the South Heart plant should become a reality, would that revenue then be included under this definition.

Mr. Walstad: I believe that employment related to the South Heart facility would be counted as "mining industry" by Job Service's numbers. One other significant change to the .0304, bottom of page 2 of the amendments, where you see the page 6, line 6, after townships insert "or school districts". That is retaining this last page of the bill draft where we have a separate allocation, and as I explained, as the bill draft stands, the school districts are left out of this above the cap allocation money. Townships take their place. This amendment plugs school districts back in but on the same basis that townships are, which is the township or the school district would go to the board of county commissioners and demonstrate a need for funding and the county could award the funding to a combination of townships and school districts; but it's all need based, it's not just a formula driven check that gets delivered.

Rep. Wald: Mercer County has oil production now. Could all their mining production be included in the question I alluded to earlier.

Mr. Walstad: There is that possibility, but I don't think there is a 7500 population city in Mercer. The threshold would not be met.

Rep. Wald: The population would take care of that.

Mr. Walstad: The population part is one of the thresholds. Actually it's the first threshold. If the population is not 7500, then there is no separate treatment for that city.

Rep. Skarphol: I spent a great deal of time thinking about this whole thing overnight last night, and I had some consternation about adding school districts back in simply because I don't believe that we intended, in considering that we needed to do some additional funding for counties to take care of the infrastructure that we intended to increase school funding in those counties but rather that we intended to increase funding to take care of infrastructure. Now the schools do have an issue with regard to the bad infrastructure, in that is that their school buses get pounded to death driving on these roads. I don't argue that point. I would ask that if we adopt .0304 to say "school district repairs due to the infrastructure damage. That way it would limit it to, for example, buying a new bus, but it would not allow grants to school for purposes of funding the school, just to fund the schools. I also believe that strictly deleting the last page (6) of this, and putting the money straight into the existing formula, would not accomplish what was intended. It would result in schools getting more money, townships getting no money, and I don't think that's what any of us really envisioned as to what we wanted to try and accomplish with oil taxes, changes in the oil tax law. If Rep. Drovdal would like to respond to that I wouldn't have a problem. We did not envision just funding the schools.

Rep. Meyer: All of that would be on a grant basis from the County Commissioners, that's how it would be allocated.

Rep Skarphol: Absolutely, but as I stated earlier, I am certain that we could put in place an amendment that would make the State Treasurer's office distribute that at the request of the county commissioners, so that we would not incur any costs.

Rep. Drovdal: The Finance and Tax Committee understands the damage out there is mostly on infrastructure and that's where they have not been able to keep up on that, so I would assume that would be a friendly amendment and go in the direction that the Finance & Tax Committee wanted it to go in. I should also add, like I mentioned earlier, there's no cap on this, and this is directly related to the funding, if you should end up putting a cap on this again, which we hope you don't, last session when we added that $1 million dollars into the $5 million dollar cap making it $6 million dollars, we sent that just to the county. Now under this formula, we didn't want any more formulas in there so we took that out. So if you don't put over a $2 million dollar higher cap on it, the counties will actually get less money, because they will only get 45% of that first million, and 45% of that second million. So they would take a $100,000 hit with the $8 million dollar cap. We feel this is a longer term solution in this formula than in the impact grant money which will come up in HB 1225, because this is based on the production in that county, and that is where the damage is related to the production costs. That's one of the reasons we had this as our policy.

Rep. Kempenich: On page 2, what are you talking about . If we take the cap off, we shouldn't have to have any language in there, should we.

Rep. Drovdal: If we take the cap off, the counties are going to get additional money. Only about 2 counties will get above the cap. If you do restrict it, and putting caps back on, remember please that specification that we did last time in order to get the money out to the counties, so that they got 100% of it, so they go the whole million. If you put the cap back on, and put the formula back in, of the first million, they are only to get 45% of it, and the same on the second million. They are going to be 10% short of getting what they got the time before if they got the cap.

Rep. Skarphol: I'm not sure I understand what you are saying about 0303 and .0304 are not intended to affect the cap that you are referring to.

Rep. Drovdal: Right. We don't want to send out less money to the counties.

Rep. Skarphol: In listening to the discussion on .0304, if we were to amend .0304, to say that school district repairs due to infrastructure damage, would your committee be open to that.

Rep. Drovdal: Yes. I think that would address the concerns.

Rep. Skarphol: I would move amendment .0304 with two additional amendments. On page 6, we include the language as reflected on the amendment of the "school district repairs due to infrastructure damage" on lines 6, 7, and 8. I believe that is the only place necessary but if not, LC will accomplish that. Secondly, that we would include language that the State Treasurer's office would distribute the money as requested by the county commission. Therefore it would alleviate any angst that the county auditors have with regard to the substantial dollars that they would have to invest in a new computer program to distribute that money.

Rep. Wald: Might you consider language, "school district transportation issues" to make it clear.

Rep. Skarphol: Whatever the committee wishes in that regard, just so it's not simply distributed to the schools for school aid purposes; but rather to rectify any issues that they have because of that infrastructure.

Ch. Svedjan: We will have LC work up that language for us but I think we can move on that amendment. Is there a second to the motion.

Rep. Wald: Second.

Rep. Delzer: The language you want to put in there for the State Treasurer to do that. Should we include language that the county has to communicate to the State Treasurer annually so that they don't change that every month.

Rep. Skarphol: That would be fine if we were to make that stipulation. I would so move that it be included in the amendment.

Rep. Delzer: I don't know if they would do that or not, I don't know if annual is the right reporting time period, but that could certainly be put in now and it could be dealt with, this bill is not done yet. It could be dealt with.

Ch. Svedjan: We would include language on the frequency of distribution changes.

Mr. Walstad: In that language about the direction being given to the State Treasurer, I think it would be good to include some language about "in a format prescribed by the Treasurer" so that everybody is not submitting reports that the Treasurer's office doesn't get or understand.

Chm. Svedjan: That is also inherent in the motion?

Rep. Skarphol: Yes.

Ch. Svedjan: This is a complicated issue, but an important issue. It takes a great deal of time to get people up to the level of understanding that they need. We have before us a motion for the adoption of .0304 with the three noted changes: 1) limiting the school district's use of request for funds for damage that results from transportation issues, damaged infrastructure; 2) include language that the State Treasurer would distribute the money at the request of the county commissioners in a format prescribed by the State Treasurer; and 3) language that relates to the frequency of distribution changes. That's the best I can summarize that. Additional discussion. Hearing none, voice vote. Motion carried.

Rep. Skarphol: I move a Do Pass as amended on SB 1304.

Rep. Wald: Second.

Rep. Meyer: Then I have one question, if we don't adopt .0303, what happens to the 10 mills. Is it in the second version.

Ch. Svedjan: Yes, it is.

Rep. Glassheim: Could you explain about the removal of all caps. One effect clearly is that $30 million dollars is removed from our oil revenues. What prevents this from being $40 million, $50 million, or $200 million dollars going forward. I'm not sure how the caps work.

Rep. Skarphol: Mr. Walstad could address this better. But the distribution to cities and counties is based on a percentage of the production tax that is in place; a relatively small percentage of it, you might say, and as oil revenues increase, certainly the amount flowing to the counties will increase as well. The state will be realizing increased revenue to a much larger extent than what the dollars amount would increase flowing to cities and counties. I guess if we need to revisit the issue in the future, we can certainly do that. At this point in time, I believe this to be a long-term desirable solution.

Rep. Glassheim: So there is a cap still in the sense that they only get a certain percentage of the total tax.

Mr. Walstad:. That's a good point. Obviously changes occur in the industry. It's hard to create a formula at the state level that addresses or anticipates all those things. Five years ago, the cap on allocations didn't mean a thing in Mountrail county. But it does now. It means a significant change in what they might otherwise be able to receive. I understand that oil production areas in the state are going to continue to change in the level of production, drilling, exploration, will move as things change. It's going to be necessary for the legislature to keep an eye on this allocation formula as time goes on. The way it is structured here is, I think, intended to deal with the situation we are in now and the foreseeable future. Five years is a huge time gap in the oil industry in this state.

Rep. Glassheim: Does 20% of the 5% gross production tax go into the oil impact fund? And raising the 6 million cap on the oil impact fund and allowing all of the 20% of the 5% to go to the three or four entities, do I understand that correctly?

Mr. Walstad: The way the law sits now, the first 1% of production tax, 1/3 of that amount would go to the impact fund, but for the $6 million cap that's there now; 2/3 goes directly into the general fund. The .0304 amendment would change that and take from the part that flows directly to the general fund now, an amount that would probably total $750,000 plus $375,000, approx., over a million dollars.

Rep. Nelson: It appears that Minot will enter the fray at some time. When they do, by removing the caps, they will be plugged into the system as I understand it. If Minot met the requirements of the 1% or 2%, whatever the employment is, and they will at some point in time, will they just come into the system. It won't detract from the other cities and counties in the state at that point.

Mr. Walstad: That is exactly right. As you indicated, Minot is kept out for two reasons. They have less than 2% of the mining employment, the 7500 population is obviously there, and Ward county doesn't have that great of a level of oil production now, but they probably will, and when that happens this would address that situation, if Minot has 2% or more in mining employment, and a significant amount of oil production. Then Minot will begin to be eligible for the $375,000 directly, plus $500,000 in the other part of the allocation formula and at 7.5% directly related mining employment, would be eligible for $750,000 plus $500,000. Minot could work its way into this, if Ward County production rises significantly.

Rep. Onstad: Every county has a cap and that's based on the production of oil. If oil production goes down, your national drivers go up. But if that production goes up, those revenues will increase. But because the oil production goes up, the significant impact still increases. That's the purpose of changing the formulas to adequately address what the increased oil activity does to any particular county. Really, every county is kind of held separately in this situation. The cap is the production of oil and that's how it currently goes.

Ch. Svedjan: We have a Do Pass as amended motion. We adopted .0304 with three additional amendments. Further discussion.

Rep. Dosch: That's my question. I'm just trying to quantify what this means to these counties. This has a fiscal note of $33 million dollars. I understand that they have been impacted by the oil revenue but what I'm trying to get at, is do they $5 million dollars more to fix their roads, do they need $10 million, do they need this $30 million one time and then they'll be in pretty good shape?

Rep. Skarphol: We had a presentation in Williston, by DOT, I think there are a few statistics in here that might be enlightening for the committee. In the oil producing counties, there is about 2500 miles of state highway. There are about 34,000 miles of county and local roads. The number of trucks annually, related to oil and gas activity, is 1,855,450; that compares statewide to agriculture's 1.3 million and manufacturing's 820,000. Out of 3.975 million trucks annually in the state of North Dakota, nearly half of them are in western North Dakota. One semi at 105,500 lbs. does the same amount of damage to the road as 25,000 cars. That's a tremendous change. When you look at what's required of a drilling operation and the number of trucks involved, it takes between 150 and 230 truckloads to go into a location, come out of a location, to drill a well, per well. Our local gravel roads are getting the damage. That's what we're trying to solve here. Obviously it's a lot of money, but it also generates a substantial amount of money for the state's general fund.

Chm. Svedjan: Rep. Dosch's question went a little further. I think what you were trying to connect was based on the amount of funds this formula would send to a county, what they need of that amount for road improvements.

Rep. Skarphol: I would submit that virtually every dime would go to road repairs, not to build new ones. To fix the roads that have been pounded to death by that kind of traffic.

Ch. Svedjan: Further discussion on the motion. We will take a roll call vote on HB 1304.

21 YES 0 NO 4 ABSENT DO PASS AS AMENDED CARRIER: Rep. Skarphol

2/12/09
Attachment B

90260.0304
Title.

Prepared by the Legislative Council staff for
Representative Skarphol
February 11, 2009

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1304

Page 1, replace lines 8 through 14 with:

"1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly~~, and who shall credit~~;

b. Allocate three hundred seventy-five thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

c. Credit the remaining revenues to the state general fund."

Page 1, remove lines 21 through 24

Page 2, remove lines 1 and 2

Page 2, line 3, replace "c." with "b."

Page 2, remove lines 7 through 12

Page 2, line 13, replace "e." with "c."

Page 2, remove lines 17 through 22

Page 2, line 23, replace "g." with "d."

Page 2, line 25, replace "f" with "c"

Page 3, line 4, after "~~subdivision~~" insert ". A county may receive the full amount to which it is entitled under subsection 2" and remove the overstrike over "~~for each fiscal~~"

Page 3, remove the overstrike over lines 5 and 6

Page 3, line 7, remove the overstrike over "~~road, and county road purposes~~"

Page 3, line 15, after "~~subdivision~~" insert ". A county may receive the full amount to which it is entitled under subsection 2" and remove the overstrike over "~~for each fiscal year if during that fiscal year the county levies a~~"

Page 3, remove the overstrike over line 16

Page 3, line 17, remove the overstrike over "~~farm-to-market and federal-aid road, and county road purposes~~"

Page 3, line 25, after "~~subdivision~~" insert ". A county may receive the full amount to which it is entitled under subsection 2" and remove the overstrike over "~~for each fiscal year~~"

Page 3, remove the overstrike over lines 26 and 27

Page 3, line 28, remove the overstrike over "~~road, and county road purposes~~"

Page 4, remove the overstrike over lines 1 through 3

Page 5, line 3, replace "that did" with ". An incorporated city may not receive a combined total of more than five hundred thousand dollars during a fiscal year under this subsection and subsection 5."

Page 5, remove line 4

Page 6, line 6, after "townships" insert "or school districts"

Page 6, line 7, after "townships" insert "or school districts"

Page 6, line 8, after "roads" insert "or to school districts"

Page 6, line 14, replace "that did not receive any" with ". An incorporated city may not receive a combined total of more than five hundred thousand dollars during a fiscal year under this subsection and subsection 4."

Page 6, line 15, remove "allocation under subdivision b of subsection 2."

Renumber accordingly

90260.0305
Title.0400

Prepared by the Legislative Council staff for
House Appropriations
February 12, 2009

VR
2/16/09
1 of 2

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1304

Page 1, replace lines 8 through 14 with:

"1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly~~, and who shall credit~~;

b. Allocate three hundred seventy-five thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

c. Credit the remaining revenues to the state general fund."

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Page 3, line 17, remove the overstrike over "~~farm-to-market and federal-aid road, and county road purposes~~"

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Page 4, remove the overstrike over lines 1 through 3

Page 5, line 3, replace "that did" with ". An incorporated city may not receive a combined total of more than five hundred thousand dollars during a fiscal year under this subsection and subsection 5."

Page 5, remove line 4

Page 6, line 6, after "townships" insert "or school districts"

Page 6, line 8, after "roads" insert "or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads"

Page 6, line 11, after the underscored period insert "The state treasurer annually shall make payments to townships and school districts, and to the county on behalf of unorganized townships, within the county upon receipt of a schedule of recipients and allocation amounts submitted by the board of county commissioners in a format prescribed by the state treasurer."

Page 6, line 14, replace "that did not receive any" with ". An incorporated city may not receive a combined total of more than five hundred thousand dollars during a fiscal year under this subsection and subsection 4."

Page 6, line 15, remove "allocation under subdivision b of subsection 2."

Renumber accordingly

Day 28

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

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1304

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number 90260.0304 and (see below)

Action Taken Adopt .0304 and amend as indicated below

Motion Made By Skarphol Seconded By Wald

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 ______

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

① p. 6 include lang. school dist repairs due to infrastructure damage.

② State Treasurer's Office dist. money at request of county comm.

③ Language relating to frequency of dist.

Day 28

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

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1304

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ______

Action Taken Do Pass as Amended .0304 and

Motion Made By Skarphol Seconded By Wald

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) 21 No 0

Absent 4

Floor Assignment Rep. Skarphol

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

REPORT OF STANDING COMMITTEE

HB 1304, as engrossed: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (21 YEAS, 0 NAYS, 4 ABSENT AND NOT VOTING). Engrossed HB 1304 was placed on the Sixth order on the calendar.

Page 1, replace lines 8 through 14 with:

"1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly~~, and who shall credit~~;

b. Allocate three hundred seventy-five thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

c. Credit the remaining revenues to the state general fund."

Page 1, remove lines 21 through 24

Page 2, remove lines 1 and 2

Page 2, line 3, replace "c." with "b."

Page 2, remove lines 7 through 12

Page 2, line 13, replace "e." with "c."

Page 2, remove lines 17 through 22

Page 2, line 23, replace "g." with "d."

Page 2, line 25, replace "f" with "c"

Page 3, line 4, after "~~subdivision~~" insert ". A county may receive the full amount to which it is entitled under subsection 2" and remove the overstrike over "~~for each fiscal~~"

Page 3, remove the overstrike over lines 5 and 6

Page 3, line 7, remove the overstrike over "~~road, and county road purposes~~"

Page 3, line 15, after "~~subdivision~~" insert ". A county may receive the full amount to which it is entitled under subsection 2" and remove the overstrike over "~~for each fiscal year if during that fiscal year the county levies a~~"

Page 3, remove the overstrike over line 16

Page 3, line 17, remove the overstrike over "~~farm-to-market and federal aid road, and county road purposes~~"

Page 3, line 25, after "~~subdivision~~" insert "<u>. A county may receive the full amount to which it is entitled under subsection 2</u>" and remove the overstrike over "~~for each fiscal year~~"

Page 3, remove the overstrike over lines 26 and 27

Page 3, line 28, remove the overstrike over "~~road, and county road purposes~~"

Page 4, remove the overstrike over lines 1 through 3

Page 5, line 3, replace "<u>that did</u>" with "<u>. An incorporated city may not receive a combined total of more than five hundred thousand dollars during a fiscal year under this subsection and subsection 5.</u>"

Page 5, remove line 4

Page 6, line 6, after "<u>townships</u>" insert "<u>or school districts</u>"

Page 6, line 8, after "<u>roads</u>" insert "<u>or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads</u>"

Page 6, line 11, after the underscored period insert "<u>The state treasurer annually shall make payments to townships and school districts, and to the county on behalf of unorganized townships, within the county upon receipt of a schedule of recipients and allocation amounts submitted by the board of county commissioners in a format prescribed by the state treasurer.</u>"

Page 6, line 14, replace "<u>that did not receive any</u>" with "<u>. An incorporated city may not receive a combined total of more than five hundred thousand dollars during a fiscal year under this subsection and subsection 4.</u>"

Page 6, line 15, remove "<u>allocation under subdivision b of subsection 2.</u>"

Renumber accordingly

2009 SENATE FINANCE AND TAXATION

HB 1304

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/10/2009

Recorder Job Number: 10582

Committee Clerk Signature	Carrie Winings

Minutes:

Chairman Cook: Opened hearing on HB 1304.

Representative Bob Skarphol, District 2: Testified as sponsor and in support of the bill. (Explained the bill.) See Attachments #1 for charts and #2 for proposed amendment as part of testimony. Proceeds to go through chart and compares amounts given to starred cities.

19.15 **Chairman Cook:** You mentioned you are replacing schools with townships, so schools would get none of this money?

Representative Skarphol: None of the additional money. They will not lose anything from where they are currently funded, but by taking the caps off, if you don't make that change obviously the schools get more money and I didn't think that was appropriate. I think it is imperative that we improve the infrastructure and be doing that I would submit to you that the schools will benefit dramatically because there is less county money needed to do that repair and more that can be used for other things.

Senator Triplett: On your handout, the 2009 production numbers from the office of the state treasurer, what did you mean exactly by the 9 months in 2009 production? The fiscal year starts in July of 08', that would get us to the end of March and we are not there yet. What did you mean exactly?

Representative Skarphol: He had the latest numbers, and I believe you are correct that they are through February.

21.15 **Representative David Drovdahl, District 39:** Testified in support of the bill. In the House Finance and Tax committee we looked at both HB 1225 and HB 1304. HB 1225 deals with the impact grant funds, but money that is given out by the land department to entities such as ambulances, fire departments, and townships and counties that are not oil producing counties but have the impact. We determined that HB 1304 is the long term solution for the oil and gas counties. We did have difficulty because of time restraints and fiscal notes with the amendments. We sent our intent to the appropriation committee knowing that there was a flaw in the amendments and they re-amended it got to the floor and we realized there were other flaws. That is why you have the amendments because flaws were discovered after it was on the floor of the House and we want to get them corrected. We found that we did not address the impact problems with the oil companies. Production tax on oil is nothing more than property tax. It is the only way that the local counties and cities and schools can recover the cost that the service has provided to those industries. We have always acknowledged that the people getting the services should be paying the bill. When we have that cap on of $6 million, for instance Montrail and Bowman County both hit that cap within 2 to 3 months. But their expenses went on for the other nine months. It is a fairness issue. We are now back to correct this. The main impact is on the roads and buildings. We thought administrated by the counties, but it was still by the State Treasurer's Office – it was our intent the whole time. Please amend the bill.

27.40 **David Hynek, Chairman, Mountrail County Board of Commissioners:** See Attachment #3 for testimony in support of the bill. Also brings chart that was not passed out showing the parts of Mountrail County that are affected by the Oil Industry (Shows 284 active, 27 drilling, 199 confidential, 57 LOC- new, total of 567 locations).

40.45 **Vice Chairman Miller:** In regards to dust, do you see production loss due to dust in crops and/or livestock?

David Hynek: I have a quarter of land that lies along a major county road that is used daily by the oil industry. I farm on one side of that road and I had durum wheat seeded on that land last year and at harvest that field, 300 yards in, the production was 2/3 less than the rest of the field. Those plants could not breathe.

42.14 **Sandy Clark, North Dakota Farm Bureau:** Testified in support of the bill. Reads policy on supporting increased funding from the oil and gas gross production tax for the impacted counties, cities, and schools; also supporting putting townships in the formula and raising the cap as well.

43.07 **Les Snavely, Commissioner of the City of Bowman:** See Attachment #4 for testimony in support of the bill.

45.35 **Ron Ness, North Dakota Petroleum Council:** See Attachment #5 for testimony in support of the bill.

46.38 **Lowell Cutshaw, City Administrator, Watford City:** Testified in support of the bill. Granted we do get a good portion of the money currently. We have put that money to good use in infrastructure. We have increased our police and fire service, our fire and ambulance calls have nearly doubled. Last year the city participated in a $7 million reconstruction of Main Street, which upgraded the street, water, and the sewer infrastructure. In order to fund it, we issued general obligation bonds, water and sewer bonds, and oil and gas revenue bonds. It is our hope to put the oil and gas money to work to retire those bonds. In the last two years we increased our water and sewer rates by over 40% to help fund infrastructure improvements in order to serve the needs of industry. About 30% of Watford City's water sales are to the oil industry and we are anticipating another project to upgrade that portion of the system. Currently when the trucks are filling there are other areas of the town that barely have any water pressure. Last year our water department saw a $100,000 surplus mainly due to bulk water sales. The down side to that is even a modest project is about $500,000 so we would have to bank for five years in order to fund a project. We have paving of gravel roads in the subdivision where the majority of the oil workers are located on tap for this year. The city relies on the oil and gas revenues to support the city.

49.00 **Kenneth Steiner, Chairman, Bowman County Commission:** See Attachment #6 for testimony in support of the bill.

50.45 **Chairman Cook:** Bowman County, does it all have organized townships?

Kenneth Steiner: No.

Chairman Cook: How many organized townships do you have?

Kenneth Steiner: I don't know the number, but a little over 1/3 of the western half is not organized. So we have to take care of them.

51.40 **Senator Dotzenrod:** What is the county mill levy for roads?

Kenneth Steiner: We have 10 mills; we put about $5.5 million in road budget per year. We reach the cap in about 2 months.

52.15 **Lynn Brackel, County Commissioner, Bowman County and Resident of Bowman Township:** See Attachment #7 for testimony that he represented.

Chairman Cook: Are you at your cap?

Lynn Brackel: We are about there.

53.35 **Vicky Steiner, North Dakota Association of Oil & Gas Producing Counties:** See Attachment #8 for testimony in support of the bill as amended.

57.30 **Chairman Cook:** Can you get us a list of the trust funds that the royalties from the state owned wells go to?

Vicky Steiner: Yes.

Chairman Cook: You made a comment earlier in you testimony about the treasure not issuing the check and auditor is what checks are you referencing?

Vicky Steiner: The state collects the money and it distributes gives 45% to the counties by the State Treasurer and then 35% are also going to go to the counties so they can allocate to the townships.

Chairman Cook: If the state treasurer sends the money to the counties, the checks you are talking about are the checks that go to individual cities and townships?

Vicky Steiner: It is just this new township and school districts that get the checks from the county.

Senator Dotzenrod: You were taking us through some of the amendments. The last two lines of the amendments fit in right at the very end of the bill, and if you look at the last sentence of the bill, it says apportionment among cities under this subsection must be based on population of each incorporated city. Then this amendment adds another sentence, determining the population of any city that receives a direct allocation under subsection one that city's population for purposes of this subdivision must be reduced by 40%. So when it refers to this subdivision, they are talking about the subdivision we are in right at the end of the bill, and when they refer to subsection 1 they are going up to the front part of the bill where they are talking about on lines 16 and 17 where it says $500,000 each city which has a population 7,500, so that 40% reduction is that supposed to be a reduction of the population that is referred to in lines 16 and 17?

Vicky Steiner: I will have a new chart this afternoon with the amendments applied for you.

Senator Dotzenrod: That is consistent with Representative Skarphol?

Vicky Steiner: I agree that line was difficult to follow.

1.02.20 **Jeff Engleson, Director, Energy Development Impact Office:** See Attachment #9 for testimony in support of the bill.

1.03.42 **Corey Bristol, Chief Deputy, Mountrail County Sheriff's Department:** See Attachment #10 for testimony in support of the bill.

1.05.45 **Chairman Cook:** Any further testimony? (no) Closed hearing.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 03/16/2009

Recorder Job Number: 11057 and 11059

Committee Clerk Signature	

Minutes:

Chairman Cook: Reopened discussion.

Senator Triplett: We do have some amendments in our information acted on.

Senator Oehlke: Reviewed the amendments. Not sure what it does to the fiscal note.

Senator Hogue: It kicks it up.

4.10 **Senator Anderson:** What does it mean that in determining the population of any city?

Senator Oehlke: It is self explanatory.

Senator Triplett: I think the idea is to decrease the funds to Williston and Dickenson and therefore give more money to the smaller cities and counties.

Chairman Cook: I have some questions regarding the impact fees on all of the different bills that are out there. Is anyone on the tax department keeping track of all of them? SB 2229 was amended, so where is the fiscal note now?

Kathy Strombeck, Tax Department: Now it is a cap removal and the fiscal impact is $23 million.

Chairman Cook: What was the fiscal note of the Governor's bill?

Kathy Strombeck: $7.7 million.

Chairman Cook: The impact fees in the Governor's bill, that was what bill number?

Kathy Strombeck: That may have been in SB 2229 as well.

Chairman Cook: Was that SB 2088? Maybe not. What was the impact fee in SB 2229? Or way that included in that $23 million dollar fiscal note?

Kathy Strombeck: No, there was also a $4 million increase in the impact fund.

Chairman Cook: So it went to $10 million?

Kathy Strombeck: Yes.

Chairman Cook: Was that $4 million part of the $23 million fiscal note?

Kathy Strombeck: Yes. The $23 million was just the cap removal.

Chairman Cook: What other bills are out there besides 1304?

Kathy Strombeck: The distributions, HB 1225, Vicky Steiner probably knows all of these.

Chairman Cook: Asks Vicky Steiner if she has a handout for the committee.

7.58 **Vicky Steiner, North Dakota Association of Oil and Gas Producing Counties:** See Attachment #1 for charts showing impact of the bills that is out there. Dickenson and Williston are the cities that are affected by the change between the large and the small cities. As you discussed Dickenson would get $500,000 per year and $1 for Williston.

Chairman Cook: Do you know what the fiscal note would be with these amendments?

Kathy Strombeck: The capital was overstated in 1304.

Chairman Cook: Is there a new fiscal note for 1304?

Kathy Strombeck: $35 million is the most recent but that is inaccurate because it still has $33 for the cap removal provisions and the legislative council wrote down the OMB forecast at the end of February and based on that forecast which has been adopted by both appropriations committees, that forecast would change the $33.2 million fiscal impact on cap removal to $23.8 million.

Chairman Cook: Without caps the fiscal note will vary with the oil prices.

Kathy Strombeck: Yes.

13.45 **Senator Dotzenrod:** On the chart that we have, is this additional money something that would require us to have an appropriation on this bill? It looks to me like we are spending general fund money.

Chairman Cook: It will have a fiscal impact and will go to appropriations.

Senator Dotzenrod: Are these dollars general fund dollars?

Kathy Strombeck: It will come out of the general fund, I believe they are even coming out of the 1% of gross production tax that doesn't go to the counties; the 1% that impacts that first 20% of gross production tax.

Senator Triplett: On the fiscal note dated Feb. 17th, you have explained that the county fees will go down because of the change in oil price and production estimates, but the cities are listed at $2.25 million, but on the chart that Vicky Steiner gave me says $4.6 million, what is the difference?

Kathy Strombeck: That is a good question. I am not sure what that difference is.

Chairman Cook: Where are you seeing that?

Senator Triplett: On Vicky Steiner's copy. The difference must be the price of this amendment.

Vicky Steiner: Those are the existing caps.

Senator Triplett: Can you find out what the effects of the amendments will be?

Kathy Strombeck: Yes.

17.55 **Senator Triplett:** Maybe what the Skarphol amendments do is not increase money to the cities at all but rather just redistributes the money between the cities?

Vicky Steiner: No, he is increasing the amount by twice what is there.

19.14 **Senator Hogue:** Do you think that we lose any flexibility if we do not pass this bill and work on SB 2229?

Chairman Cook: SB 2229 removed the caps. I hate to go home with the caps removed. I am not against finding a place to put these caps. We are having problems with these bills being separated and sooner or later they will all end up in conference committee. They are going to have to get balanced and the question is how we get there. I would be like to go back to this bill with caps on it. There is merit in having caps at some point. We all know that when we go home there is need for more money into the oil impact counties.

22.00 **Chairman Cook:** See Attachment #2 for copy of SB 2229 for the committee to refer to.

Senator Oehlke: Reads legislatives council of SB 2229.

23.30 **Discussion:** The committee discussed what was stated in that summary.

Chairman Cook: Brings up SB 2229 fiscal note and reads from it.

24.35 **Senator Oehlke:** This must reflect with the caps removed.

Chairman Cook: What are your wishes on the caps?

Senator Dotzenrod: I don't have a lot of trouble with that. It really benefits two counties. I don't know if we are at a point now that the impact grants are balanced. I think the impact grant needs to get back up some.

Chairman Cook: That is my point. I don't think we can do both that and have no caps.

Senator Dotzenrod: I think that we are going through the same argument that happened in appropriations. I think they made that trade there. They said they would take this down to $10 million and then take the caps off. The only thing I see lacking right now is that those impact grants are probably low from where they should be. If we need to find the money from someplace, we probably would have to put caps back on to get that.

Chairman Cook: Refers back to Governor's bill. Asks Vicky Steiner what the impact would be.

It would be $4 million total by the two counties that would be impacted per biennium. Where do you want the caps at?

Senator Dotzenrod: With the caps off, what levels are we up to in those two counties that are affected the most?

Chairman Cook: Gives some figures on the counties if you add $1 million cap.

Senator Dotzenrod: The way the Governor had it in his proposal no one county would go over $2 million?

Chairman Cook: If you read SB 2229, the caps for the counties based on population, it shows the increase that they would get on the chart.

31.50 **Senator Hogue:** I support the caps.

Chairman Cook: Do you have an idea where you think we should be?

Senator Hogue: That is the hard question.

Senator Dotzenrod: I think so. We need money for the grants.

Chairman Cook: Is there anyone who wants them removed?

Senator Triplett: I do. The consensus on the ground was the preference to remove them over the other. They are both good programs. We have numbers in these different bills varying from $6 to $16 million. It may be in a sense of not making promises to people that we can't keep over the long run, that what we did in Natural Resources in HB 1225 where we approved capping the oil impact fund at cap at 8 million and then give an $8 million onetime amount while we have it. I like that.

Chairman Cook: That bill is still alive?

Senator Triplett: I believe it is.

34.58 **Senator Dotzenrod:** Question on chart Chairman Cook handed out. If you compare one million in the chart that is per year and the cap removal is $6.8 per year, then if you compare the $1 million in this column, that is consistent with what is in the bill. Is that cap removal more than what is in the bill?

Chairman Cook: What if you raised it to $3 million instead of $1 million?

Discussion: A discussion followed on what would happen if the caps were left on, what to cap it at or to leave them off.

Chairman Cook: Suspended the discussion.

Job 11059 starts here

Chairman Cook: Reopened the discussion.

Jeff Engleson: Gives figures.

Chairman Cook: Committee your wishes?

Senator Dotzenrod: It looks like the cap that was on the bill that was introduced in SB 2229 had a cap of $1 million of increase for each town. If you change to $3 million instead of $1million, you still allow for a pretty big increase but you would really cut off the no cap scenario from those two counties. It is about $9.5 million dollars.

Chairman Cook: If you had a $3 million dollar increase? So you say remove the caps, but in effect cap the amount of the increase, and then how often would you cap the increase?

Senator Dotzenrod: Instead of going up 1 million for each, I would go up 3 million.

Chairman Cook: That is not incremental.

Discussion: A discussion occurred between Chairman Cook and Senator Dotzenrod in regards to what the idea would do.

6.10 **Senator Oehlke:** One question keeps nagging at me, I understand caps in certain areas, but the incredible need that is out there when you see and look at some of this. I don't know that taking the caps off completely would be the inappropriate thing to do. There is a lot of good testimony to do that.

Senator Dotzenrod: The argument that we got on the floor is that there was a bargain made. If we take the grant number down and take the caps off. Is that really going to get that money distributed properly to the right places? What about what goes on in the counties that need the money?

Vice Chairman Miller: My concern is Dunn County. I think they have been doing a lot of band aid work there. They have to make a serious investment. I don't know if they can do what they need to under just removing caps.

Chairman Cook: If you take the caps off, you will have two counties that will really benefit. The amount of money they get is based on oil production. Do you think that maybe there is there a point that they will get all caught up with repairing their roads?

Senator Oehlke: Are they now?

Chairman Cook: No.

Senator Oehlke: We could put a sunset on it.

Senator Triplett: We could just kill the bill and be done for the day. SB 2229 is still out there.

Senator Triplett: Moved the Skarphol amendments .0402.

Senator Dotzenrod: Seconded.

Chairman Cook: Discussion?

Senator Dotzenrod: Clarifies the amendment.

11.48 **Senator Triplett:** Since he is the prime sponsor I think that we should do what he requested as far as the amendments.

Chairman Cook: Any further discussion? (no)

A Roll Call vote was taken: Yea 5, Nay 1, Absent 1 (Senator Hogue).

Motion passed.

Senator Triplett: Moved a Do Not Pass As Amended.

Senator Dotzenrod: Seconded.

Chairman Cook: Discussion?

Senator Dotzenrod: I would say that Representative Skarphol did a really good job presenting this and did a lot of research on this as well. I wish I could figure out a way to get at the problem and not do it in such a way that is almost impossible to read. This bill is difficult to read.

Chairman Cook: I think that the interim committee could have looked at this ahead of time.

Senator Triplett: It does seem to me that with oil development moving around like it does in the state in ways that are rather unpredictable. It really is hard to write a county by county, city by city sort of formula. It may just be that we have to give this road problem over to the state department of transportation. I don't think this formula is working.

A Roll Call Vote Was Taken: Yea 6, Nay 0, Absent 1 (Senator Hogue).

Senator Triplett will carry the bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 04/07/2009

Recorder Job Number: 11760

Committee Clerk Signature	Carie Winings

Minutes:

Chairman Cook: Reopened discussion on HB 1304. See Attachment #1 for a proposed amendment. (Overview of amendments 90260.0405 was given and the Oil & Gas Production Chart was referred to as well)

4.30 **John Walstad, Legislative Council:** Appeared to explain the amendments section by section.

*Every county can meet the ten mill requirement (section 4 of the bill, top of page 3 on amendment) only about four townships probably would not.

*Subsection 5 is the breakdown of the new allocation.

16.45 **Senator Triplett:** Have you crunched the numbers on this at all in terms of how different counties would have been impacted in the past couple of years?

John Walstad: I know those numbers were being worked on.

Chairman Cook: I have been trying to get those numbers this morning. I will get them to you if I can.

Senator Triplett: It would help.

Vice Chairman Miller: Do we have any idea how townships are levying taxes?

Chairman Cook: I think every township out there is at least at 10 mills except 3 or 4.

Vice Chairman Miller: Our Township levies 1 mill and that is plenty of money. We do get money from other things and they had a reserve they had built up.

Chairman Cook: If they have road problems, my guess is they are levying more than one mill.

Chairman Cook: As far as what 1304 or 2229 looks like over in the House, this is very similar to those except the changes we make in the distribution to the counties and state and then the removal of the five mills. Those are the two big changes you see.

Senator Triplett: Are any of the bills still alive that increase the oil impact fund on the House side? Is that the topic that will come in for a conference committee?

Chairman Cook: I would think the whole issue of the impact funds is going to be a major conference committee issue. My thought is that as we start throwing a lot of increasing of dollars that are going to the counties and the formula, I would think the need for impact dollars would go down. The Governor's approach is just the opposite. They increased the money to the county.

Senator Triplett: I understand the counties prefer money into the distribution formula, but I think the impact formula is important too. I think we need to find the right balance between them. The reason I think it is important is because we have heard some testimony about counties that get left behind in terms of their infrastructure because they don't have a lot of oil development but they are counties that get driven through between the oil is produced to where it is delivered. Or they are in the early stages of development. I think there is an argument for increasing the impact funds too.

Chairman Cook: I think once you see one of the printouts you might change your mind.

Senator Triplett: I might change my mind relative to these counties that are getting this, but I don't think I will change my mind relative to the counties that don't benefit from this. That is my concern is the counties that are not benefiting. I will wait to see the printouts before I offer any particular numbers. I do think we need to do something with the impact fund as far as an increase.

21.08 **Senator Dotzenrod:** I have questions on page 4, subsection C, the 20% of all the revenues allocated to the county plus be allocated by the treasurer to the city. Is this the only section in the bill that deals with revenues to the cities other than that first subsection that has the money to Williston and Dickenson?

Chairman Cook: No, there is the requirement on monies to Dickenson and Williston where some of that goes to cities also. Correct John?

John Walstad: 4C and 5C are city allocations, 4C is the allocations to the cities below the 4.6 million, and 5C is the allocation to the cities above the 4.6 million per county. They are virtually identical.

Senator Dotzenrod: Do I understand that you would qualify as a city under either one of those, but not both?

John Walstad: No, it is cumulative. I worked with the interim committee that was looking at this issue and the impact funding issue. During last year's impact grant round 85% of the impact awards went to townships. Townships under current law don't receive any direct allocation and this bill would change that above the 4.6 million. Townships would have sort of a locally driven impact fund through the county commission and application. It might take a bit of the load off of the impact need.

Senator Dotzenrod: On page 2, where E. has been pretty well covered, there are some words left there and that is where the 4.6 million which is current law is left there – where did that come from, is that a number that has been around for a while?

John Walstad: It is the number that currently the highest number cap for county allocations and the 4.6 million now serves a different purpose, but the number is retained from where that cap was.

Chairman Cook: By using that number as a cap for that transition line where schools basically get cut off and townships replace, before a smaller populated county that cap was lower so school districts in those particular counties might get a small amount of new dollars.

John Walstad: True enough, and because it was the cap number, it won't result really in any loss of revenue to school districts because they were hitting the cap and that is all they were getting.

Chairman Cook: That will be basically the same as SB 2229, or are they using all the three different caps yet?

John Walstad: I am not sure; it has been a while since I have looked at that bill.

Senator Dotzenrod: In the original 1304 any city that wanted – we had a provision in the original 1304 that said if your mining population percentage was at a certain point, then you would qualify for a certain amount of distribution, but then if you went to a higher level within that city, that amount that went to that city doubled. Is all that kind of thinking abandoned?

John Walstad: That is in 1B.

Senator Dotzenrod: As I understand it that would be only for the cities that have these big populations.

Chairman Cook: (inaudible)

Senator Triplett: Wasn't there some conversation when we discussed the bill earlier that there was at least some possibility that Minot could join that population at some point in the future?

John Walstad: That is correct. Minot has the population number, but they do not have the mining industry employment at this point. At some point that could change.

Chairman Cook: With either bill.

John Walstad: Yes.

Senator Dotzenrod: There is a line in that section B, in the middle of page 1, the allocation under this subdivision must be doubled if the city is more than 7.5%. Does that apply to all cities in the oil producing counties? Or is it just to these large over 7,500?

John Walstad: The latter. The first sentence has that 7,500 population and 2% of private covered employment, that by itself limits this subdivision to Dickinson and Williston and then the second sentence 7.5% of employment in mining, Williston only meets that requirement.

Senator Dotzenrod: So those two tiers, the 2% and 7.5%, are only relevant and meaningful in the discussion of the two larger cities. They don't apply to Tioga, Alexander, and these other towns?

John Walstad: They do not apply however those cities would benefit from the existence of this provision.

Senator Dotzenrod: Because there is some revenue that is left over.

John Walstad: It is a two part provision. This is one part of it, $500,000 to Dickenson, $1 million to Williston, and then the language that we saw later on in subsections 4 and 5, for the cities receiving a direct allocation under subsection one, they only get 60% of the money they would otherwise get under the formula and the amount above that would get reallocated among the other cities.

Chairman Cook: Let me explain. If you look at the chart, you have the 1/5 and the 4/5; the 4/5 is what goes to the counties. The 1/5 goes to where the money for the impact fee comes from and ultimately it goes to the state. If all of the sudden we were to get another city like Minot that met this requirement in subsection 1B it would not affect in any way the money that goes to the counties. It would be another $500,000 that would have to come out of the state's share for Minot, am I correct?

John Walstad: Absolutely.

Chairman Cook: Then if you go to the other part where there is a city allocation that comes now out of this 4/5, you will see a requirement there that will reduce a city's amount of dollars they would get from that requirement because they got this up here that came out of the state. The fact that that reduces it allows more cities in the oil producing counties to get that money that would have gone to Dickenson and Williston. Did I explain that right?

30.30 **John Walstad:** Yes, but only within their counties. And the reason for that is that they are so dominant in population within their counties that they take almost all of the money and the other small cities in the county get a very small portion.

Senator Triplett: So, this responds to Representative Skarphol's suggestion that the small towns in those counties were being treated unfairly relative to the similar sized towns. This eliminates that problem more or less completely?

John Walstad: In Representative Skarphol's opinion it does.

Senator Triplett: What is the next largest population town in oil producing country and how close is the population to 7,500?

John Walstad: I think there is a pretty big gap to the next one.

Chairman Cook: Maybe Bottineau.

Senator Oehlke: Belcourt is technically bigger than Bottineau, but it is a reservation community and I don't know if that applies anyhow.

Chairman Cook: As far as I am concerned if we want to sit here and find a policy that determines the winners and losers in the cities out there, you would thing the oil producing counties would treat them all. It looks like as far as what they get per resident, I am sure there is quite a range as to how much oil activity they have in their townships.

Senator Dotzenrod: These dollars amounts are per year not biennial numbers, correct?

Chairman Cook: Fiscal year.

Senator Dotzenrod: At the top of page 2 it says the next $14 million must be allocated 25% to that county, I didn't think when we had these numbers in here earlier that we had any counties that were up in that region. I thought our highest distribution was to Montrail County and that was about $8 million, am I mistaken about that?

John Walstad: I think there are some in that range.

35.38 **Chairman Cook:** Changing that second million from 75% to 100% has to have a quick impact on a lot of counties.

Senator Dotzenrod: The fourteen million dollar number, is that the number for that particular county – the production for that county?

Chairman Cook: Yes. How did we come up with 14 million? I wanted a bigger fiscal note than the one we had in front of us.

Senator Dotzenrod: Page 4, section D, if I read that right these townships that want to get revenue, they have to make that request to the board of county commissioners. Currently the way it works now if I understand it right, we have the oil impact fund at the state level. Am I wrong about that, that townships come to the state oil impact fund and request the money. Under the version that we are changing here, this amendment, we are not going to be coming to the...

Chairman Cook: They can do both.

Senator Dotzenrod: So they will be able to come to this state oil impact fund and ask for a grant and go to their counties and the county commissioners are going to be completely fair in the way they distribute the money?

John Walstad: Absolutely.

Senator Triplett: County commissioners are very responsive to their voters.

Senator Dotzenrod: I have seen some cases where we have had certain revenues that are available and the commissioners were not always fair. The only alternative is to trust them.

38.30 **Chairman Cook:** See Attachment #2 for additional charts handed out.

40.55 **Chairman Cook:** What do you want to do with it?

Senator Triplett: Can we come back this afternoon.

Senator Oehlke: Moved amendment 90260.0405.

Senator Dotzenrod: Seconded.

Chairman Cook: Discussion?

Senator Dotzenrod: I think the amendments appear pretty reasonable.

Chairman Cook: We removed the caps, but when we changed the formula we have a mechanism there that would change the dollars that a county could get if you had oil at a high price.

Senator Triplett: I don't have any particular objections to the amendments themselves. I would prefer to have a little time to look back at my notes and look at the impact fund and whether we should put a different number in regarding that piece. That is my only concern. I can't say right off the top of my head how much pressure will be taken off. I would like to have a sense of that before voting on the bill.

Chairman Cook: We will take a short break for you to look at the numbers.

44.30 **Chairman Cook:** See Attachment #3 for additional information- reviews.

47.00 As we move forward with this issue, they have to go hand in hand somehow. We heard that 85% of the impact fee money went to townships; we now are sending money directly to townships where they got both impact fees and money that is coming out of the 4/5 available for them. I also look at where all of the impact dollars have gone in the last biennium, and you look at what we are doing here with 1304 that quite frankly, Williams County for example, would there even be a need for them to have impact fees? I am wondering if in the past how much money actually went to some of these counties that should have an impact. As we move forward in time here in the last few weeks, I think we will identify that.

Senator Triplett: I was not able to find my notes, so I talked to Jeff from the land department who does the oil impact aid and we talked about the future rather than the past. He said he is just starting on the next round of requests. He has $33 million dollars in requests for the upcoming year that is against the $2.9 million dollar budget that he has. I described in general terms the outlines of the amendment and I asked him if he would assume for ease of calculation, he said that the larger counties were completely taken care of in terms of their township need, and so he just subtracted off the requests that he has for Bowman, Montrail, and McKenzie Counties and we he took away those, he said he still has $28 million in requests in the end. Because he put a lot of focus on townships last year there are a lot of other sub groups that are expressing more need. He thinks there is still an enormous need out there for some of the public services etc. It still will be leaving people very short in meeting their infrastructure needs.

Chairman Cook: I think we are both saying the same thing almost except I am wondering – I am thinking the counties that will still need impact fees are going to be the larger counties. I guess I am tending to think that the need for some of these smaller counties for impact fees is going to go down. I might be wrong. You ask the right question and we need to ask some more of those questions. Bottom line is as this whole thing moves forward to Senate appropriations and a conference committee and we start working out the final details of how we might send a whole lot of money into these counties where their needs that they have, we need to eventually work that answer out.

50.53 **Senator Dotzenrod:** (referring to attachment #3) this first set of 3 columns, it says current law distribution formula, now we are not under current law distributing $3.6 million and $4 million to Billings County are we with a biennium...?

Chairman Cook: That is what they are getting now. They are not reaching the cap.

Senator Dotzenrod: If the cap is one million and you get 3.6 available you are at the cap before, you have 2.6 million that is over the cap, right?

Chairman Cook: That one million dollars is an increase in the existing cap. If you look at Bowman County, their cap right now at $5.1 million dollars per year and they are reaching that cap, so they are getting $10,200,000. That is current law.

Senator Dotzenrod: These are current distributions going out?

Chairman Cook: That is what they would get if their production stays up.

Senator Dotzenrod: I misunderstood the word cap. What does the $1 million cap mean?

Chairman Cook: It is an increase in the cap. Are we talking nickels and dimes here?

Senator Dotzenrod: What kind of numbers would they have?

Chairman Cook: They would get the same amount of money except for the five that are hitting the cap right now. Bowman, Dunn, Mckenzie, Montrail, Williams.

Senator Oehlke: comments on attachment #3

Chairman Cook: Clarifies

54.49 **Vice Chairman Miller:** Have we heard much from Montrail County hearing their need?

Chairman Cook: Montrail and Bowman both have been here. Montrail probably would be the one with the biggest needs.

Senator Dotzenrod: The three columns on the right hand side, would that be the affect of this bill?

Chairman Cook: Yes.

Senator Dotzenrod: It looks like they should be able to get some roadwork done.

Senator Triplett: I am assured that there is at least one bill in each of our chambers that still has a good increase of the impact aid numbers in it. So as long as those are still alive and kicking elsewhere I guess I will leave it go here. I just don't want the thought to get lost.

Chairman Cook: With you around I am sure it will not.

Vice Chairman Miller: Moved a Do Pass As Amended and Re-Referred to Appropriations.

Senator Dotzenrod: Seconded.

Chairman Cook: Any further discussion?

A Roll Call vote was taken: Yea 7, Nay 0, Absent 0.

Senator Cook will carry the bill.

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: 04/07/2009

Recorder Job Number: 11767

Committee Clerk Signature	

Minutes:

Chairman Cook: Reopened discussion on HB 1304. See Attachment #1 for revised amendments brought before the committee for reconsideration before the bill would be sent to the floor.

Senator Triplett: Before we reconsider our motion I would like to read an e-mail from Jim Fuglie regarding the impact of the amendments to Medora. (See Attachment #2)

1.30 **Chairman Cook:** We have always had a $500 per person cap for cities. Mr. Fuglie is talking about that he was capped at $325,000. He was not capped at that amount; he was capped at the $500 per capita as was every city. Representative Drovdahl removed that cap in the conference committee last session and no one knew it was removed but him. I didn't realize this until last week when I was in the tax department and working on the cities portion. Removing that cap, I was told took Medora to $750,000. Randy Hudsonbuehler (SP?) from the foundation told me it was $600,000. Whatever it is it is relative to oil production and the price of oil. When we had these amendments explained, if you go to the bottom of page 3, subsection A and subsection B of the amendments, that all deals with seasonal employees and he explained that language was unworkable. The treasurer's office could not get the information they needed so we went to work out for Medora to make sure that the consequence of any change was the same that is how we came up with the 600%. That is basically the increase they have. So we didn't hurt Medora with the seasonal cap issue. We worked specifically to keep them the same on the seasonal cap. The only effect they have is the $750. I think the tax department said that at one time in this last biennium they were around $1100 to $1200 per capita and again that is relative to production price and how much oil is in Slope County. Anyway we have a $750 cap for all cities and again this is relative to production money for impact costs by the oil industry. I think their impact is not caused by the oil industry. It is caused by tourism. I have always supported Medora and if there is a way that we can get them money – they have a bigger problem than this right now. It will have to be addressed. If we start treating one differently then they all will want it. We need to have some integrity in the formula.

4.46 **Senator Triplett:** If there is an exception already, first of all we are making a specific deal hear for Dickenson and Williston which is going to benefit all of the small towns, so we are being pretty specific here. We also have the language in here already on page 4 that you were just quoting the part determining the population of any city in which total employment increases by more than 200% seasonally due to tourism the population of that city for purposes of this subdivision must be increased by 600%, so we already are making a specific provision for Medora.

Chairman Cook: We thought of other cities out there too.

Senator Triplett: That more than doubles their population?

Chairman Cook: There is Pick City and a few other cities along there that get a lot of people.

Senator Triplett: Do they more than double?

Chairman Cook: No one probably gets as high as Medora.

Senator Triplett: Does anyone meet the first provision?

Senator Oehlke: Coal Harbor does I believe.

Chairman Cook: We are at 600 though.

Senator Triplett: But the beginning part of the sentence where it says in determining the population, but you have to start from the base of the sentence to determine if there is any other city out there that increases its employment by 200% so that it falls into this sentence.

Chairman Cook: That is the question we had and again we looked at a few other cities and no one really knew for sure, but we talked about it.

Senator Triplett: My point is that we are already considering them more or less uniquely depending on if anyone else fits into that formula so it seems to me we could adjust the 600% to some other number if we wanted to keep them whole relative to what they had. Maybe we could increase them to 800%. I think it is just not fair to decrease them without a hearing.

Chairman Cook: Again, the other change happened without a hearing too.

Senator Triplett: Two wrongs don't make a right.

Chairman Cook: No but we still have a wrong that needs to be corrected and we do that all the time and there are plenty of opportunities yet for Medora to make their argument. Quite frankly if we are going to have integrity in this bill in my mind where we are going to use oil revenue from the production tax to meet an oil impact need, Medora doesn't fit into that period.

Senator Dotzenrod: It looks like the current language caps Medora at about $450,000. Is that right? Where were they before?

Senator Triplett: Jim said that they had been capped at $325,000 and then last session they were bumped to about $600,000, and he says these amendments will put them back to $450,000. So your calculations are correct according to him.

Chairman Cook: I think they were capped at $500 per person and that equaled $325,000.

8.48 **Senator Oehlke:** let's pretend we didn't change it at all and we go to conference committee and everyone agreed to leave it just this way, would Medora be able to go to the county and appeal to them for some of the additional funds that the county would have?

Chairman Cook: The County certainly could give some of the money.

Senator Oehlke: That could be a reality.

Senator Triplett: The rest of the formula is all about oil impact dollars, so this new formula we are setting up, the county infrastructure grant program for townships is also based pretty specifically on oil infrastructure so I wouldn't know how they could qualify under that.

Chairman Cook: We are going to put an accountability measure on. I wouldn't scream if Medora did.

Vice Chairman Miller: It seems the problem with Medora is that they have too much of a good thing going on.

Senator Dotzenrod: I am just wondering when Mr. Fuglie is using these numbers and he comes up with a prior $300,000 and he has $600,000, is that all from just the result of this section of the code or is he including in that some oil impact grant money or some other funds that they got because of the oil activity that he is adding them up and coming up with they received total.

Chairman Cook: I would say that it is all because of this.

Vice Chairman Miller: I move that we reconsider our action on 1304.

Senator Triplett: Seconded.

A Voice Vote was taken: Yea 7, Nay 0, Absent 0.

Chairman Cook: This will end up in conference committee so we can look at Medora at that point.

Senator Triplett: I will probably try and make a motion to change the six to an eight and see where it goes.

Vice Chairman Miller: Moved the amendments to add subsection 6, the accountability language.

Senator Hogue: Seconded.

Chairman Cook: Discussion?

A Voice Vote was taken: Yea 7, Nay 0, Absent 0.

Motion carried.

Senator Triplett: Moved to further amend 1304 by changing on page 4, nine lines down, the word six to eight.

Senator Anderson: Seconded.

Chairman Cook: Discussion?

Senator Anderson: The reason I seconded is because it is the same as what it was. Medora is North Dakota and I know with a hundred people they are not going to get much done.

Senator Triplett: I think there must be some oil development that moves through Medora at some point. I think there is at least a thread of a nexus here.

Chairman Cook: I guarantee you that considering the price of motels in Medora in the summer time, maybe not. My only concern, and I love Medora, is the integrity of this formula for production impact fees and I am a little disappointed that we did it in the dark of the night last session without anyone know, that disturbs me more than anything and my friend from Medora tell me they did not know about it either. It is amazing what legislators can do to try and gain favor with certain people and say see what I can do for you. I think I will probably reject the amendment, but not because I don't like Medora.

A Roll Call Vote was taken: Yea 6, Nay 1, Absent 0.

Motion Carried.

Senator Triplett: Moved a Do Pass As Further Amended and Re-Refer to Appropriations.

Vice Chairman Miller: Seconded.

Chairman Cook: Discussion?

A Roll Call Vote was taken: Yea 7, Nay 0, Absent 0.

Senator Cook will carry the bill.

#2

90260.0402
Title.

Prepared by the Legislative Council staff for
Representative Skarphol
February 26, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

Page 1, line 16, replace "three" with "five" and remove "seventy-five"

Page 4, line 27, remove "An"

Page 4, remove lines 28 and 29

Page 5, line 4, after "In" insert "determining the population of any city that receives a direct allocation under subsection 1, that city's population for purposes of this subdivision must be reduced by forty percent. In"

Page 5, line 7, overstrike "section" and insert immediately thereafter "subdivision"

Page 6, line 7, replace "The state treasurer annually shall make payments to" with "Allocations to organized townships or to school districts under this subdivision may be made only for reimbursement of qualifying expenditures previously made by the applicant township or school district. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects."

Page 6, remove lines 8 through 11

Page 6, line 14, remove "An incorporated city may"

Page 6, remove line 15

Page 6, line 16, remove "during a fiscal year under this subsection and subsection 4."

Page 6, line 18, after the underscored period insert "In determining the population of any city that receives a direct allocation under subsection 1, that city's population for purposes of this subdivision must be reduced by forty percent."

Renumber accordingly

Date: 03/16/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee Amendments

Legislative Council Amendment Number .0402

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Senator Triplett Seconded By Senator Dotzenrod

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman		✓	Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	—	—	Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 5 No 1

Absent 1 Hogue

Floor Assignment

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

Date: 03/16/09

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO.: 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number

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

Motion Made By Senator Triplett Seconded By Senator Dotzenrod

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	—	—	Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 6 No 0

Absent 1 (Miller)

Floor Assignment Senator Triplett

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

REPORT OF STANDING COMMITTEE

HB 1304, as reengrossed: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO NOT PASS** (6 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). Reengrossed HB 1304 was placed on the Sixth order on the calendar.

Page 1, line 16, replace "three" with "five" and remove "seventy-five"

Page 4, line 27, remove "An"

Page 4, remove lines 28 and 29

Page 5, line 4, after "In" insert "determining the population of any city that receives a direct allocation under subsection 1, that city's population for purposes of this subdivision must be reduced by forty percent. In"

Page 5, line 7, overstrike "section" and insert immediately thereafter "subdivision"

Page 6, line 7, replace "The state treasurer annually shall make payments to" with "Allocations to organized townships or to school districts under this subdivision may be made only for reimbursement of qualifying expenditures previously made by the applicant township or school district. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects."

Page 6, remove lines 8 through 11

Page 6, line 14, remove "An incorporated city may"

Page 6, remove line 15

Page 6, line 16, remove "during a fiscal year under this subsection and subsection 4."

Page 6, line 18, after the underscored period insert "In determining the population of any city that receives a direct allocation under subsection 1, that city's population for purposes of this subdivision must be reduced by forty percent."

Renumber accordingly

#\

90260.0405
Title.

Prepared by the Legislative Council staff for
Senator Cook
April 6, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

In lieu of the amendments adopted by the Senate as printed on page 810 of the Senate Journal, Reengrossed House Bill No. 1304 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~<u>:</u>

   <u>a.</u> <u>Credit</u> thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~<u>;</u>

   <u>b.</u> <u>Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and</u>

   <u>c.</u> <u>Credit</u> the remaining revenues to the state general fund.

2. <u>After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:</u>

   <u>a.</u> The first ~~one~~ <u>two</u> million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ <u>the</u> county.

   <u>b.</u> The ~~second~~ <u>next</u> one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ <u>the</u> county and twenty-five percent to the state general fund.

   <u>c.</u> The ~~third~~ <u>next</u> one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas~~

~~produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a.~~ ~~Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b.~~ ~~Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c.~~ ~~Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county

general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a. Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b. Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding~~

~~the months all such employees were employed during the prior year and dividing by twelve.~~

~~e.~~ ~~The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1)~~ ~~The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ six hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsection 3 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsection 3 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsection 3 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

Date: 04/07/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Amendment 90260.0405

Action Taken ☐Do Pass ☐Do Not Pass ☐Amended

Motion Made By Senator Oehlke Seconded By Senator Dotzenrod

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman			Sen. Arden Anderson		
Sen. Joe Miller – Vice Chairman	—		Sen. Jim Dotzenrod		
Sen. David Hogue			Sen. Constance Triplett		
Sen. Dave Oehlke					

All in favor

Total: Yes 6 No 0

Absent 1 (Miller)

Floor Assignment

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

Date: 04/07/09

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Be Refer to Appropriations

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

Motion Made By Senator Miller Seconded By Senator Dotzenrod

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Cook

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

Date: 04/07/09

Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Reconsider

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Senator Miller Seconded By Senator Triplett

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman			Sen. Arden Anderson		
Sen. Joe Miller – Vice Chairman			Sen. Jim Dotzenrod		
Sen. David Hogue			Sen. Constance Triplett		
Sen. Dave Oehlke					

Voice Allow Vote

Total: Yes 7 No 0

Absent

Floor Assignment

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

#\1

90260.0406
Title.

Prepared by the Legislative Council staff for
Senator Cook
April 7, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

In lieu of the amendments adopted by the Senate as printed on page 810 of the Senate Journal, Reengrossed House Bill No. 1304 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

   c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas~~

~~produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county

general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a. Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b. Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding~~

~~the months all such employees were employed during the prior year and dividing by twelve.~~

~~e.~~ ~~The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1)~~ ~~The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ six hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsection 3 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsection 3 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsection 3 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within ninety days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the energy development impact office, in a format prescribed by the energy development impact office, showing:

   a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

   b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships, the amount allocated to each organized township and the amount expended from each such allocation by that township, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships which remained unexpended at the end of the fiscal year.

   By the end of the calendar year when reports under this subsection were received, the energy development impact office shall provide a report to the legislative council compiling the information from reports received under this subsection and information on oil and gas impact grants awarded during the fiscal year for which the reports were received.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

Date: 04/07/09

Roll Call Vote #: 2

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee Amendments

Legislative Council Amendment Number 90260.0405

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Senator Miller Seconded By Senator Hogue

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman			Sen. Arden Anderson		
Sen. Joe Miller – Vice Chairman			Sen. Jim Dotzenrod		
Sen. David Hogue			Sen. Constance Triplett		
Sen. Dave Oehlke					

All in favor

Total: Yes 7 No 0

Absent

Floor Assignment

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

Date: 04/07/09

Roll Call Vote #: 3

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1324

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number Amend by changing pg 4 lines 9 down 6 to 8

Action Taken ☐ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Senator Triplett Seconded By Senator Anderson

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman		✓	Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 6 No 1

Absent

Floor Assignment

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

Prepared by the Legislative Council staff for
Senator Cook
April 7, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

In lieu of the amendments adopted by the Senate as printed on page 810 of the Senate Journal, Reengrossed House Bill No. 1304 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

   c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas~~

~~produced in any county~~ must be allocated fifty percent to ~~that~~ <u>the</u> county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

<u>d.</u> <u>The next fourteen million dollars</u> must be allocated twenty-five percent to ~~that~~ <u>the</u> county and seventy-five percent to the state general fund. ~~However, the~~

<u>e.</u> <u>All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.</u>

<u>3.</u> <u>The</u> amount to which each county is entitled ~~pursuant to this~~ <u>under</u> subsection <u>2</u> must be ~~limited based upon the population of~~ <u>allocated within</u> the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ <u>so the first</u> four million six hundred thousand dollars <u>is allocated under subsection 4</u> for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any~~ <u>and any</u> amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ <u>infrastructure</u> fund <u>and allocated under subsection 5</u>.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ <u>4.</u> <u>a.</u> Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ <u>for allocation under this subsection</u> must be credited by the county treasurer to the county

general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a.~~ ~~Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b.~~ ~~Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding~~

~~the months all such employees were employed during the prior year and dividing by twelve.~~

~~c.~~ ~~The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1)~~ ~~The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsection 3 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsection 3 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsection 3 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within ninety days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the energy development impact office, in a format prescribed by the energy development impact office, showing:

   a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

   b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships, the amount allocated to each organized township and the amount expended from each such allocation by that township, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships which remained unexpended at the end of the fiscal year.

   By the end of the calendar year when reports under this subsection were received, the energy development impact office shall provide a report to the legislative council compiling the information from reports received under this subsection and information on oil and gas impact grants awarded during the fiscal year for which the reports were received.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

Date: 04/07/09

Roll Call Vote #: 4

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. : 1304

Senate Finance and Taxation Committee

☐ Check here for Conference Committee

Re-Refer to Appropriations

Legislative Council Amendment Number

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

Motion Made By Senator Triplett Seconded By Senator Miller

Senators	Yes	No	Senators	Yes	No
Sen. Dwight Cook - Chairman	✓		Sen. Arden Anderson	✓	
Sen. Joe Miller – Vice Chairman	✓		Sen. Jim Dotzenrod	✓	
Sen. David Hogue	✓		Sen. Constance Triplett	✓	
Sen. Dave Oehlke	✓				

Total: Yes 7 No 0

Absent 0

Floor Assignment Senator Cook

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

REPORT OF STANDING COMMITTEE

HB 1304, as reengrossed and amended: Finance and Taxation Committee (Sen. Cook, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** and **BE REREFERRED** to the **Appropriations Committee** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Reengrossed HB 1304, as amended, was placed on the Sixth order on the calendar.

In lieu of the amendments adopted by the Senate as printed on page 810 of the Senate Journal, Reengrossed House Bill No. 1304 is amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of~~

~~the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a.~~ ~~Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b.~~ ~~Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~c.~~ ~~The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1)~~ ~~The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsection 3 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsection 3 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsection 3 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county.

Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within ninety days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the energy development impact office, in a format prescribed by the energy development impact office, showing:

   a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

   b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships, the amount allocated to each organized township and the amount expended from each such allocation by that township, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships which remained unexpended at the end of the fiscal year.

   By the end of the calendar year when reports under this subsection were received, the energy development impact office shall provide a report to the legislative council compiling the information from reports received under this subsection and information on oil and gas impact grants awarded during the fiscal year for which the reports were received.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

2009 SENATE APPROPRIATIONS

HB 1304

2009 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1304

Senate Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: 04-09-09

Recorder Job Number: 11797

Committee Clerk Signature	Alice Delzer

Minutes:

Chairman Holmberg: Opened the hearing on HB 1304 regarding oil and gas production tax.

Dwight Cook: Senator District 34 introduced and testified in support of HB 1304 as amended. I explained the bill yesterday to all of you. This bill has taken a major step. I am content with the direction we are going.

John Walstad: Code Reviser with Legislative Council did the amendments.

Kathy Strombeck, Tax Department: was also present.

V. Chair Bowman: It looked to me like the two losers in this bill are Bowman and Mountrail Country. Everybody else it is good for. Why do you want to penalize the counties that are putting the most money in the general fund?

Dwight Cook: I don't think the amendments were put on to penalize any county. We put substantially more money in to it. If you look at the fiscal note, I could see where you would think Bowman and Mountrail counties would get less, but I think if you look ahead and if the price of oil would go up you would see a tremendous amount of money coming into those counties.

V. Chair Bowman: I appreciate your attempt. But I am concerned about the situation that leaves us and what we have to do about it.

Senator Seymour: In your leadership role in the tax area and you start looking at new policy in North Dakota, and then look at this bill, you could say in the future, for example in Fargo, we have higher sales tax, we should target more money back to Fargo. Is that the kind of thing we are now heading towards?

Dwight Cook: We aren't really going down a new tax proposal road. The oil comes with the tremendous burdens for those counties. We are trying to find the fair road to get this money down there. You mentioned sales tax, the right example to use, take a look at coal severance tax, we have a coal severance form that sends impact dollars back down. It is not a new road.

Senator Wardner: I would like to weigh in on that answer. In the oil patch, this is in lieu of property tax, so you can't compare it with sales tax.

Senator Warner: When this property first seen as a taxable entity, it became centrally evaluated, in my opinion 100% of the money should go back to those counties, but the state in their wisdom wants to steal 75% of it and allow 25% of it to flow back.

Senator Fischer: I am from the Cass County, Fargo area, and to me, the repairs to the roads is a cost of getting oil out and those road and whatever infrastructure.

Chairman Holmberg: we have Kathy and John here. Otherwise Vicky will testify.

Vicky Steiner: NDA of Oil and Gas Producing Counties testified in favor of HB 1304 and provided written testimony # 1. If you would prefer I can go through this.

Chairman Holmberg: By all means and provide this for the Finance and Tax people. Is this you are using the re-engrossed house bill with senate amendments.

Vicky Steiner: yes. She continued her testimony. The school money was included last session for the first time in SB 2200 and the agreement was made that 70% of the oil tax revenue would be left with the school district and there would be some money withheld on the state side because they received that oil money and because of that as we move forward schools were limited to, in the original HB 1304, to school transportation which of course, you heard testimony about buses, sometimes the buses break down because of the roads, and also infrastructure, because there was a feeling what if a school, 20 years from now, needs a roof and these county commissioners are so tightly bound by this law that they can't help them. Do we want to completely just push schools out of this funding completely because of what 2200 did last session? So there was a feeling to give some small flexibility here to allow, it's on page 6, line 7 what it is the county commissioners might be able to give a bus, a roof, if they wanted to and the funds were there. We are working on a law that usually doesn't get touched for 20 r 30 years so I really think it is important consider it not getting it so tight. You won't want to deal with it every session. The last idea, a fairly new idea, the Report Requirement that you'll find on page 7 line 22, that Report Requirement is kind of coming out of the culture of this session that legislators really need to know exactly where every penny goes and there is this feeling that maybe local government isn't doing what you would like them to do. We discussed that and we absolutely will do reports for you as long as you want reports. Our concern was that when you have one or two legislators that say "I want a report" and then when they're gone how long do you do that report, 20,30,40 years you do a report no one is reading. So I would ask if, we don't have a problem with doing this report and if you don't want ot have the sunset that is fine but I would like you to think about not requiring things that nobody's reading. So that was the reason for the suggestion on the sunset. I'd like to thank Senator Cook for all the work he has done on this. (18.16)

Chairman Holmberg: So you are saying we are definitely through 1304 moving in the right direction. I do find it interesting, your final comment about the reports and those that go to the budget section, after awhile no one really looks at these reports. No one remembers why except we wrote it in the law.

Senator Krauter: The fiscal impact on 1, 2, and 3; can you comment on that? My question is concerning this fiscal note, some of these issues, what is the fiscal impact for 2 and 3. It is a negative to the state that goes to city and counties. What is the fiscal impact?

Vicky Steiner: I don't know where they got the 28.

Senator Krauter: By taking the caps off and limiting the near caps and the caps of the cities, do you have any idea what the fiscal impact will be?

Vicky Steiner: In the bill it will say if Medora caps at 800% of their population, anything over that would go to The Billings County Commission.

Senator Krauter: So they would get this money, anything over that goes to the county.

Senator Christmann: Just on that point, that would be the answer for number 3, but number 2 would have a fiscal effect, wouldn't it?

Vicky Steiner: I don't have that number, but it would be between 10 and 25%.

Senator Seymour: On the second page you have a list of all the counties, and last night you had a phone call and talked about this; was that just your executive committee that came up with this information?

Vicky Steiner: Yes, it was my executive committee who are listed on the side of testimony. Early in the session it was wondered if the counties are united. Actually, I have one county out, Bottineau didn't sign on because they felt we were going to waste a lot of the time on the caps issue and they wanted the first $2M, 100% to go to the first $2M. We had a disagreement on that. Everybody else did sign. (23.30)

Chairman Holmberg: Characterized by everyone it is a bill that has moved in the right direction.

Dwight Cook: I would say pass as is and get into the conference committee. We did make one major change we increased 100% the second $1M, which is a major fiscal impact. You'll want to discuss the caps again and you'll want to discuss taking that out again. If I may explain how the fiscal note got to 28, we are taking it out of the side stream the 1/5th that is not reflected in the amount that goes to the counties based on a formula change, that will show up on the fiscal note. I hope that answers that question.

Senator Mathern: I am just wondering, if we do this, we should be looking at this other part. Look at the whole picture.

Dwight Cook: The rational to that would be the same rational it comes down to a policy decision.

Senator Mathern: Why not address that issue too in here; and earlier you stated we should put this in conference committee.

Dwight Cook: that other issue is the 100% in the second million. It was addressed in Finance and Tax. We went to 100% to the counties. I would suggest if you look at these amendments that you have to also bring in the fiscal impact of that feature of the bill and have a discussion.

Chairman Holmberg: Closed the hearing on HB 1304

SENATOR CHRISTMANN MOVED A DO PASS. SECONDED BY SENATOR WARDNER.

V. Chair Bowman: I like about 95% of this bill it does help the counties that are not producing as much oil, and that is a very good thing. The problem with it is the counties that produce a lot of oil is the last feature in the bill and that's the 10% that went from 25% down to 10%. That is where Mountrail, Bowman, and any other County that comes on line with a lot of production is going to lose money over what SB 2229 would have given. I don't have a problem with the Dickinson/Williston issue, I don't have a problem with helping the smaller cities but I do have a problem with the total amount of dollars that will go to the biggest oil producing counties because of the drop on the bottom 10%. That has an effect and if we split the difference at 17%, it would be close.

A ROLL CALL VOTE WAS TAKEN RESULTING IN 13 YEAS, 1 NAY, 0 ABSENT.

SENATOR COOK WILL CARRY THE BILL.

Chairman Holmberg closed the hearing on HB 1304.

Date: 4/9 09
Roll Call Vote #: 1

2009 SENATE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1302

Senate **Senate Appropriations** Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number ______

Action Taken ☑ Do Pass ☐ Do Not Pass ☐ Amended

Motion Made By Christmann Seconded By Wardner

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

Total Yes 13 No 1

Absent ______

Floor Assignment Sen Cook F & Tax

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

~~[illegible]~~ Cook

REPORT OF STANDING COMMITTEE

HB 1304, as reengrossed and amended: Appropriations Committee (Sen. Holmberg, Chairman) recommends **DO PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). Reengrossed HB 1304, as amended, was placed on the Fourteenth order on the calendar.

2009 HOUSE FINANCE AND TAXATION

CONFERENCE COMMITTEE

HB 1304

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1304**

House Finance and Taxation Committee

X Check here for Conference Committee

Hearing Date: April 22, 2009

Recorder Job Number: 12104

Committee Clerk Signature

Minutes:

Chairman Skarphol: I call the conference committee on HB 1304 to order. Senator Cook, do you want to give us your summation and then we will have Mr. Walstad walk through the specifics.

Senator Cook: First off, the issue here, of course, is how we divide up the production tax, not only how much more we put into it, but how it is divided up amongst the various political subdivisions. That is how it came over to us. We didn't make many changes at all to the issue of how it is divided up amongst the political subdivisions. We made some changes in the amount of the money; but basically if you recall, there is a 10 mill requirement that used to be there for getting that extra 1 mill. You will see that this bill now requires a county and a township to levy at least 10 mills for roads to get any of the dollars that flow into these political subdivisions. If I recall, all the counties would meet that requirement except I think there are three townships that would not at this time. But with the way townships levy their mill levy, it would be easy to accomplish. You had a condition in there where you had a line where the money no longer went to schools; it went to townships. It was based at the old three caps that were there. Now we have it so it is just at the one cap of $4.6 million. That is the transition line for all counties when the money no longer goes to schools; it starts to go to the townships.

There is a $750 per capita cap for cities getting money. I think that came up in a discussion when they realized some things that had happened last session in the conference committee. I think there used to be a $500 per capita cap that was somehow removed so we bring that issue back to the table. I think those are the only real substantive changes to how the money is divided up. The other issue regarding the caps—what we did is we left the caps off. We did go into the formula that distributes the money. In the past, it was 100% of the first million; we went to 100% of the first $2 million, which sent some dollars to some of the other counties that would not reach the caps in the past. We go 75% in the third million, 50% in the fourth, 25% in the next $14 million, and then it is 10% to the counties after $18 million. I think that basically describes the amendments. It made the fiscal note go up by about a million dollars, I believe. I do have a handout here if you would like **(Attachment 1)** that reflects what 1304 does now, what they would get if we did nothing, just like current law. In the middle, you will see the three columns that have the Governor's budget. If we did nothing, they would get $82 million through the distribution. Then, of course, you can add to that $6 million for impact fees for a total of $82.8 million that would go out into these 14 oil producing counties. The Governor's budget added another $1 million cap, which brought in $6.3 million and I think you got $14 million for impact fees so he basically was increasing that $88 million by $20 million. In the last three columns, you will see the fiscal effect of 1304 as you see it right now. It is an additional $24 million. Then you have the $3 million more for the side streaming that goes to the two major cities out there for a total of $27.8 million. (That $3 million side stream I don't have on there.) I think that is basically it. Maybe Mr. Walstad would want to walk you through the bill to make sure I didn't miss anything. (5:07)

John Walstad, Legislative Council: What I am looking at is the Second Engrossment with Senate Amendments .0600. I will just walk through this and point out what the House had in and what the Senate did. On lines 13, 14 and 15, there are some overstrikes there that were added by the Senate. It relates to the impact fund. It is overstriking some language. Right now current law says $6 million gets set aside for impact grants. Then the language says "including anything that the legislative assembly might appropriate". That was taken out. The legislature was looking at making a separate appropriation for impact grants and with this language, the separate appropriation would get subtracted from the $6 million. To me that language was kind of a trap for future legislatures. A separate appropriation wouldn't really be a separate appropriation. It would get subtracted out of the statutory allocations so the language is removed. The underscored paragraph beginning on line 6 is unchanged. That is what the House approved. On the second page, I will just point out where the changes are. On line 4, that first cut, current law says $1 million. You can see the change is now that it is $2 million entirely allocated to the county. Then the next three steps are basically unchanged. On line 19, as Senator Cook point out, the 10%-90% cut above $18 million at the county level. There is where that language is.

Chairman Skarphol: Before you continue, in addition that additional million in subsection 8, there was no change to how that distribution was made, but it will be made under the existing formula to where 45% goes to the county, 35% to the school, and 20% to the city. Is that correct? There were no provisions made to give that school portion to anyone other than the schools. Is that correct?

John Walstad: That is correct, Mr. Chairman. Beginning there on line 25 of page 2, you see a lot of overstruck language. Senator Cook pointed out that as this came from the House, there was a separate cut in counties depending on population. That is all being overstruck so that those population levels for counties would be eliminated from consideration. On page 3, beginning at line 20, any amount exceeding $4.6 million would go to the county infrastructure fund and allocated under subsection 5. That is that separate allocation that omits school districts and provides the funds instead for townships. Another addition beginning on the bottom of page 3, starting on line 30, the underscored language if any county does not levy at least 10 mills for those three road funds, the county gets none of the allocation.

Chairman Skarphol: Ten for each?

John Walstad: No, ten combined in those three categories of levies. There are no more changes on page 4 in what the Senate did.

Chairman Skarphol: Senator Cook stated that it also applies to townships.

John Walstad: That is later on in the bill. On page 5, the underscored language there beginning on line 2, there is a per capita limit applied for cities, $750 per capita was added by the Senate. Let's briefly touch on that; let's use an example Watford or Bowman as they are probably the most likely. If they reach a cap, what happens to any revenue that normally would have flowed without the cap? In other words, say they would have gotten $1,200 per capita without the cap, what happens to the $450 in excess of the $750. Does it go to the county or what happens to the money?

John Walstad: County general fund. That is covered in the next sentence following the underscore there; that is not underscored. That is current law. Once the level has been hit, it goes to the county general fund. Actually that language was left in the law last session and it probably shouldn't have been. There used to be a $500 per capita cap that came out and that sentence about hitting that cap was left in. Now it would come back into play again. Then there is a special provision relating to the City of Medora that has been in the law for many years. That language is being overstruck. There was a complicated method of determining how to figure out what the population is for Medora. The Treasurer's Office said it was virtually impossible to actually get that information. Every employer had to be contacted and employment statistics gathered so instead of that formula, down on line 24, you see 800%. The city population would be increased 800% for Medora. That is based on where they were last time that formula actually got worked through.

Representative Drovdal: Let's take a city with a population of 100; does that take 800 more so you have a new figure of 900?

John Walstad: Correct. (12:37) Now I think this language was in the House version. Beginning on line 24, the cities that receive a direct allocation under subsection 1 are Williston and Dickinson; they are the direct allocation cities. Then the allocation under the regular formula for those cities is 60% of the amount otherwise determined for that city under this section. I think as it came from the House, it said the population shall be reduced by 40%. Actually, it sounds like that would be kind of a horse apiece, but 40% reduction in population did not result in a 40% reduction in their allocation and this language does. The Treasurer's Office pointed out that this works. The other language didn't really work to accomplish what was intended. At the bottom of page 5, we get to subsection 5, this was in the House version, but there are some changes. First of all, beginning on page 6, line 1, requires the county 10 mill levy to get any of this part of the funding available for the county. Then in the House version, subdivision b there starting on line 5, the House version allocated these grants that would be through the Board of County Commissioners for townships and for school transportation based on damage from impacted roads. The school transportation part was removed so now it is townships entirely. The Senate added beginning on line 9 the sentence, "an organized township is not eligible for allocation unless that township levies at least 10 mills for township purposes". It does not specify in the case of townships that it is for road levies because townships really don't have specific road levies. They have an 18 mill general fund levy limit and basically most of that goes for roads anyway. The language beginning on line

15, the House had language requiring the county to certify to the Treasurer's Office for payment the list of township and school districts eligible for payment from this infrastructure fund and the Treasurer's Office would send those payments out. The Treasurer's Office didn't feel that was necessary. Therefore, the money gets delivered to the county; the allocation is handled within the county; the County Treasurer will make the payments to the townships that apply and receive a grant, and anything that gets left over at the end of the year would go to the county road and bridge fund.

Chairman Skarphol: You are talking calendar year there?

John Walstad: That is calendar, yes.

Chairman Skarphol: So December 31, if the townships hadn't utilized all the dollars or they hadn't been allocated, they would go to the county. Can they conceivably allocate those dollars to the townships even though they are not utilized? For example, the snow removal issue, how do we want to deal with that? Are you satisfied that this addresses it? (16:36)

On December 31, the county could take all the money; there would be no money available to the townships for the balance of that calendar year. Is that what we want? I am just asking? Have we thought that through far enough so that the townships are going to be adequately taken care of? This is just something to think about as we move forward here. If that calendar year is really the place we want it, we need to.

Senator Cook: You are right. We should think about that. The other question is do we have a reporting mechanism so that we know how much money actually went to the townships?

John Walstad: Yes, that is included at the end of the draft. The only remaining change on page 6, about line 26 is that $750 per capita limit for city allocations under the infrastructure fund that would be the same as under the first part of the allocation formula. On page 7, lines 3-22, Senator Cook just referenced this, this is the reporting requirement that the Board of

County Commissioners would within 90 days the end of the fiscal year file a report with the Energy Development Impact Office laying out the amount of funds that the county used, the amount of funds that was allocated to townships, how much of those funds were spent, and those kinds of things. Then the bottom paragraph, the Energy Development Impact Office, after receiving all that information, would compile it and make it available to the Legislative Council by the end of the calendar year.

Chairman Skarphol: Senator Cook, we might think about a report to the budget section on that particular information sometime in the biennium, near the end of the biennium so that is something to keep in the back of our mind potentially. Questions from the committee? But in discussing this with some county commissioners, I asked about whether we should require that the townships spend the money and ask for reimbursement from the counties. I was assured by the county commissioners I talked to that that was the way they do it anyway rather than give the money to the townships. They have to ask for reimbursement to insure the work gets done rather than at the end of money. That we aren't just giving away money, that we are actually getting the infrastructure repaired. That is not in here anywhere?

John Walstad: That requirement that the project be completed before the?

Chairman Skarphol: The part that the townships report to the county? That would be incorporated into that report that we are going to ask for; there has been no requirement of that anywhere at this point in time?

John Walstad: No.

Senator Cook: But also the county has the flexibility to make that a requirement if they want.

Chairman Skarphol: But I am wondering if we want that. If that is something we need to keep in mind too—if we want this to be a reimbursement type situation to insure that if more work doesn't get done, then there isn't money available. Follow my logic? They could say that is all we have for this biennia or this year, just to insure that there is some degree of continuity that we don't spend all the money in the first half and have nothing available in the second half and all the pressure gets put on the impact office again. State agencies are required by law to follow some degree of spending half of their appropriation in the first half of the biennium and the other half in the second half. It is something we might want to consider some degree of that here. I mean obviously a county that is in tough shape right now may want to spend a lot of it up front, but I do think we should have a reimbursement requirement of some kind just so that townships don't do $5 million of work when they have only $3 million available. Seems logical?

Senator Cook: On the other hand, we could let it go as it is right now and see how it works out two years from now. We will certainly be watching it. If it doesn't look right, there is a little bit of job security there.

Representative Drovdal: I would like to hear the reason and the thought process behind on page 7, number 6, reporting forms. What do you hope to accomplish by doing this?

Senator Cook: This is a change in policy as we send money to townships. Townships before basically went after impact fees. There is another group that makes that decision so I think basically to help them make the decisions they have to make regarding impact fees. It is nice to know how much money is going into these townships. I don't think the information is going to continue.

Representative Drovdal: So the idea behind that was in order to help the Land Department determine there is money available for the same causes through the regular (inaudible) of the counties?

Senator Cook: Yes, that is certainly one of them and I think we need to know also as we put policy together. The last issue the Chairman brought up about making sure we monitor it and that it is working when we come back next session.

Senator Miller: There was a lot of concern about the rural impact grant process and how that is going to play in and how much money we have in there. We need to know how much is needed. If they are reporting, then we know what is working and what is not. In two years a familiar story might arise.

Chairman Skarphol: In essence, this reporting requirement will result in one report in the next biennium by the Energy Development Impact Office based on how it is laid out if I am not incorrect. There would be due one at the end of this calendar year so there would be one in December of this year or January and then one.

John Walstad: Mr. Chairman, there would not be one this year. It is within 90 days after the end of a fiscal year for counties receiving an allocation under this section.

Chairman Skarphol: So it would not trigger at the end of this fiscal year?

John Walstad: This would start July 1 of this year. So the first full fiscal year of this kind of allocation would end July 1 or June 30 of 2010.

Chairman Skarphol: So the first report would be 2011.

John Walstad: Either just prior to the next legislative session or at the start of the next legislative session.

Representative Drovdal: On page 2, under e, you came up with the annual revenue allocation of 90-10. What was the thought process behind those percentages that would amount to over $18 million? Where did the numbers come from?

Senator Cook: What was the thought process? Maybe it came by guess and by golly. We ran a lot of formulas and we were looking for the distribution. That is the one that finally worked is increasing that second one to 100% and then after $14 million. I think what we looked at more than anything when we looked at the formula 90-10 was how many millions to send out at 25%. That is probably the number we played with the most as we tried to find out a fair way to distribute this. (25:51)

Chairman Skarphol: Just a comment on that to think about possibly and it is based on personal observation, but development is much more difficult for a county than production. In other words, the damage to a county happens during the development phase; the severe impact is during the development phase. Once the development has happened and they are in a production mode, there is much less damage, much less real hard needs. I am wondering if there is any potential movement on the concept of potentially allowing for a higher level during development, which would drop back after a given period of time. Once you reach that production phase, the amount you receive would drop back. I am not asking you to make a decision today, just to think about it because Mountrail County is an example, and Bowman earlier just got pounded during the development phase. If a new county comes into that development mode, they would probably have the same thing happen. They will get pounded to death during that development phase. Once that development is over and you get the pipelines in place, then the truck traffic is reduced. Just for a thought process, I would ask that you think about the potential to have a county that is getting impacted have that 90-10 figure be adjusted through some mechanism. We could do it through rig counts; we could do it various ways potentially, but to run that number a little higher than that 10% if the development is severe enough. Now how we accomplish that, I am not certain. Whether or not we accomplish that in this session, I don't know but it is just something to think about. Anything else?

Senator Cook: I agree with what you are saying. I thought we moved in that direction a little bit by increasing that second million, a million dollars on the second category there, the second million dollars to 100%. I thought we were doing that, but I don't know the solution to that. Maybe that is where the impact piece comes in.

Chairman Skarphol: That may very well be right that that has to be where we have.

Senator Cook: I think a lot of rocket scientists have tried to figure that out already and haven't come up with a solution.

Representative Drovdal: On page 6, under b, when the House sent the version out, that second 35% on the additional dollars there going above the formula; you limited it to benefit of townships only. When we sent it out, we had townships and schools in there. Was there a particular reason why you took schools out of consideration of applying for grants from the county?

Senator Cook: What we had included was schools due to damage from infrastructure. Dunn County, for example, had a bus where the frame broke from pounding down the roads. Our intention was that the county could conceivably give a grant to a school to pay for that bus. In a way, we increased what schools get in some counties, well in all counties by 100% on the second million. We have also raised the bar for some of these counties. We went to a 4.6 flat bar for all counties so I think there was some more money going to schools there. There are townships out there that certainly have needs also. It is a balancing act.

Chairman Skarphol: Just one thing from council if we could, could we get numbers on what effect to schools that change to that second million amounts to for schools?

Senator Cook: Somebody looked at that number when we were doing this. I didn't see the numbers, but I was told it was miniscule.

Chairman Skarphol: I think it has to be a couple million at least. The 35% that goes to schools out of that second million has to amount to some amount of dollars going to schools.

Kathy Strombeck, Tax Department: We looked at it and according to my notes, it was $87,000 and we talked to Jerry Coleman from DPI.

Chairman Skarphol: But the total amount is what I am interested in.

Kathy Strombeck: The total amount? I can get you that.

Chairman Strombeck: And what effect it might have on the school funding formula, if any, if there are any implications of a negative nature. Obviously most schools are going to benefit from it and enjoy it.

Senator Miller: Anything can be negative.

Chairman Skarphol: $2.9 million. It is on there.

Senator Dotzenrod: What you are talking about here on the question Representative Drovdal has has to do with the money that would go to schools by application because the money that goes to schools otherwise is based on student count, I think, is the same formula in both the House and Senate version. There is that $2 million - $1 million difference, but as far as Representative Drovdal's question about why weren't the schools included in that grant application, I think that is a good question. There might be some reasons why they would want to have the schools. It isn't a formula distribution; it is a by application basis. There may be some school districts that wouldn't have any applications. We could see a situation where that might be important.

Chairman Skarphol: Thank you. We are going to adjourn for today.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1304**

House Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 23, 2009

Recorder Job Number: 12141

Committee Clerk Signature

Minutes:

Chairman Skarphol: I call the conference committee on HB 1304 to order. We have had some time to contemplate the discussion we had yesterday. I guess the first issue that the House has some level of discomfort with is the additional money going to schools as a result of that million dollar increase. If we could find a way to put that in the infrastructure, we would be more comfortable with that particular aspect of it. It is \$2.9 million. The intent, I believe, on the House side was to fix infrastructure with this action as much we could. There was really no desire to increase funding to schools. Senator Cook, would you respond to that please. I just want to get a feel for where we are at here.

Senator Cook: How would you propose to do it?

Chairman Skarphol: I believe quite honestly Legislative Council could figure out how to word that to where it would go to the counties primarily as opposed to the townships. That is what I would be most interested in in this instance. I think the township distribution is probably sufficient for purposes of where we are at here, but the counties could probably use the additional dollars in lieu of the schools in this instance. I would also like to include in that, Senator Cook, the provision that with these dollars, the counties could compensate the schools for damage due to infrastructure. For example, that instance where a bus was severely damaged. The counties would have the option of using those dollars to pay for a school bus, but to simply give it to the schools doesn't seem to be an acceptable alternative on our side quite frankly.

Senator Cook: I will speak only for myself on that issue. I have not a lot of heartburn over how we distribute this money among the counties, the schools and the townships out there. Those of you who live in those areas are certainly more aware of how this money should be distributed and probably have more insight over that I do. I think that the issue that maybe we need to be careful of is to agree that money goes to schools that are outside of normal county measures for school money. I think that is the one area. I am certainly open to look at any amendments you might have for the bill that would try to address that issue and could certainly speak more to the issue once I see how you are going to do it.

Senator Miller: I think having some sort of ability for the school districts to get some money for an impact-type thing like when a school bus breaks down, that's great.

Senator Dotzenrod: On the distribution for the schools, in this version .0600 on page 4, b on line 4 sets up the distribution. That is the 35% to the schools. Within that paragraph b, there is a cap for those schools. So the money goes to the schools up to a certain level. Once they hit that level, they don't get any more money. Anything beyond that goes to the county general fund. If there is too much money flowing into the schools in this section, it is going to hit the cap and the schools will stop getting money. The cap is on line 10 and for fewer than 400, it is on line 15 and 16.

Chairman Skarphol: You have raised a valid point. I don't know that anybody has done an analysis to see whether or not any school would cap out. I guess we could have that analysis done. In the event that they do cap out and, in fact, the money does go to the county, then it becomes a moot point to make that change. I would agree with that.

Senator Dotzenrod: I don't know what the numbers would tell us there, but if it does appear that it is quite a large amount beyond what we think is reasonable, we could change the cap that is in this section. But on line 21, it does say that anything above those levels then goes to the county general fund.

Representative Skarphol: I agree with that. I do know that on the conference committee on 1400, they are pausing because of the ramifications of this. There is an issue out there we need to be cognizant of. Maybe what we need to do is ask council to prepare an analysis of this section b on page 4 for us to see whether or not anybody does cap out as you suggest and what it would take for someone to cap out. We would ask.

Representative Drovdal: To continue the discussion on the printout we got from the State Treasurer **(Attachment 1)**, it does show some pretty good sizeable numbers going into Billings and Bottineau Counties. One question I would have is if the Treasurer's Department looked into the cap requirements when they presented this document to us.

Chairman Skarphol: I would suggest we would ask the Treasurer's Office to try to do an analysis, if they can, of whether or not that cap is reached in conjunction with council. Mr. Walstad is sitting back here so we can get that information. We certainly don't want to put something in here that would complicate the distribution of the student financial aid in K-12. I think we are kind of on the same page. We just need to get some information as to the ramifications of this so we will ask for that information.

Senator Cook: Is this the number you referenced when you opened up your comments, $2.9 million? Do you think that is mainly on going to 100% on the second million dollars?

Chairman Skarphol: Yes. Correct. I think it could be resolved in some language adjustments, but let's get that analysis. We will get you copies of Attachment 1. That aspect of it, I think we will just have to wait to get some more information on that before we decide anything. Any other topics from the committee?

Representative Drovdal: I have been asked by some of my friends in the Senate to address an issue concerning the beginning of the bill, which the chairman could probably rule as not germane to it, but in section 1, subsection a, is the $6 million per biennium that goes into the impact grant fund. I was told by my friends that they are sitting on HB 1225 which also addresses this. The feeling is that if we can address it in this bill, if it is allowed to be addressed in this bill, that they are going to agree on 1225 and get that out of the hornet's nest there so we can move forward. (8:48) With that, I did prepare an amendment if it is allowed, that would address the impact grant fund. Let me first of all acknowledge the Senate Finance and Tax Committee for the work that they did on 1304. It is quite apparent that you did listen to the testimony that was received on 2229, 1225 and 1304 and all the other bills that addressed the oil impact grant money and the impact to the oil and gas counties. As you probably will remember, the $6 million oil impact grant fund is money that goes to entities, subdivisions that do not get oil impact grant money in most cases such as ambulances, fire departments, townships that are (inaudible), also townships that are in surrounding counties that are not part of the oil and gas counties that have impact from oil, also counties in low-producing, townships in low-producing areas that even under the new formula will not receive much money. That is who gets the $6 million. It is a unique part of the....it fits a niche in the impact grant, as you are well aware. I have an amendment here. It has been a number of years, the amount of money has only been increased once that I know of. Of course, $6 million is $3 million a year and it doesn't go extremely far.

Chairman Skarphol: Representative Drovdal, why don't we have the discussion a little bit?

Representative Drovdal: Before passing it out? What I have done in 1225, I will refresh your memory, increases the oil impact from $6 million to $10 million and it also has $8 million in one-time grants. What this proposal does, and I think this will get 1225 off the table, if we agree to put this in and if we agree not to revisit this again from further consideration, is it raises the oil impact grant money from $6 to $8 million, a $2 million increase, $1 million per year to go into that fund to help them out. It is not a lot of money; it is enough money that hopefully we don't have to increase our half part-time employee to distribute that additional money. I will acknowledge also that because of the way you work the formula, you are taking some pressure off the oil impact grant fund because some of these townships that are applying for it are going to get some grant money. They do look at what money is available to the township when they go in, but they were giving out, I don't know the exact money, Jeff isn't here, I believe they were getting applications for $30 million or something, but way above what they had to give out. There is still a high demand and I think $2 million is a pretty reasonable figure. So with that, I will listen to your comments.

Senator Cook: You are correct. When we looked at changing the funding, we certainly did so with the hope or goal that we would greatly reduce the amount of demand for impact monies. Your statement there is right on the money. That was a large part of the justification for our doing what we did. I am well aware that probably this impact fund is the most important thing we need to discuss as we come to some agreement here on 1304. How we go about doing it is something we just need to put on the table at some point when we get the rest of the issues resolved and figure out the best way to do it. This is certainly one option.

Chairman Skarphol: Any comments? Are there suggestions? Do you have a different idea that you think warrants consideration or do you want us to take a vote on these amendments?

Senator Cook: I would just as soon we get all the amendments on the table so we know what all the issues are and then we can start trying to speak to the big picture, but you know you brought up the schools. One of the things you could do to solve your school problems, of course, is take them out as possible recipients of impact funds. That is another option there I never thought of until I see the figure is $2.9 million extra they would be getting. Maybe that would greatly reduce any need they have for impact funds. I have got a printout of all the impact funds, the requests that are in there right now. I have looked through them and a lot of them are townships and, of course, we are putting money into the townships. I recognize the ambulances and some fire departments; I also recognize some things in there, well let's face it, if there is a chance to grant some money, you are going to apply for anything and everything. I think this is an issue we need to visit more on and I am certainly willing to do that.

Representative Drovdal: I agree with your statements. It was my hope to bring this up last, but as I communicated, but it was through a request that they wanted to try to get 1225 moving, I guess is why I brought it up. I understand where you are coming from.

Senator Cook: I have communicated with friends in the Senate too, but I understand what 1225 does and my statement is we need to resolve that here with 1304. The sooner we get it done, the better.

Chairman Skarphol: I just had a thought as you did during Representative Drovdal's discussion here and that is maybe part of the answer would be to give the money that would go to schools here to the impact fund. That would give them a varying level based on the price of oil so if the price of oil did skyrocket, that 35% that would be in that category would increase and give them a little more capability. Rather than give it to the counties, maybe we should give that to the impact office. It is an option. That way they wouldn't have a stagnant number always and if oil went to where it was at $140 a barrel, I would submit to you that that number would increase somewhat substantially.

Senator Miller: That is probably a very prudent and (inaudible).

Chairman Skarphol: Addressing both issues. Representative Drovdal, will you at least think about that alternative? I think I suggested yesterday on a different matter, Senator Cook, I asked you to consider whether or not you would think about the possibility of that 90-10 split being bumped for two years and then falling back. Is that an alternative you are willing to consider because of the fact that in my opinion, and it is my opinion, that we have some counties out there are severely impacted, that even though there are a lot of dollars in here for them, I am not sure that it actually covers their needs at this time. But I am willing to go back off the 25 but I do really think that especially Mountrail County (when you look at the list of their projects they need to try to recover from) has been severely impacted. I appreciate your work. I really do. Is that something that you have given any thought to?

Senator Cook: That is something we gave a lot of thought to as we tried to come up with. There are two issues we are dealing with in 1304. One is how much more money do we send to the 16 counties? The second issue is how is it divided up amongst them? When we take a look at the first question, how many more dollars on top of what they are already getting do we sent to meet the needs that they have? If you look back from the beginning, we had an executive budget that came in with $20 million more than what they were dealing with. We took this and made a major leap all at once with one change where we increased that $20 million to $28 million. That is a lot of money and it was tough to swallow. I think on the issue of how much more money, which is what you are talking about when you do that, I don't know if there is a whole lot of wiggle room. I don't think there is any wiggle room at all. I think we need to deal with trying to sell this back into the Senate so I can sell it and make my case. That would be my answer.

Chairman Skarphol: In your analysis at the 90-10, did you have a figure; do you have the data that at 85-15 would amount to? Did you have various alternatives prepared so you know?

Senator Cook: We looked at a lot of analysis. I mean I had paper all over the place. I didn't save any. We got to the one that we wanted.

Chairman Skarphol: You don't recall what the 5% gap or change would have meant in dollars?

Senator Cook: No, I don't.

Representative Drovdal: I had one other thing I would like to have discussed. That happens to be the reporting mechanism. I believe in simplification, a word that is not utilized very often around here. Anyway, the reporting process that is required in there. It is not a big issue, but I think it is extra paperwork, extra cost and I think it is duplication. I did some research. As indicated earlier, part of the reason for it was that the impact office, the Land Department, could know whether they were giving duplicate money of impact grant money to areas that are already receiving impact grants. I did some research. What I found out is that first of all, they are quite concerned with it being put into their office. They don't feel it is their job to be between the legislature and the counties. That is not currently where they are at. There was one recommendation that it would probably be handled by the State Treasurer. I visited with the State Treasurer and if you feel hot breathing on the back of your necks, I can tell you where it is coming from because I was told in no uncertain terms by a young lady that that is not their category and they do not want it either. I was also given the impression that these reports are already available through the Tax Department. I did not get an opportunity to check that, but I did find out that under current rules and laws that they are already required by law to consider all revenue. The Land Department, when they put these grants out, is required by law to consider all revenue of the political subdivision in making a grant. That is required so they are already getting reports that they need. If that was the reason behind it, at the present time, they do get budget documents submitted when the applications come in, that is also required by law from each township in the county. They also, if they were going to do this, I was told they would need additional funding. It would be additional cost to them to comply with all these reports and if we didn't get it in the budget, it would have to come out of the permanent trust oil fund, which (inaudible) doesn't want to see that particular thing happen. (21:52) If it is already being done, if they are already requiring it, I have two questions. One is if we feel this is necessary, maybe we should sunset it at a couple of years only. On the other hand, if it is already being done and is available to us through the Tax Department, if they feel comfortable finding out where these people applying for grants are getting their money, maybe we don't need it at all. If it is just bureaucracy and we don't need it at all, maybe we can eliminate that particular section. I would like to hear your comments on that subject.

Senator Cook: You say it is already required by law that they get this information. I think the question is how do they get it?

Representative Drovdal: I did not ask him. I certainly could follow up. I got this information from Jeff Engleson and I certainly could follow up to find out how they get it. I imagine they request it, but that's my guess.

Senator Cook: I would imagine too that they would have to somehow request it that would eliminate that need because they are automatically going to get it. I don't see where this is going to create a financial burden on them if they simply receive a report. They have to prescribe the format in which they want the report. That certainly shouldn't be difficult to do. I really am having a hard time understanding how we are placing a financial burden on them or a workload burden on them. I would think this would make it easy. If they are required to get it by law, they are going to get it if they are going to meet the requirements of what I think you said there.

Representative Drovdal: It is hard to answer for a department when I am only quoting what they responded to me when I asked some questions. I would assume this report probably is more comprehensive, would be filed in more places, duplicate if it is already being filed in the Tax Department, it would be duplicated. But if they have to spend more time justifying what they are doing, of course, it costs more money. I think that would be best handled by asking Jeff for specific details.

Senator Cook: I have one other comment, Mr. Chairman. Transparency is something that everybody likes. We have other issues with transparency; this is nothing but transparency. We send out a whole lot of money and this simple little report that says this is where it went. Just so we get the information. If that effort is being done out there already and this information is coming in and this makes it. I don't think we are saying you have to get it twice.

Chairman Skarphol: I agree with you, Senator Cook. I think we just need to try to find the right mechanism and the right location to have the report filed so that we get it in a form that is of value to us and readily available. I think that is something I would like to see us continue to work on and perfect that particular aspect and have a discussion with the powers that be that we can think of. Maybe a county organization should accumulate it and forward it to us. The Legislative Council may report something so that we get the information and if somebody else wants to get access to it, that is public record.

Senator Cook: I agree. It is the counties that are going to provide the information. It started with the counties giving it to a committee of the council. I just thought it was important the

Land Department sees this also. They testify before us all the time in the interim so they just come with the report.

Chairman Skarphol: We just need to work through a mechanism that is acceptable and the least onerous for everyone so find out what is being done currently and how we get it to all come together in a readable format.

Representative Drovdal: We are not trying to cover up. I agree totally in transparency. We are just trying to make sure we don't have duplication is the concern.

Chairman Skarphol: Other things from the committee? The only other comment I have is I think both of us, I am assuming both of us, in my mind if a county benefits substantially from the changes we make in 1304, I would hope it would be logical that the impact office would give preferential treatment to those counties benefitting least from this change in their distribution of funds. I am not saying they would be eliminated, but they get less preferential treatment because quite frankly in discussions I have had with Mountrail County and their commissions, I have told them, "If you get a lot of additional revenue, I anticipate that you will take care of your ambulance service and you will take care of those needs as a county as opposed to increased grants from the Impact Office." They were amenable to that. I am not saying that in every case, but I would assume that the counties will act responsibly and I assume that is also what you thought in your deliberations.

Senator Cook: Mr. Chairman, that is right on the money.

Chairman Skarphol: I don't if there is language in here, I will have to read through it again; I don't know if there is language, but maybe it would be appropriate to have a section of legislative intent stating that if we so desire.

Senator Cook: I agree 100%. That goes back to the impact fee question and that is where we address that issue.

Chairman Skarphol: We will adjourn for today and meet again at the call of the chair.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1304**

House Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 25, 2009

Recorder Job Number: 12244

Committee Clerk Signature

Minutes:

Chairman Skarphol: I call the conference committee to order on HB 1304 and have the clerk note that everyone is present. Committee members, Senator Cook and I had a discussion and Representative Drovdal and we have come to some kind of agreement on what we think we can do. We would like to share it with the rest of you and see if you are amenable to it. (Passed out amendments). Mr. Walstad, would you walk us through this so everybody hears the specifics.

John Walstad: I busted out my color crayons this morning and marked in yellow what is different. This document is the Senate amendments and what is marked in yellow is what is different.

Senator Cook: What we are doing then is we are going to be adding this to the .0400 version of 1304. The amendments I want to compare these .0417 amendments to are the .0405 amendments we put on the .0400 version.

John Walstad: I believe it was .0407; I think that was the final one the Senate adopted.

Senator Cook: So then your yellow highlights are going to be the difference between .0417 and .0407?

John Walstad: Correct. On the first page, the impact grant fund, the current law amount is $6 million a biennium; the changed amount here would be $8. There was also a question about whether this amount would necessitate a change in the Land Department's budget bill to appropriate the money or whether an additional $2 million appropriation authority would have to be added here. The fiscal staff assures me no additional changes are necessary, that the Land Department's budget bill...oh, I see Jeff is giving me a discouraging look.

Jeff Engleson, Director, Energy Development Impact Office, Land Department: The last I heard they took that line item out of our budget; at the 2013 last conference committee meeting, that is what they told us.

John Walstad: Last night they told me it said $10 million.

Jeff Engleson: That was in there and because they weren't sure what was going to happen here, they said they were going to take it out. I did not see the final version.

John Walstad: Apparently I will have to recheck this.

Chairman Skarphol: But if they took it out, then they have got to put it back in.

Senator Cook: But if they are done, they can't.

Chairman Skarphol: But we are talking about the money.

Jeff Engleson: The line item for the appropriation, they were expecting it to end up in this bill. At the last meeting they had, that is what they decided.

John Walstad: That is very strange, but we will get to the bottom of this. I thought that issue was resolved, but not yet. On page 4 is the next change. This is in the impact fund at the county level and in the impact fund at the county level, there is no direct allocation to school districts. There is instead the 35% share provided to the county; the county can make grants upon application by townships. This would add also grants for school districts; the language here is the same as we have had in a previous version of...actually I think it was a different bill.

It is applications by districts for repair or replacement of vehicles necessitated by damage from travelling on impacted roads. (05:00) On page 5 the other changes relate to the reporting requirement. Rather than the Energy Development Impact Office, the reports are to be filed with the Tax Commissioner. In subdivision b, "school districts" was added in four places because school districts are now eligible for grants for vehicles. Then a paragraph added at the bottom that in developing the format for reporting under this section, the Tax Commissioner is to consult the Energy Development Impact Office and at least two county auditors from oil-producing counties. That was a suggestion from Mountrail County that if you are going to have this report, get a couple county auditors involved so that both ends of the equation are involved in setting up this process. Now to confess my failure, it was also suggested that some adjustments need to be made because of what can be perceived as a windfall for some school districts occurs because of a couple of things that are being changed in the formula here. One of those things is the three-tier county cap based on population is eliminated. At $4.6 million, it is no longer a cap, but it is at that point where the regular distribution under current law ends and then the amount above that cap would get distributed omitting school districts and putting in the grant program. That increase from $3.1 million or $3.9 million to $4.6 million provides some additional money for some school districts, not all counties, but in some counties. The other thing is the first tier of the allocation cut is increased from the $1 million that goes 100% to the county to $2 million. That provides some additional funds to some districts which they would not receive under current law. We were working on how to back that out so that school districts don't get that windfall and after working on it for quite awhile, Kathy Strombeck and I and Mr. Herman went our separate ways because we couldn't figure it out. It is complicated. However, we can slay this dragon; we just need a little bit more time to figure out how to do it. I need to see and Mr. Herman put together a spreadsheet last night that I haven't had time to study this morning. I think once I look at that and figure out which schools are getting what money, we can figure out how to do that. It looks to me that we have got to bring those three tiers based on county population back. That takes care of part of the problem. I was hoping to avoid that; I don't like allocations based on population because of a couple of things. We have got a census coming up. In addition, having a lower population doesn't necessarily mean you need less help; sometimes it means you need more help in maintaining roads if you have got fewer people to pay for them. If you can give us a bit more indulgence, I think we can figure out how to fix that. Kathy nods her head.

Chairman Skarphol: That is the only aspect of this?

Representative Drovdal: We have the funding allocations we still have to figure out, whether they have to put the funding in.

Chairman Skarphol: Whether the appropriation is needed here or in the Land Department's budget. The other thing we discussed and I don't see it in the amendment is the timing of the report.

John Walstad: I took a look at 2012; there is a reporting requirement there, that Senator Stenehjem amendment. That requires a report on transportation funding; the report goes to DOT and it is on a calendar year basis. This is set up on a fiscal year basis. I don't know how to coordinate those. To me, it makes more sense to do this on a fiscal year basis because that is how the allocations are made.

Chairman Skarphol: But I think the Senate Majority Leader wanted the most recent numbers available at the start of the legislative session so that he would like to have it on a calendar year and give them 60 days to get it in. That way we would have it approximately at crossover, we would have the most recent calendar year numbers available for the legislative session. Wasn't that your perception, Senator Cook? So we would like the report to be that way. The DOT thing is I think you just set it on a calendar year so that should coordinate. I think the format is something that is in here so that is not the issue; it is merely the timing but we do need a requirement of that report at that time. As far as what is in the DOT budget, I don't recall the specifics of that as far as timing, if that was an annual or biennial report.

John Walstad: It is an annual report on a calendar year basis.

Chairman Skarphol: So it should be the same timing. Does that one have a provision for 30 days after the end of the calendar year?

John Walstad: That one only allows 30 days.

Chairman Skarphol: If the Tax Commissioner's office is going to contact auditors about the capabilities and their formatting questions, then I would suspect maybe they should discuss the timing issue. If 30 days is achievable, so much the better; if 60 days is necessary, then Senator Cook, you are amenable to that?

Senator Cook: I am sitting here thinking and I know what Senator Stenehjem would like, but that doesn't mean he needs to be right.

Chairman Skarphol: I know he would like to have the money segregated and I agree with him.

Senator Cook: But I am still thinking as we look at what we would do with this information and maybe I need to think about this a little bit more, but to me it make more sense for us to get the information we need here based on a fiscal year.

Chairman Skarphol: I am amenable to either, but I don't want the counties to have to furnish reports at two different times also so if one requires a calendar year, it would be logical to me that they do one report that really does accomplish both purposes simultaneously. With the report we can look at and see what has been funded through the DOT formula and see what has been funded through this formula. The type of decisions we would make based on this information, the way fiscal notes and everything lie, and I still think that if we just sit down and have a real good conversation about this, to me, I think there is more value to have the fiscal year.

Senator Cook: Let me visit with Senator Stenehjem about it.

Chairman Skarphol: I don't disagree with you logically. It would meld better with our budget so I can understand that we wouldn't have to split it from the calendar year to the fiscal year to see how it follows. I don't disagree. I just know that the Majority Leader felt the calendar year was important. As long as we are going to have to fix the other issues, we might as well get that timing issue resolved as well.

Representative Drovdal: John, you had said that there were currently reports being filed for transportation. Did you say DOT or Department of Public Instruction (DPI)?

John Walstad: DOT. It is all about transportation.

Chairman Skarphol: Section 16, if I am not incorrect, in 2012 you can read the language.

Senator Cook: John, what is our time frame here for slaying this dragon? Can you have it Monday? Can you have it this afternoon? 4:00?

John Walstad: This afternoon.

Chairman Skarphol: I could do 1:00. I have a 3:00-3:30 so anything prior to that other than other than in the forenoon. I am pretty full in the forenoon. In the early afternoon, mid afternoon.

Senator Cook: Can we make this decision on the run? Can you have a firm idea by 11:00 whether or not we could have this resolved by 1:00?

John Walstad: By 11:00 we will know.

Chairman Skarphol: Does anyone on the committee have a 1:00?

Senator Miller: This is the only reason I am here.

(Discussion on whether to meet or wait until Monday. Will decide by 11:00 today).

Chairman Skarphol: As long as we have a good understanding, if the amendment becomes available, I would appreciate you getting it to Senator Cook and me at least and whoever else is here.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1304**

House Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 25, 2009

Recorder Job Number: 12264

Committee Clerk Signature

Minutes:

Chairman Skarphol: I call the conference committee on HB 1304 to order.

We will have the clerk note that everyone is present including Mr. Walstad. (Senator Arden Anderson substituted for Senator Dotzenrod.)

John Walstad, Legislative Council: The amendments that you have are the same as you saw this morning so I won't run through the whole thing. Let's flip over to page 3. About the bottom one third of the page is underscored. That is all added. The reason is that two different factors combine to provide what could be viewed as a windfall to school districts in oil country. What you see before you is not elegant. It is what happens when you convert a spreadsheet into words. There are various allocation tiers and there were limits based on population at 3.9 and 4.1 and 4.6 million. There is an additional $1 million allocated now to the county level 100%. So 35% of that additional $1 million will go to school districts in the county that would not have received that share of that money before. But it is just not in that tier where that is an impact. It impacts the three tiers above it as well. The first $350,000 in this amendment is entirely allocated to the school districts. No change. That is the first million current law allocates to them so there would be no reason to change. On the next $350,000, 25%, instead of going to school districts, would now go to the county infrastructure fund. That is the fund that is allocated omitting school districts and substituting the grant program for townships and schools for buses. The next $262,500, two thirds goes to the school districts, one third goes to the infrastructure fund. The next $175,000 is a 50-50 split. Then in the final category of the tier allocations, that is when that lifting of the caps comes into play which would give more money to some schools. They way to avoid that is we have to reintroduce consideration of population. At the top of page 4, if the county's population is 3,000 or less, that limit for schools is $490,000. Anything more than that would go to the infrastructure fund. From 3,000-6,000, that number is $560,000; anything more than that would go to the infrastructure fund. Then in the higher population counties, that limit is $735,000 for schools; anything over that would go instead to the infrastructure fund.

Chairman Skarphol: From your perspective at this time, there will be nobody adversely affected by doing this from the current funding number?

John Walstad: There would be no adverse effect for a school.

Senator Cook: What we are doing is transferring $2.9 million that would have gone to schools in the previous amendments that is staying with the counties now.

John Walstad: In the infrastructure fund, which is allocated city, county, grant.

Senator Miller: What is the explanation as to what we talked about doesn't work? Why is that problematic?

John Walstad: As to just cap what a school district receives?

Senator Miller: Yes.

John Walstad: There are a couple of problems with that. Probably the biggest one is that for a county, for example, as the county begins to get into development and production, they would start basically at zero and you can't lock them in at zero forever. That wouldn't be right.

Senator Miller: But the school district makes its budget, submits its budget to the Treasurer's Office, DPI or whoever, then they are going to distribute this oil money to them. We say, "Here is your school budget. You are entitled to 5-10% beyond your budget. After that, your school is into the normal distribution pattern." I guess I was thinking maybe that would be a way of dealing with the windfall. Every year they have to submit a budget.

John Walstad: It seems to me that would complicate things greatly. It would also encourage budget inflation. You could do a budget which is limited based on the mills you can levy for property taxes; but if you have basically an unlimited source of money other places, you can blow up your budget as much as you want to to suck up as much money as might be available. So we have to start building in budget caps for what could be included in a district's budget.

Senator Cook: Senator Miller, I think you are making an assumption that all schools out there right now are probably getting a fair amount of money from this. You could have a county that doesn't have the amount of oil production in it that would suddenly get oil production. This formula then is to somehow send money from that oil production in that county, this new production, to a school district in that county that may now be getting zero, but all of a sudden has some infrastructure needs because of increased oil activity where all of a sudden they would need to get some. So I think that what's communicated (08:13). If I can, Mr. Chairman, I have one more question I want to clarify. When you talked about the infrastructure grants, you mentioned counties, schools, cities. Townships are in there too, are they not?

John Walstad: Yes, and if I didn't mentioned that, I didn't mean to leave them out. They are very important to that infrastructure existence.

Representative Drovdal: Going back to the question asked by Senator Cook, we have looked at $2.9 million going to the new schools. Each one of those schools is a different size, different location, different size county, different production. We are not sure that that $2.9 million is going to be moved over. Just the ones that go over these limits, is that correct?

John Walstad: We don't have a lock on every single school district, but this puts limits on countywide allocations to school districts that would keep that $2.9 million from being allocated among those districts and, therefore, deposited in the infrastructure fund. Am I exaggerating?

Kevin Schatz, Tax Department: No that would be correct. You changed the distribution formula allowing it and what it does is it prevents that extra distribution from flowing to schools and shifts it over to the infrastructure fund. (09:35) Schools will still get the same allocations that they had under current law up to the cap amounts $394,016. (09:46)

Representative Drovdal: They are not hitting their cap amount? Outside the cap amount those schools are currently at?

Kevin Schatz: Not all entities are getting a cap amount. I think we have four counties out of the 16 currently producing that are getting the cap amount. The problem with restricting is that you have some that are already there so if you restrict, you pull money away. All those balances you try to do, you can bring it up and down to balance without the two-tiered structure that came into play.

John Walstad: I might add to that that that is a reason that this works better than trying to put a cap on based on what the district got last year. Those counties that are not at the cap for whatever reason, if production increases greatly, those districts would be able to receive more revenue until they hit the same kind of limits that exist here for counties that are at the cap.

Senator Cook: That is pretty much what I was going to say. I think if I am correct, the only way a school district could get more money than what it did before is if they were below the cap before and they had increased production.

John Walstad: Mr. Chairman, I think that is exactly right.

Chairman Skarphol: Committee members, are you satisfied with that aspect because we do have the reporting thing you also added, the more specific language, did you not?

John Walstad: I don't remember if that is the same as the earlier version. No, I don't believe I changed anything there, but I have a change the committee might want to think about. (11:23) I also wanted to point that on the bottom of page 4, where we put in that thing about subsection 3 and 4, I didn't read far enough because the same thing exists over at the beginning of subdivision b and c, it only refers to subsection 3 so what needs to be added is "and 4".

Chairman Skarphol: To subsections b and c. Even though subsection 4 is reflected further down in c? A third of the way down in c, it says....

John Walstad: Oh yes, that is correct.

Chairman Skarphol: You still need 3 and 4 further up in c?

John Walstad: Farther up in c, where it says subsection 3, it should say "and 4", but that subsection 4 down below, that is fine because that is the per capita limit for cities and you look at the combined amount they have in the direct amount and then the infrastructure amount. Down at the bottom of page 5 in subsection 6, this is a reporting provision, it starts out within 90 days after the end of fiscal year. Senator Cook suggested that could be reduced to 60 days Then over on page 6, the first full paragraph there, you have the calendar year and it was suggested that that could be reduced to within 60 days after the time when the reports were due from the counties. Let's back up and do it again here. You are saying that the 90 days on subsection 6 is changed to 60 and then on page 6 in the first full paragraph that starts with the words "by the end of the calendar year", strike those words through and substitute "within 60 days after the time when reports under this subsection and it says "were received". I believe it would be better to say "when they were due" so if they came in late, you don't get to count 60 days from the last one that showed up. What that would do is make these reports available by the first of November instead of January 1.

Senator Cook: For the fiscal year.

John Walstad: For the year ending June 30, the reports would be delivered to the Legislative Council by the end of October.

Chairman Skarphol: And Senator Stenehjem was amenable to that I am assuming?

Senator Cook: The way we look at this, I think, is that the report that we get here is based on the fiscal year and will reflect the year in which they received their income. When they receive their income might be different than the year spend it. I think the benefit of having it calendar year is that would reflect how they spent the money, but somehow we have got to mesh both together. This one would give us how they receive it and then if they have large ending balance somewhere, then you have to start asking the questions about why this is here. They might say, we are going to spend it here before the year is over.

Chairman Skarphol: And it would help alleviate that confusion caused by vendor transfer information to the fiscal year from the calendar year and getting it all rearranged. So we would need to pencil in changes on pages 5 and 6. Is that correct? Those are the only places where we would to pencil in something that was overlooked so that we will probably end up with .0419 rather than .0418?

John Walstad: That is correct.

Chairman Skarphol: Committee members, are you willing to move on this without the final draft accepting that the final draft was what has been agreed to, not by another meeting of the committee, but if there is a concern, we will call another meeting. Do we have a motion?

Senator Cook: Mr. Chairman, I will move the amendments .0418 that will soon become .0419 once we make the changes, changing "90" to "60" and on subsection 6 at the bottom of page

5, replacing the words “by the end of the calendar year” with “within 60 days after the time” and replacing the word “received” with “due”.

Representative Drovdal: Amen and add “4”.

Chairman Skarphol: We have to add 4 too?

Senator Cook: Up there on b and c, we have to add 3 “and 4”.

Chairman Skarphol: Just on c.

John Walstad: On b and c on the second line.

Chairman Skarphol: We have a motion. Do we have a second?

Representative Drovdal: Second.

Chairman Skarphol: Seconded by Representative Drovdal. Any discussion? If not, we will call the roll. (A roll call vote resulted in 6-0-0.) Thank you, committee members. Thank you, Mr. Walstad. We are done.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1304**

House Finance and Taxation Committee

☒ Check here for Conference Committee

Hearing Date: April 30, 2009

Recorder Job Number: 12407 (HB 1324)

Committee Clerk Signature

Minutes:

The attachment is referenced in 12407. A mistake was made on HB 1304 and corrected in final amendment on HB 1324. The attachment was run by the Tax Department and shows why the amount needed to be changed from $4.6 million to $5.35 million (bottom of page 1 and top of page 2 on HB 1324 minutes dated April 30, 2009.)

Prepared by the Legislative Council staff for
Representative Drovdal
April 21, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

That the Senate recede from its amendments as printed on pages 1178-1182 of the Senate Journal and pages 1348-1352 of the House Journal and that Reengrossed House Bill No. 1304 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~six~~ eight million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a. Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

b. ~~Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~c.~~ ~~The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1)~~ ~~The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsection 3 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsection 3 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsection 3 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within ninety days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the energy development impact office, in a format prescribed by the energy development impact office, showing:

   a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

   b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships, the amount allocated to each organized township and the amount expended from each such allocation by that township, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships which remained unexpended at the end of the fiscal year.

   By the end of the calendar year when reports under this subsection were received, the energy development impact office shall provide a report to the legislative council compiling the information from reports received under this subsection and information on oil and gas impact grants awarded during the fiscal year for which the reports were received.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

90260.0417
Title.

Prepared by the Legislative Council staff for
Conference Committee
April 24, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

That the Senate recede from its amendments as printed on pages 1348-1352 of the House Journal and pages 1178-1182 of the Senate Journal and that Reengrossed House Bill No. 1304 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~six~~ eight million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a. Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b. Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~c. The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1) The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsection 3 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsection 3 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsection 3 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within ninety days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the tax commissioner, in a format prescribed by the tax commissioner, showing:

   a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

   b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.

   By the end of the calendar year when reports under this subsection were received, the tax commissioner shall provide a report to the legislative council compiling the information from reports received under this subsection.

   In developing the format for reports under this subsection, the tax commissioner shall consult the energy development impact office and at least two county auditors from oil-producing counties.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

90260.0418
Title.

Prepared by the Legislative Council staff for Conference Committee
April 25, 2009

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

That the Senate recede from its amendments as printed on pages 1348-1352 of the House Journal and pages 1178-1182 of the Senate Journal and that Reengrossed House Bill No. 1304 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~six~~ eight million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

The countywide allocation to school districts under this subdivision is subject to the following:

(1) The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.

(2) The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.

(3) The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.

(4) The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.

(5) Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:

(a) Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.

(b) Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.

(c) Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a.~~ ~~Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b.~~ ~~Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~c.~~ ~~The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1)~~ ~~The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 3 and 4 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at

least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsection 3 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsection 3 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within ninety days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the tax commissioner, in a format prescribed by the tax commissioner, showing:

a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.

By the end of the calendar year when reports under this subsection were received, the tax commissioner shall provide a report to the legislative council compiling the information from reports received under this subsection.

In developing the format for reports under this subsection, the tax commissioner shall consult the energy development impact office and at least two county auditors from oil-producing counties.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

Prepared by the Legislative Council staff for
Conference Committee
April 25, 2009

YR
4/27/09
1 of 6

PROPOSED AMENDMENTS TO REENGROSSED HOUSE BILL NO. 1304

That the Senate recede from its amendments as printed on pages 1348-1352 of the House Journal and pages 1178-1182 of the Senate Journal and that Reengrossed House Bill No. 1304 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~six~~ eight million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

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c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

The countywide allocation to school districts under this subdivision is subject to the following:

(1) The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.

(2) The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.

(3) The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.

(4) The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.

(5) Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:

(a) Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.

(b) Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.

(c) Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a. Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b. Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~c. The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1) The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 3 and 4 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at

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least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsections 3 and 4 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsections 3 and 4 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within sixty days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the tax commissioner, in a format prescribed by the tax commissioner, showing:

a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.

Within sixty days after the time when reports under this subsection were due, the tax commissioner shall provide a report to the legislative council compiling the information from reports received under this subsection.

In developing the format for reports under this subsection, the tax commissioner shall consult the energy development impact office and at least two county auditors from oil-producing counties.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

REPORT OF CONFERENCE COMMITTEE
(ACCEDE/RECEDE)

Bill Number HB 1304 (, as (re)engrossed) Date: ~~April 22, 2009~~ ~~23, 2009~~ April 25, 2009

Your Conference Committee ______________________

	For the Senate:	YES	NO		For the House:	YES	NO
X	Sen. Cook	/		X	Rep. Skarphol	/	
X	Sen. Miller	/		X	Rep. Drovdal	/	
X	Arden Anderson ~~Sen. Dotzenrod~~	/		X	Rep. Williams	/	

recommends that the (SENATE/HOUSE) (ACCEDE to) (RECEDE from)

the (Senate/House) amendments on (SJ/HJ) page(s) 1348 – 1352

____, and place __________ on the Seventh order.

____, adopt (further) amendments as follows, and place 1304 on the Seventh order:

____, having been unable to agree, recommends that the committee be discharged and a new committee be appointed.

((Re)Engrossed) 1304 was placed on the Seventh order of business on the calendar.

DATE: 4/26/

CARRIER: Skarphol

LC NO. 90260.0419	of amendment .0700
LC NO.	of engrossment
Emergency clause added or deleted	
Statement of purpose of amendment	

MOTION MADE BY: Senator Cook

SECONDED BY: Representative Drovdal

VOTE COUNT 6 YES 0 NO 0 ABSENT

Revised 4/1/05

(Senator Anderson substituted for Senator Dotzenrod on 4/25)

REPORT OF CONFERENCE COMMITTEE

HB 1304, as reengrossed: Your conference committee (Sens. Cook, Miller, Anderson and Reps. Skarphol, Drovdal, Williams) recommends that the **SENATE RECEDE** from the Senate amendments on HJ pages 1348-1352 and place HB 1304 on the Seventh order.

That the Senate recede from its amendments as printed on pages 1348-1352 of the House Journal and pages 1178-1182 of the Senate Journal and that Reengrossed House Bill No. 1304 be amended as follows:

Page 1, line 1, after "A BILL" replace the remainder of the bill with "for an Act to amend and reenact section 57-51-15 of the North Dakota Century Code, relating to allocation of oil and gas gross production taxes; and to provide an effective date.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Section 57-51-15 of the North Dakota Century Code is amended and reenacted as follows:

57-51-15. Apportionment and use of proceeds of tax. The gross production tax provided for in this chapter must be apportioned as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

   a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~six~~ eight million dollars per biennium~~, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit~~;

   b. Allocate five hundred thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

   c. Credit the remaining revenues to the state general fund.

2. After deduction of the amount provided in subsection 1, annual revenue collected under this chapter from oil and gas produced in each county must be allocated as follows:

   a. The first ~~one~~ two million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated to ~~that~~ the county.

   b. The ~~second~~ next one million dollars ~~of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county~~ must be allocated seventy-five percent to ~~that~~ the county and twenty-five percent to the state general fund.

c. The ~~third~~ next one million dollars ~~of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county~~ must be allocated fifty percent to ~~that~~ the county and fifty percent to the state general fund. ~~All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county~~

d. The next fourteen million dollars must be allocated twenty-five percent to ~~that~~ the county and seventy-five percent to the state general fund. ~~However, the~~

e. All annual revenue remaining after the allocation in subdivision d must be allocated ten percent to the county and ninety percent to the state general fund.

3. The amount to which each county is entitled ~~pursuant to this~~ under subsection 2 must be ~~limited based upon the population of~~ allocated within the county ~~according to the last official decennial federal census as follows:~~

~~a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive up to four million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive up to five million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes. Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

~~c. Counties having a population of six thousand or more shall receive no more than~~ so the first four million six hundred thousand dollars is allocated under subsection 4 for each fiscal year~~; however, a county may receive up to five million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm to market and federal aid road, and county road purposes. Any~~ and any amount received by a county exceeding four million six hundred thousand dollars ~~under this subdivision~~ is ~~not subject to allocation under subsection 3 but must be~~ credited by the county treasurer to the county ~~general~~ infrastructure fund and allocated under subsection 5.

~~Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.~~

~~3.~~ 4. a. Forty-five percent of all revenues ~~as may by the legislative assembly be~~ allocated to any county ~~hereunder~~ for allocation under this subsection must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to any county for allocation under this subsection must be apportioned by the county treasurer no less than quarterly to school districts within the county on the average daily attendance distribution basis, as certified to the county treasurer by the county superintendent of schools. However, no school district may receive in any single academic year an amount under this subsection greater than the county average per student cost multiplied by seventy percent, then multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Provided, however, that in any county in which the average daily attendance or the school census, whichever is greater, is fewer than four hundred, the county is entitled to one hundred twenty percent of the county average per student cost multiplied by the number of students in average daily attendance or the number of children of school age in the school census for the county, whichever is greater. Once this level has been reached through distributions under this subsection, all excess funds to which the school district would be entitled as part of its thirty-five percent share must be deposited instead in the county general fund. The county superintendent of schools of each oil-producing county shall certify to the county treasurer by July first of each year the amount to which each school district is limited pursuant to this subsection. As used in this subsection, "average daily attendance" means the average daily attendance for the school year immediately preceding the certification by the county superintendent of schools required by this subsection.

The countywide allocation to school districts under this subdivision is subject to the following:

(1) The first three hundred fifty thousand dollars is apportioned entirely among school districts in the county.

(2) The next three hundred fifty thousand dollars is apportioned seventy-five percent among school districts in the county and twenty-five percent to the county infrastructure fund.

(3) The next two hundred sixty-two thousand five hundred dollars is apportioned two-thirds among school districts in the county and one-third to the county infrastructure fund.

(4) The next one hundred seventy-five thousand dollars is apportioned fifty percent among school districts in the county and fifty percent to the county infrastructure fund.

(5) Any remaining amount is apportioned to the county infrastructure fund except from that remaining amount the following amounts are apportioned among school districts in the county:

(a) Four hundred ninety thousand dollars, for counties having a population of three thousand or fewer.

(b) Five hundred sixty thousand dollars, for counties having a population of more than three thousand and fewer than six thousand.

(c) Seven hundred thirty-five thousand dollars, for counties having a population of six thousand or more.

c. Twenty percent of all revenues allocated to any county ~~hereunder~~ for allocation under this subsection must be ~~paid~~ apportioned no less than quarterly by the state treasurer to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 5 which totals more than seven hundred fifty dollars per capita. Once this level has been reached through distributions under this subsection, all excess funds to which any city would be entitled except for this limitation must be deposited instead in that county's general fund. ~~Provided, however, that in~~ In determining the population of any city in which total employment increases by more than two hundred percent seasonally due to tourism, the population of that city for purposes of ~~determining the per capita limitation in~~ this ~~section~~ subdivision must be increased by ~~adding to the population of the city as determined by the last official decennial federal census a number to be determined as follows:~~

~~a. Seasonal employees of state and federal tourist facilities within five miles [8.05 kilometers] of the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~b. Seasonal employees of all private tourist facilities within the city and seasonal employees employed by the city must be included by adding the months all such employees were employed during the prior year and dividing by twelve.~~

~~c. The number of visitors to the tourist attraction within the city or within five miles [8.05 kilometers] of the city which draws the largest number of visitors annually must be included by taking the smaller of either of the following:~~

~~(1) The total number of visitors to that tourist attraction the prior year divided by three hundred sixty-five; or~~

~~(2)~~ ~~Four hundred twenty~~ eight hundred percent. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

5. a. Forty-five percent of all revenues allocated to a county infrastructure fund under subsections 3 and 4 must be credited by the county treasurer to the county general fund. However, the allocation to a county under this subdivision must be credited to the state general fund if during that fiscal year the county does not levy a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal aid road, and county road purposes.

b. Thirty-five percent of all revenues allocated to the county infrastructure fund under subsections 3 and 4 must be allocated by the board of county commissioners to or for the benefit of townships in the county on the basis of applications by townships for funding to offset oil and gas development impact to township roads or other infrastructure needs or applications by school districts for repair or replacement of school district vehicles necessitated by damage or deterioration attributable to travel on oil and gas development-impacted roads. An organized township is not eligible for an allocation of funds under this subdivision unless during that fiscal year that township levies at least ten mills for township purposes. For unorganized townships within the county, the board of county commissioners may expend an appropriate portion of revenues under this subdivision to offset oil and gas development impact to township roads or other infrastructure needs in those townships. The amount deposited during each calendar year in the county infrastructure fund which is designated for allocation under this subdivision and which is unexpended and unobligated at the end of the calendar year must be transferred by the county treasurer to the county road and bridge fund for use on county road and bridge projects.

c. Twenty percent of all revenues allocated to any county infrastructure fund under subsections 3 and 4 must be allocated by the county treasurer no less than quarterly to the incorporated cities of the county. Apportionment among cities under this subsection must be based upon the population of each incorporated city according to the last official decennial federal census. A city may not receive an allocation for a fiscal year under this subsection and subsection 4 which totals more than seven hundred fifty dollars per capita. Once this per capita limitation has been reached, all excess funds to which a city would otherwise be entitled must be deposited instead in that county's general fund. If a city receives a direct allocation under subsection 1, the allocation to that city under this subsection is limited to sixty percent of the amount otherwise determined for that city under this subsection and the amount exceeding this limitation must be reallocated among the other cities in the county.

6. Within sixty days after the end of each fiscal year, the board of county commissioners of each county that has received an allocation under this section shall file a report for the fiscal year with the tax commissioner, in a format prescribed by the tax commissioner, showing:

a. The amount received by the county in its own behalf, the amount of those funds expended for each purpose to which funds were devoted, and the share of county property tax revenue expended for each of those purposes, and the amount of those funds unexpended at the end of the fiscal year; and

b. The amount available in the county infrastructure fund for allocation to or for the benefit of townships or school districts, the amount allocated to each organized township or school district and the amount expended from each such allocation by that township or school district, the amount expended by the board of county commissioners on behalf of each unorganized township for which an expenditure was made, and the amount available for allocation to or for the benefit of townships or school districts which remained unexpended at the end of the fiscal year.

Within sixty days after the time when reports under this subsection were due, the tax commissioner shall provide a report to the legislative council compiling the information from reports received under this subsection.

In developing the format for reports under this subsection, the tax commissioner shall consult the energy development impact office and at least two county auditors from oil-producing counties.

SECTION 2. EFFECTIVE DATE. This Act is effective for taxable events occurring after June 30, 2009."

Renumber accordingly

Reengrossed HB 1304 was placed on the Seventh order of business on the calendar.

2009 TESTIMONY

HB 1304

Attachment 1

90260.0202
Title.

Prepared by the Legislative Council staff for
Representative Skarphol
January 24, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1304

Page 1, replace lines 8 through 14 with:

"1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall ~~credit~~:

a. Credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding six million dollars per biennium, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly~~, and who shall credit~~;

b. Allocate six hundred twenty-five thousand dollars per fiscal year to each city in an oil-producing county which has a population of seven thousand five hundred or more and more than two percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota. The allocation under this subdivision must be doubled if the city has more than seven and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by job service North Dakota; and

c. Credit the remaining revenues to the state general fund."

Page 1, remove lines 21 through 24

Page 2, remove lines 1 and 2

Page 2, line 3, replace "c." with "b."

Page 2, remove lines 7 through 12

Page 2, line 13, replace "e." with "c."

Page 2, remove lines 17 through 22

Page 2, line 23, replace "g." with "d."

Page 2, line 25, replace "f" with "c"

Page 3, line 3, overstrike "up to", remove "five", overstrike "million", remove "eight", and overstrike "hundred"

Page 3, line 4, overstrike "thousand dollars under this subdivision" and insert immediately thereafter "the full amount of its allocation under subsection 2"

Page 3, line 13, overstrike "up to" and remove "six"

Page 3, line 14, overstrike "million one hundred", remove "fifty", and overstrike "thousand dollars under this subdivision" and insert immediately thereafter "the full amount of its allocation under subsection 2"

Page 3, line 23, overstrike "up to", remove "six", overstrike "million", remove "nine", and overstrike "hundred thousand dollars"

Page 3, line 24, overstrike "under this subdivision" and insert immediately thereafter "the full amount of its allocation under subsection 2"

Page 5, line 2, remove "subdivision b of" and replace "2" with "1"

Page 6, line 12, remove "subdivision b of" and replace "2" with "1"

Renumber accordingly

Same handout given to Senate.

OIL AND GAS TAX AND MINERAL ROYALTY ALLOCATIONS TO CITIES AND COUNTIES
PAYMENTS MADE DURING FISCAL YEARS 2004 THROUGH 2007, AND 2008 (THROUGH MAY 31, 2008)

	Fiscal Year 2004			Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007			Fiscal Year 2008, Through May 31, 2008		
	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total
Billings County															
Billings County	$1,811,177.24	$302,603.01	$2,113,780.25	$2,527,846.81	$554,056.70	$3,081,903.51	$2,861,945.75	$1,343,783.66	$4,205,729.41	$3,201,521.38	$843,848.63	$4,045,370.01	$3,575,749.62	$859,158.19	$4,434,907.81
Medora	355,000.01	0.00	355,000.01	355,000.00	0.00	355,000.00	355,000.00	0.00	355,000.00	354,999.99	0.00	354,999.99	732,250.95	0.00	732,250.95
Billings County Total	$2,166,177.25	$302,603.01	$2,468,780.26	$2,882,846.81	$554,056.70	$3,436,903.51	$3,216,945.75	$1,343,783.66	$4,560,729.41	$3,556,521.37	$843,848.63	$4,400,370.00	$4,308,000.57	$859,158.19	$5,167,158.76
Bottineau County															
Bottineau County	$1,222,571.59	$0.00	$1,222,571.59	$1,382,947.86	$0.00	$1,382,947.86	$1,474,808.30	$0.00	$1,474,808.30	$1,503,053.71	$0.00	$1,503,053.71	$1,610,546.01	$0.00	$1,610,546.01
Antler	3,799.33	0.00	3,799.33	4,297.72	0.00	4,297.72	4,583.20	0.00	4,583.20	4,670.95	0.00	4,670.95	5,004.99	0.00	5,004.99
Bottineau	188,834.12	0.00	188,834.12	213,605.29	0.00	213,605.29	227,793.70	0.00	227,793.70	232,156.41	0.00	232,156.41	248,759.26	0.00	248,759.26
Gardena	3,071.80	0.00	3,071.80	3,474.74	0.00	3,474.74	3,705.55	0.00	3,705.55	3,776.51	0.00	3,776.51	4,046.56	0.00	4,046.56
Kramer	3,556.82	0.00	3,556.82	4,023.39	0.00	4,023.39	4,290.63	0.00	4,290.63	4,372.82	0.00	4,372.82	4,685.56	0.00	4,685.56
Landa	2,263.43	0.00	2,263.43	2,560.32	0.00	2,560.32	2,730.40	0.00	2,730.40	2,782.69	0.00	2,782.69	2,981.74	0.00	2,981.74
Lansford	20,451.64	0.00	20,451.64	23,134.49	0.00	23,134.49	24,671.16	0.00	24,671.16	25,143.65	0.00	25,143.65	26,941.84	0.00	26,941.84
Maxbass	7,356.11	0.00	7,356.11	8,321.10	0.00	8,321.10	8,873.82	0.00	8,873.82	9,043.76	0.00	9,043.76	9,690.53	0.00	9,690.53
Newburg	7,113.62	0.00	7,113.62	8,046.76	0.00	8,046.76	8,581.27	0.00	8,581.27	8,745.63	0.00	8,745.63	9,371.06	0.00	9,371.06
Overly	1,535.89	0.00	1,535.89	1,737.37	0.00	1,737.37	1,852.76	0.00	1,852.76	1,888.26	0.00	1,888.26	2,023.31	0.00	2,023.31
Souris	6,709.44	0.00	6,709.44	7,589.57	0.00	7,589.57	8,093.69	0.00	8,093.69	8,248.68	0.00	8,248.68	8,838.59	0.00	8,838.59
Westhope	43,085.86	0.00	43,085.86	48,737.84	0.00	48,737.84	51,975.18	0.00	51,975.18	52,970.61	0.00	52,970.61	56,758.86	0.00	56,758.86
Willow City	17,864.83	0.00	17,864.83	20,208.38	0.00	20,208.38	21,550.71	0.00	21,550.71	21,963.42	0.00	21,963.42	23,534.20	0.00	23,534.20
Bottineau County Total	$1,528,214.48	$0.00	$1,528,214.48	$1,728,684.83	$0.00	$1,728,684.83	$1,843,510.37	$0.00	$1,843,510.37	$1,878,817.10	$0.00	$1,878,817.10	$2,013,182.51	$0.00	$2,013,182.51
Bowman County															
Bowman County	$2,127,847.46	$900,597.68	$3,028,445.14	$3,282,549.88	$1,461,578.31	$4,744,128.19	$3,482,388.35	$3,327,347.99	$6,809,736.34	$3,280,020.11	$4,070,381.60	$7,350,401.71	$4,279,904.53	$3,416,926.01	$7,696,830.54
Bowman	402,239.60	0.00	402,239.60	620,519.82	0.00	620,519.82	658,296.47	0.00	658,296.47	620,041.61	0.00	620,041.61	620,037.81	0.00	620,037.81
Gascoyne	5,782.19	0.00	5,782.19	8,919.97	0.00	8,919.97	9,463.02	0.00	9,463.02	8,913.09	0.00	8,913.09	8,913.05	0.00	8,913.05
Rhame	47,514.56	0.00	47,514.56	73,298.92	0.00	73,298.92	77,761.29	0.00	77,761.29	73,242.41	0.00	73,242.41	73,241.96	0.00	73,241.96
Scranton	76,425.51	0.00	76,425.51	117,898.74	0.00	117,898.74	125,076.30	0.00	125,076.30	117,807.92	0.00	117,807.92	117,807.18	0.00	117,807.18
Bowman County Total	$2,659,809.32	$900,597.68	$3,560,407.00	$4,103,187.33	$1,461,578.31	$5,564,765.64	$4,352,985.43	$3,327,347.99	$7,680,333.42	$4,100,025.14	$4,070,381.60	$8,170,406.74	$5,099,904.53	$3,416,926.01	$8,516,830.54
Burke County															
Burke County	$508,462.00	$12.00	$508,474.00	$693,917.15	$35.00	$693,952.15	$889,975.42	$15.00	$889,990.42	$1,056,205.59	$15.01	$1,056,220.60	$1,300,570.29	$1,279.72	$1,301,850.01
Bowbells	40,926.95	0.00	40,926.95	55,854.56	0.00	55,854.56	71,881.97	0.00	71,881.97	86,177.54	0.00	86,177.54	106,115.67	0.00	106,115.67
Columbus	15,221.61	0.00	15,221.61	20,773.49	0.00	20,773.49	26,734.43	0.00	26,734.43	32,051.25	0.00	32,051.25	39,466.67	0.00	39,466.67
Flaxton	9,072.49	0.00	9,072.49	12,381.55	0.00	12,381.55	15,169.27	0.00	15,169.27	15,494.97	0.00	15,494.97	19,079.90	0.00	19,079.90
Lignite	17,540.12	0.00	17,540.12	23,937.66	0.00	23,937.66	30,806.57	0.00	30,806.57	36,933.25	0.00	36,933.25	45,478.15	0.00	45,478.15
Portal	13,205.49	0.00	13,205.49	18,022.03	0.00	18,022.03	23,193.44	0.00	23,193.44	27,806.05	0.00	27,806.05	34,239.27	0.00	34,239.27
Powers Lake	31,148.83	0.00	31,148.83	42,509.99	0.00	42,509.99	54,708.17	0.00	54,708.17	65,588.33	0.00	65,588.33	80,762.93	0.00	80,762.93
Burke County Total	$635,577.49	$12.00	$635,589.49	$867,396.43	$35.00	$867,431.43	$1,112,469.27	$15.00	$1,112,484.27	$1,320,256.98	$15.01	$1,320,271.99	$1,625,712.88	$1,279.72	$1,626,992.60
Burleigh County															
Burleigh County	$0.00	$19.32	$19.32	$0.00	$30.47	$30.47	$0.00	$30.46	$30.46	$0.00	$30.48	$30.48	$0.00	$0.00	$0.00
Wilton	1,041.62	0.00	1,041.62	1,295.58	0.00	1,295.58	1,616.07	0.00	1,616.07	1,524.02	0.00	1,524.02	1,641.76	0.00	1,641.76
Burleigh County Total	$1,041.62	$19.32	$1,060.94	$1,295.58	$30.47	$1,326.05	$1,616.07	$30.46	$1,646.53	$1,524.02	$30.48	$1,554.50	$1,641.76	$0.00	$1,641.76
Divide County															
Divide County	$504,584.44	$52.03	$504,636.47	$736,983.78	$66.58	$737,050.36	$820,219.05	$37.86	$820,256.91	$949,148.25	$3,777.40	$952,925.65	$1,226,900.14	$3,714.60	$1,230,614.74
Ambrose	2,236.98	0.00	2,236.98	3,267.27	0.00	3,267.27	3,636.28	0.00	3,636.28	4,207.86	0.00	4,207.86	5,439.24	0.00	5,439.24
Crosby	105,916.04	0.00	105,916.04	154,698.41	0.00	154,698.41	172,170.10	0.00	172,170.10	199,233.30	0.00	199,233.30	257,535.51	0.00	257,535.51
Fortuna	3,015.04	0.00	3,015.04	4,403.72	0.00	4,403.72	4,901.08	0.00	4,901.08	5,671.49	0.00	5,671.49	7,331.15	0.00	7,331.15
Noonan	14,978.04	0.00	14,978.04	21,876.55	0.00	21,876.55	24,347.29	0.00	24,347.29	28,174.42	0.00	28,174.42	36,419.14	0.00	36,419.14
Divide County Total	$630,730.54	$52.03	$630,782.57	$921,229.73	$66.58	$921,296.31	$1,025,273.80	$37.86	$1,025,311.66	$1,186,435.32	$3,777.40	$1,190,212.72	$1,533,625.18	$3,714.60	$1,537,339.78
Dunn County															
Dunn County	$642,675.60	$71,670.91	$714,346.51	$766,047.04	$73,748.68	$839,795.72	$933,625.43	$123,060.56	$1,056,685.99	$1,186,882.43	$329,649.45	$1,516,531.88	$2,193,759.90	$82,513.19	$2,276,273.09
Dodge	16,919.65	0.00	16,919.65	20,167.63	0.00	20,167.63	24,579.44	0.00	24,579.44	31,246.90	0.00	31,246.90	57,754.84	0.00	57,754.84
Dunn Center	16,513.57	0.00	16,513.57	19,683.61	0.00	19,683.61	23,989.53	0.00	23,989.53	30,496.97	0.00	30,496.97	56,368.72	0.00	56,368.72
Halliday	30,726.08	0.00	30,726.08	36,624.40	0.00	36,624.40	44,636.26	0.00	44,636.26	56,744.38	0.00	56,744.38	104,882.79	0.00	104,882.79
Killdeer	96,509.61	0.00	96,509.61	115,036.12	0.00	115,036.12	140,201.15	0.00	140,201.15	178,232.34	0.00	178,232.34	329,433.63	0.00	329,433.63
Dunn County Total	$803,344.51	$71,670.91	$875,015.42	$957,558.80	$73,748.68	$1,031,307.48	$1,167,031.81	$123,060.56	$1,290,092.37	$1,483,603.02	$329,649.45	$1,813,252.47	$2,742,199.88	$82,513.19	$2,824,713.07
Eddy County															

Attachment 2

	Fiscal Year 2004			Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007			Fiscal Year 2008, Through May 31, 2008		
	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total
Eddy County	$0.00	$2,052.91	$2,052.91	$0.00	$1,415.68	$1,415.68	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Golden Valley County															
Golden Valley County	$455,740.96	$48,305.41	$504,046.37	$713,895.07	$89,204.27	$803,099.34	$870,894.87	$194,077.55	$1,064,972.42	$937,062.08	$356,188.21	$1,293,250.29	$1,006,009.93	$233,592.15	$1,239,602.08
Beach	99,027.88	0.00	99,027.88	155,122.05	0.00	155,122.05	189,236.50	0.00	189,236.50	203,613.96	0.00	203,613.96	218,595.60	0.00	218,595.60
Golva	9,405.35	0.00	9,405.35	14,733.82	0.00	14,733.82	17,974.07	0.00	17,974.07	19,339.67	0.00	19,339.67	20,762.69	0.00	20,762.69
Sentinel Butte	5,502.03	0.00	5,502.03	8,617.91	0.00	8,617.91	10,513.14	0.00	10,513.14	11,311.89	0.00	11,311.89	12,144.19	0.00	12,144.19
Golden Valley County Total	$569,676.22	$48,305.41	$617,981.63	$892,368.85	$89,204.27	$981,573.12	$1,088,618.58	$194,077.55	$1,282,696.13	$1,171,327.60	$356,188.21	$1,527,515.81	$1,257,512.41	$233,592.15	$1,491,104.56
McHenry County															
McHenry County	$18,201.09	$0.00	$18,201.09	$21,533.46	$0.00	$21,533.46	$24,851.69	$0.00	$24,851.69	$33,838.79	$0.00	$33,838.79	$45,416.26	$0.00	$45,416.26
Anamoose	425.03	0.00	425.03	502.85	0.00	502.85	580.34	0.00	580.34	790.20	0.00	790.20	1,060.57	0.00	1,060.57
Balfour	30.14	0.00	30.14	35.66	0.00	35.66	41.16	0.00	41.16	56.04	0.00	56.04	75.21	0.00	75.21
Bantry	28.65	0.00	28.65	33.88	0.00	33.88	39.09	0.00	39.09	53.24	0.00	53.24	71.46	0.00	71.46
Bergen	16.58	0.00	16.58	19.61	0.00	19.61	22.63	0.00	22.63	30.82	0.00	30.82	41.38	0.00	41.38
Deering	177.84	0.00	177.84	210.41	0.00	210.41	242.84	0.00	242.84	330.66	0.00	330.66	443.80	0.00	443.80
Drake	485.33	0.00	485.33	574.17	0.00	574.17	662.66	0.00	662.66	902.30	0.00	902.30	1,210.99	0.00	1,210.99
Granville	431.06	0.00	431.06	509.98	0.00	509.98	588.57	0.00	588.57	801.41	0.00	801.41	1,075.61	0.00	1,075.61
Karlsruhe	179.35	0.00	179.35	212.20	0.00	212.20	244.90	0.00	244.90	333.46	0.00	333.46	447.53	0.00	447.53
Kief	19.60	0.00	19.60	23.18	0.00	23.18	26.75	0.00	26.75	36.42	0.00	36.42	48.87	0.00	48.87
Towner	865.14	0.00	865.14	1,023.54	0.00	1,023.54	1,181.25	0.00	1,181.25	1,608.43	0.00	1,608.43	2,158.74	0.00	2,158.74
Upham	233.63	0.00	233.63	276.39	0.00	276.39	318.99	0.00	318.99	434.34	0.00	434.34	582.94	0.00	582.94
Velva	1,581.06	0.00	1,581.06	1,870.54	0.00	1,870.54	2,158.79	0.00	2,158.79	2,939.46	0.00	2,939.46	3,945.14	0.00	3,945.14
Voltaire	76.85	0.00	76.85	90.96	0.00	90.96	104.96	0.00	104.96	142.92	0.00	142.92	191.82	0.00	191.82
McHenry County Total	$22,751.35	$0.00	$22,751.35	$26,916.83	$0.00	$26,916.83	$31,064.62	$0.00	$31,064.62	$42,298.49	$0.00	$42,298.49	$56,770.32	$0.00	$56,770.32
McKenzie County															
McKenzie County	$1,915,410.07	$481,268.79	$2,396,678.86	$2,706,175.43	$659,889.48	$3,366,064.91	$3,135,800.51	$2,347,658.96	$5,483,459.47	$3,377,613.99	$1,627,970.32	$5,005,584.31	$4,704,676.14	$652,216.20	$5,356,892.34
Alexander	58,939.11	0.00	58,939.11	83,272.84	0.00	83,272.84	96,559.43	0.00	96,559.43	104,288.88	0.00	104,288.88	121,159.55	0.00	121,159.55
Arnegard	30,148.94	0.00	30,148.94	42,595.78	0.00	42,595.78	48,852.66	0.00	48,852.66	50,462.34	0.00	50,462.34	58,625.53	0.00	58,625.53
Watford City	389,764.48	0.00	389,764.48	550,675.22	0.00	550,675.22	638,538.01	0.00	638,538.01	689,652.29	0.00	689,652.29	801,216.62	0.00	801,216.62
McKenzie County Total	$2,394,262.60	$481,268.79	$2,875,531.39	$3,382,719.27	$659,889.48	$4,042,608.75	$3,919,750.61	$2,347,658.96	$6,267,409.57	$4,222,017.50	$1,627,970.32	$5,849,987.82	$5,685,677.84	$652,216.20	$6,337,894.04
McLean County															
McLean County	$40,986.92	$987.55	$41,974.47	$50,980.09	$14,540.45	$65,520.54	$63,588.68	$2,670.42	$66,259.10	$59,966.61	$605.85	$60,572.46	$64,602.62	$607.11	$65,209.73
Benedict	97.90	0.00	97.90	121.54	0.00	121.54	151.59	0.00	151.59	142.95	0.00	142.95	154.01	0.00	154.01
Butte	169.61	0.00	169.61	210.97	0.00	210.97	263.14	0.00	263.14	248.15	0.00	248.15	267.34	0.00	267.34
Coleharbor	195.41	0.00	195.41	243.07	0.00	243.07	303.19	0.00	303.19	285.91	0.00	285.91	308.02	0.00	308.02
Garrison	2,429.82	0.00	2,429.82	3,022.30	0.00	3,022.30	3,769.79	0.00	3,769.79	3,555.05	0.00	3,555.05	3,829.90	0.00	3,829.90
Max	512.51	0.00	512.51	637.48	0.00	637.48	795.14	0.00	795.14	749.85	0.00	749.85	807.82	0.00	807.82
Mercer	158.55	0.00	158.55	197.21	0.00	197.21	245.98	0.00	245.98	231.97	0.00	231.97	249.90	0.00	249.90
Riverdale	503.29	0.00	503.29	626.02	0.00	626.02	780.84	0.00	780.84	736.37	0.00	736.37	793.30	0.00	793.30
Ruso	11.06	0.00	11.06	13.76	0.00	13.76	17.16	0.00	17.16	16.18	0.00	16.18	17.45	0.00	17.45
Turtle Lake	1,069.27	0.00	1,069.27	1,330.00	0.00	1,330.00	1,658.93	0.00	1,658.93	1,564.44	0.00	1,564.44	1,685.39	0.00	1,685.39
Underwood	1,496.98	0.00	1,496.98	1,861.99	0.00	1,861.99	2,322.50	0.00	2,322.50	2,190.21	0.00	2,190.21	2,359.54	0.00	2,359.54
Washburn	2,560.72	0.00	2,560.72	3,185.11	0.00	3,185.11	3,972.85	0.00	3,972.85	3,746.55	0.00	3,746.55	4,036.21	0.00	4,036.21
McLean County Total	$50,192.04	$987.55	$51,179.59	$62,429.54	$14,540.45	$76,969.99	$77,869.79	$2,670.42	$80,540.21	$73,434.24	$605.85	$74,040.09	$79,111.50	$607.11	$79,718.61
Mercer County															
Mercer County	$0.00	$114,009.04	$114,009.04	$0.00	$59,427.60	$59,427.60	$0.00	$140,327.17	$140,327.17	$0.00	$225,286.94	$225,286.94	$0.00	$215,999.44	$215,999.44
Mountrail County															
Mountrail County	$187,866.16	$0.00	$187,866.16	$277,336.18	$6,251.84	$283,588.02	$361,983.51	$21,662.61	$383,646.12	$790,620.31	$49,627.47	$840,247.78	$3,269,542.26	$25,380.03	$3,294,922.29
New Town	16,123.38	0.00	16,123.38	23,801.86	0.00	23,801.86	31,066.78	0.00	31,066.78	67,853.97	0.00	67,853.97	280,604.22	0.00	280,604.22
Palermo	908.19	0.00	908.19	1,340.80	0.00	1,340.80	1,749.91	0.00	1,749.91	3,822.06	0.00	3,822.06	15,805.79	0.00	15,805.79
Parshall	11,570.61	0.00	11,570.61	17,080.59	0.00	17,080.59	22,294.44	0.00	22,294.44	48,694.01	0.00	48,694.01	201,369.99	0.00	201,369.99
Plaza	1,969.72	0.00	1,969.72	2,907.90	0.00	2,907.90	3,795.29	0.00	3,795.29	8,289.41	0.00	8,289.41	34,280.10	0.00	34,280.10
Ross	566.13	0.00	566.13	835.84	0.00	835.84	1,090.85	0.00	1,090.85	2,382.58	0.00	2,382.58	9,852.98	0.00	9,852.98
Stanley	15,085.43	0.00	15,085.43	22,270.06	0.00	22,270.06	29,066.86	0.00	29,066.86	63,485.89	0.00	63,485.89	262,540.46	0.00	262,540.46
White Earth	743.07	0.00	743.07	1,097.02	0.00	1,097.02	1,431.75	0.00	1,431.75	3,127.17	0.00	3,127.17	12,932.02	0.00	12,932.02
Mountrail County Total	$234,832.69	$0.00	$234,832.69	$346,670.25	$6,251.84	$352,922.09	$452,479.39	$21,662.61	$474,142.00	$988,275.40	$49,627.47	$1,037,902.87	$4,086,927.82	$25,380.03	$4,112,307.85
Oliver County															
Oliver County	$0.00	$4,896.37	$4,896.37	$0.00	$7,449.96	$7,449.96	$0.00	$1,285.21	$1,285.21	$0.00	$2,355.89	$2,355.89	$0.00	$1,924.66	$1,924.66

	Fiscal Year 2004			Fiscal Year 2005			Fiscal Year 2006			Fiscal Year 2007			Fiscal Year 2008, Through May 31, 2008		
	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total	Oil and Gas Production Tax	Mineral Royalties	Total
Renville County															
Renville County	$427,641.86	$36.01	$427,677.87	$586,301.65	$20.00	$586,321.65	$749,075.41	$0.00	$749,075.41	$807,605.80	$0.00	$807,605.80	$1,042,736.37	$35.06	$1,042,771.43
Glenburn	26,099.55	0.00	26,099.55	35,782.78	0.00	35,782.78	45,717.07	0.00	45,717.07	49,289.25	0.00	49,289.25	63,639.59	0.00	63,639.59
Grano	628.06	0.00	628.06	861.07	0.00	861.07	1,100.14	0.00	1,100.14	1,186.09	0.00	1,186.09	1,531.45	0.00	1,531.45
Loraine	1,325.92	0.00	1,325.92	1,817.84	0.00	1,817.84	2,322.52	0.00	2,322.52	2,503.99	0.00	2,503.99	3,233.03	0.00	3,233.03
Mohall	56,665.33	0.00	56,665.33	77,688.80	0.00	77,688.80	99,257.37	0.00	99,257.37	107,013.05	0.00	107,013.05	138,169.36	0.00	138,169.36
Sherwood	17,795.13	0.00	17,795.13	24,397.33	0.00	24,397.33	31,170.73	0.00	31,170.73	33,606.29	0.00	33,606.29	43,390.63	0.00	43,390.63
Tolley	4,396.46	0.00	4,396.46	6,027.59	0.00	6,027.59	7,701.01	0.00	7,701.01	8,302.78	0.00	8,302.78	10,720.04	0.00	10,720.04
Renville County Total	$534,552.31	$36.01	$534,588.32	$732,877.06	$20.00	$732,897.06	$936,344.25	$0.00	$936,344.25	$1,009,507.25	$0.00	$1,009,507.25	$1,303,420.47	$35.06	$1,303,455.53
Slope County															
Slope County	$137,699.06	$27,392.62	$165,091.68	$532,093.26	$35,533.17	$567,626.43	$766,224.54	$85,269.67	$851,494.21	$911,897.98	$96,312.24	$1,008,210.22	$694,744.55	$102,974.95	$797,719.50
Amidon	5,391.83	0.00	5,391.83	13,011.51	0.00	13,011.51	13,000.00	0.00	13,000.00	13,000.00	0.00	13,000.00	23,671.60	0.00	23,671.60
Marmarth	29,032.93	0.00	29,032.93	70,061.94	0.00	70,061.94	70,000.00	0.00	70,000.00	69,999.99	0.00	69,999.99	127,462.43	0.00	127,462.43
Slope County Total	$172,123.82	$27,392.62	$199,516.44	$615,166.71	$35,533.17	$650,699.88	$849,224.54	$85,269.67	$934,494.21	$994,897.97	$96,312.24	$1,091,210.21	$845,878.58	$102,974.95	$948,853.53
Stark County															
Stark County	$1,548,929.62	$271,896.36	$1,820,825.98	$1,568,195.38	$289,222.93	$1,857,418.31	$1,524,424.06	$303,345.88	$1,827,769.94	$1,444,792.61	$227,345.75	$1,672,138.36	$1,525,289.98	$156,437.66	$1,681,727.64
Belfield	18,425.46	0.00	18,425.46	18,654.64	0.00	18,654.64	18,133.93	0.00	18,133.93	17,186.68	0.00	17,186.68	18,144.25	0.00	18,144.25
Dickinson	340,636.86	0.00	340,636.86	344,873.74	0.00	344,873.74	335,247.66	0.00	335,247.66	317,735.31	0.00	317,735.31	335,438.11	0.00	335,438.11
Gladstone	5,276.57	0.00	5,276.57	5,342.20	0.00	5,342.20	5,193.10	0.00	5,193.10	4,921.81	0.00	4,921.81	5,196.02	0.00	5,196.02
Richardton	13,170.15	0.00	13,170.15	13,333.98	0.00	13,333.98	12,961.80	0.00	12,961.80	12,284.69	0.00	12,284.69	12,969.15	0.00	12,969.15
South Heart	6,531.88	0.00	6,531.88	6,613.12	0.00	6,613.12	6,428.55	0.00	6,428.55	6,092.73	0.00	6,092.73	6,432.23	0.00	6,432.23
Taylor	3,191.48	0.00	3,191.48	3,231.16	0.00	3,231.16	3,140.98	0.00	3,140.98	2,976.93	0.00	2,976.93	3,142.73	0.00	3,142.73
Stark County Total	$1,936,162.02	$271,896.36	$2,208,058.38	$1,960,244.22	$289,222.93	$2,249,467.15	$1,905,530.08	$303,345.88	$2,208,875.96	$1,805,990.76	$227,345.75	$2,033,336.51	$1,906,612.47	$156,437.66	$2,063,050.13
Stutsman County															
Stutsman County	$0.00	$27.01	$27.01	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00
Ward County															
Ward County	$47,750.96	$0.00	$47,750.96	$61,688.98	$0.00	$61,688.98	$71,483.83	$0.00	$71,483.83	$74,062.09	$0.00	$74,062.09	$95,937.44	$0.00	$95,937.44
Berthold	134.85	0.00	134.85	174.22	0.00	174.22	201.88	0.00	201.88	209.16	0.00	209.16	270.94	0.00	270.94
Burlington	317.18	0.00	317.18	409.75	0.00	409.75	474.80	0.00	474.80	491.93	0.00	491.93	637.22	0.00	637.22
Carpio	42.82	0.00	42.82	55.33	0.00	55.33	64.11	0.00	64.11	66.44	0.00	66.44	86.05	0.00	86.05
Des Lacs	60.47	0.00	60.47	78.13	0.00	78.13	90.54	0.00	90.54	93.81	0.00	93.81	121.52	0.00	121.52
Donnybrook	26.05	0.00	26.05	33.64	0.00	33.64	38.99	0.00	38.99	40.40	0.00	40.40	52.34	0.00	52.34
Douglas	18.53	0.00	18.53	23.92	0.00	23.92	27.73	0.00	27.73	28.73	0.00	28.73	37.22	0.00	37.22
Kenmare	312.82	0.00	312.82	404.15	0.00	404.15	468.29	0.00	468.29	485.20	0.00	485.20	628.50	0.00	628.50
Makoti	41.96	0.00	41.96	54.21	0.00	54.21	62.81	0.00	62.81	65.09	0.00	65.09	84.31	0.00	84.31
Minot	10,581.97	0.00	10,581.97	13,670.74	0.00	13,670.74	15,841.33	0.00	15,841.33	16,412.71	0.00	16,412.71	21,260.45	0.00	21,260.45
Ryder	26.62	0.00	26.62	34.39	0.00	34.39	39.86	0.00	39.86	41.29	0.00	41.29	53.49	0.00	53.49
Sawyer	109.09	0.00	109.09	140.95	0.00	140.95	163.31	0.00	163.31	169.22	0.00	169.22	219.20	0.00	219.20
Surrey	265.37	0.00	265.37	342.80	0.00	342.80	397.30	0.00	397.30	411.54	0.00	411.54	533.11	0.00	533.11
Ward County Total	$59,688.69	$0.00	$59,688.69	$77,111.21	$0.00	$77,111.21	$89,354.78	$0.00	$89,354.78	$92,577.61	$0.00	$92,577.61	$119,921.79	$0.00	$119,921.79
Williams County															
Williams County	$1,774,731.19	$5,290.22	$1,780,021.41	$2,207,013.36	$7,052.55	$2,214,065.91	$2,544,934.86	$15,552.48	$2,560,487.34	$2,965,829.89	$45,495.01	$3,011,324.90	$4,104,762.18	$20,634.72	$4,125,396.90
Alamo	1,543.74	0.00	1,543.74	1,919.83	0.00	1,919.83	2,213.68	0.00	2,213.68	2,579.78	0.00	2,579.78	3,570.46	0.00	3,570.46
Epping	2,391.26	0.00	2,391.26	2,973.67	0.00	2,973.67	3,429.00	0.00	3,429.00	3,996.10	0.00	3,996.10	5,530.71	0.00	5,530.71
Grenora	6,114.34	0.00	6,114.34	7,603.67	0.00	7,603.67	8,767.84	0.00	8,767.84	10,217.92	0.00	10,217.92	14,141.80	0.00	14,141.80
Ray	16,163.64	0.00	16,163.64	20,100.74	0.00	20,100.74	23,178.39	0.00	23,178.39	27,011.75	0.00	27,011.75	37,384.76	0.00	37,384.76
Springbrook	786.98	0.00	786.98	978.68	0.00	978.68	1,128.53	0.00	1,128.53	1,315.19	0.00	1,315.19	1,820.22	0.00	1,820.22
Tioga	34,052.61	0.00	34,052.61	42,347.07	0.00	42,347.07	48,830.87	0.00	48,830.87	56,906.79	0.00	56,906.79	78,760.03	0.00	78,760.03
Wildrose	3,904.71	0.00	3,904.71	4,855.86	0.00	4,855.86	5,599.28	0.00	5,599.28	6,525.31	0.00	6,525.31	9,031.14	0.00	9,031.14
Williston	378,725.52	0.00	378,725.52	470,973.82	0.00	470,973.82	543,086.10	0.00	543,086.10	632,904.64	0.00	632,904.64	875,951.43	0.00	875,951.43
Williams County Total	$2,218,413.99	$5,290.22	$2,223,704.21	$2,758,766.70	$7,052.55	$2,765,819.25	$3,181,168.55	$15,552.48	$3,196,721.03	$3,707,287.37	$45,495.01	$3,752,782.38	$5,130,952.73	$20,634.72	$5,151,587.45
Grand Total	$16,617,550.94	$2,231,117.24	$18,848,668.18	$22,317,470.15	$3,259,523.67	$25,576,993.82	$25,251,237.69	$7,906,125.48	$33,157,363.17	$27,634,797.14	$7,878,890.25	$35,513,687.39	$37,797,053.24	$5,773,393.69	$43,570,446.93

At What North Dakota Oil Price will Major Producing Counties Reach their Gross Production Tax Caps?

Computation assumes October 2008 production levels held constant for a full year

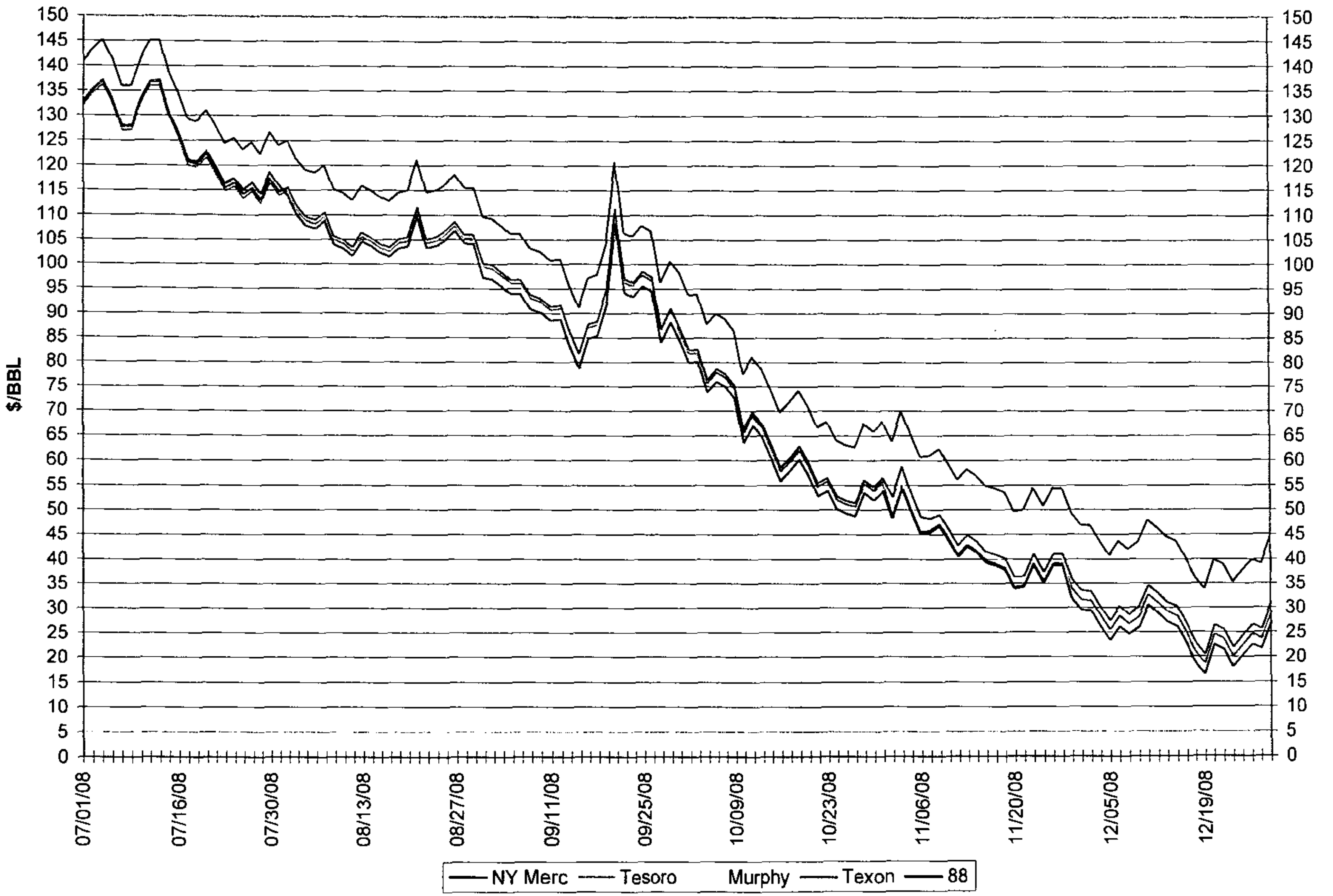
Same handout given to Senate.

County Population Class		County/State Tiers (County Share Shown) 100%	75%	50%	25%	Annual Total		Major Producing Counties at each Pop Class	Oct 2008 Oil Production	Assumed Annual Prod.	Average ND Oil Price at Which County Hits cap
Smallest	GPT Collections	$ 1,250,000	$ 1,250,000	$ 1,250,000	$ 8,250,000	$ 12,000,000	Small	Billings:	362,965	4,355,580	$ 55.10
	80% Allocation	1,000,000	1,000,000	1,000,000	6,600,000	9,600,000					
	County Share	1,000,000	750,000	500,000	1,650,000	**3,900,000**					
Mid-sized	GPT Collections	1,250,000	1,250,000	1,250,000	9,250,000	13,000,000	Mid	Bowman:	1,312,315	15,747,780	$ 16.51
	80% Allocation	1,000,000	1,000,000	1,000,000	7,400,000	10,400,000		Dunn:	633,018	7,596,216	$ 34.23
	County Share	1,000,000	750,000	500,000	1,850,000	**4,100,000**		McKenzie:	729,989	8,759,868	$ 29.68
Largest	GPT Collections	1,250,000	1,250,000	1,250,000	11,750,000	15,500,000	Large	Mountrail:	2,136,413	25,636,956	$ 12.09
	80% Allocation	1,000,000	1,000,000	1,000,000	9,400,000	12,400,000		Williams:	438,881	5,266,572	$ 58.86
	County Share	1,000,000	750,000	500,000	2,350,000	**4,600,000**					
	Additional $1 Million from SB 2178 (2007 Session)										
Smallest	GPT Collections	1,250,000	1,250,000	1,250,000	13,250,000	17,000,000	Small	Billings:	362,965	4,355,580	$ 78.06
	80% Allocation	1,000,000	1,000,000	1,000,000	10,600,000	13,600,000					
	County Share	1,000,000	750,000	500,000	2,650,000	**4,900,000**					
Mid-sized	GPT Collections	1,250,000	1,250,000	1,250,000	14,250,000	18,000,000	Mid	Bowman:	1,312,315	15,747,780	$ 22.86
	80% Allocation	1,000,000	1,000,000	1,000,000	11,400,000	14,400,000		Dunn:	633,018	7,596,216	$ 47.39
	County Share	1,000,000	750,000	500,000	2,850,000	**5,100,000**		McKenzie:	729,989	8,759,868	$ 41.10
Largest	GPT Collections	1,250,000	1,250,000	1,250,000	16,750,000	20,500,000	Large	Mountrail:	2,136,413	25,636,956	$ 15.99
	80% Allocation	1,000,000	1,000,000	1,000,000	13,400,000	16,400,000		Williams:	438,881	5,266,572	$ 77.85
	County Share	1,000,000	750,000	500,000	3,350,000	**5,600,000**					
	Additional $1 Million proposed in Governor's Budget										
Smallest	GPT Collections	1,250,000	1,250,000	1,250,000	18,250,000	22,000,000	Small	Billings:	362,965	4,355,580	$ 101.02
	80% Allocation	1,000,000	1,000,000	1,000,000	14,600,000	17,600,000					
	County Share	1,000,000	750,000	500,000	3,650,000	**5,900,000**					
Mid-sized	GPT Collections	1,250,000	1,250,000	1,250,000	19,250,000	23,000,000	Mid	Bowman:	1,312,315	15,747,780	$ 29.21
	80% Allocation	1,000,000	1,000,000	1,000,000	15,400,000	18,400,000		Dunn:	633,018	7,596,216	$ 60.56
	County Share	1,000,000	750,000	500,000	3,850,000	**6,100,000**		McKenzie:	729,989	8,759,868	$ 52.51
Largest	GPT Collections	1,250,000	1,250,000	1,250,000	21,750,000	25,500,000	Large	Mountrail:	2,136,413	25,636,956	$ 19.89
	80% Allocation	1,000,000	1,000,000	1,000,000	17,400,000	20,400,000		Williams:	438,881	5,266,572	$ 96.84
	County Share	1,000,000	750,000	500,000	4,350,000	**6,600,000**					

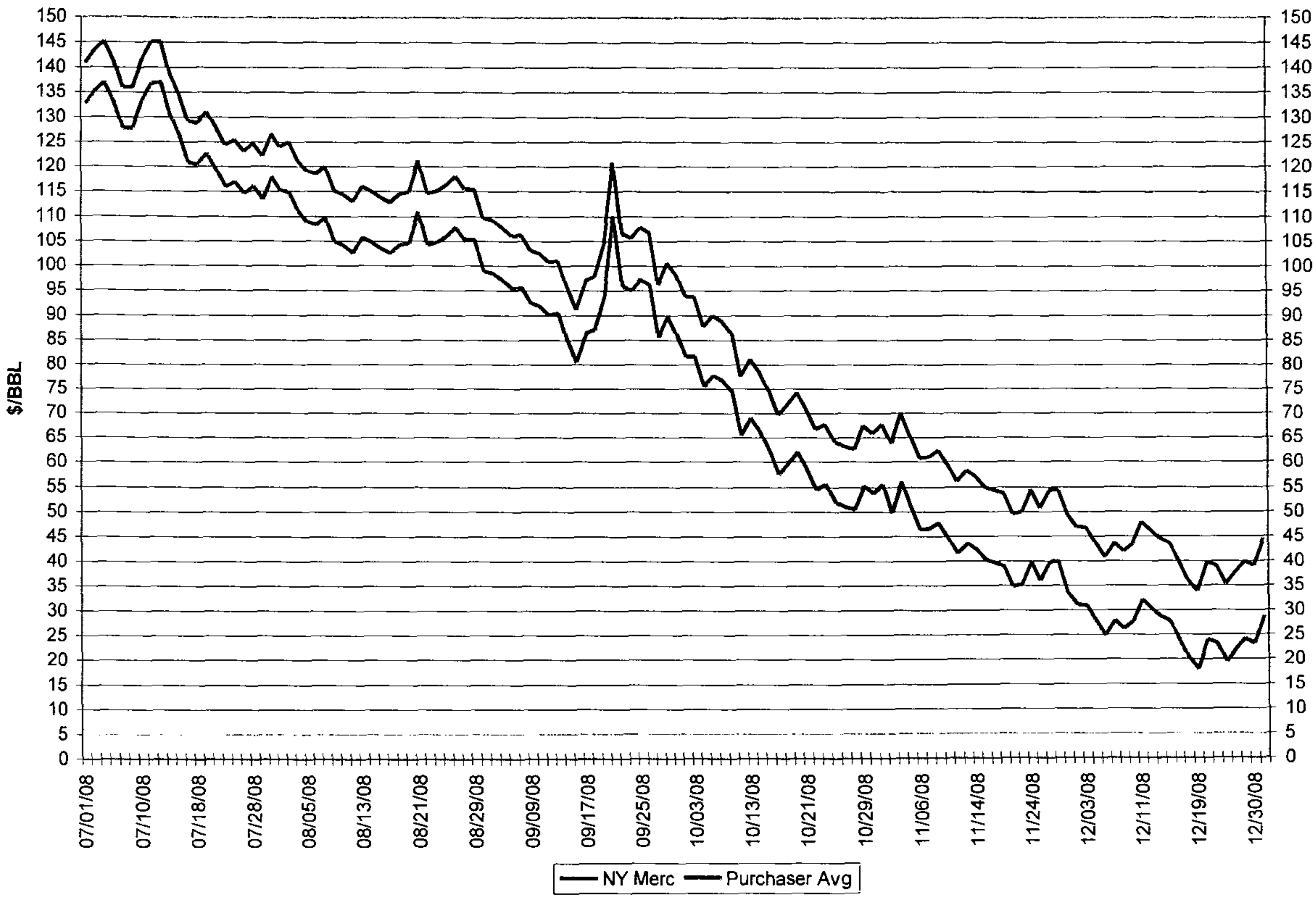
Bold = county maximum under current law, with SB 2178, and under Gov's budget proposal

Prepared by: Office of Tax Commissioner, Kathryn Strombeck, December 2008

OIL PRICE POSTINGS



OIL PRICE POSTINGS



Testimony 3

North Dakota Association of Oil & Gas Producing Counties

EXECUTIVE COMMITTEE

Supt. Anthony Duletski
President
Bowman County PSD

Brad Bekkedahl
Past President
Williston

Jim Arthaud
Billings County

Greg Boschee
Mountrail County

Dan Brosz
Bowman City

Steve Holen
McKenzie County PSD

Gary Melby
Bowbells City

Verdean Kveum
Bottineau County

Supt. Steve Cascaden
Parshal PSD

Reinhard Hauck
Secretary/Treasurer
Manning

January 27, 2009

HB 1304

In support of removal of the caps

House Finance and Taxation Committee

Vicky Steiner

Executive Director

ND Association of Oil and Gas Producing Counties

1. **Impacts tabulated**

- NDSU study completed January 2008- \$36.9- \$46.2 million a year or \$73.8-\$92.4 million in damage for biennium
- 1983 caps based on population, not correlation to damage on the ground
- \$1.2 billion surplus, \$800 million was generated from oil activity

2. **Lifting caps**

- Fiscal note at today's oil prices to take the caps off is my fiscal note estimate of \$24 million/biennium
- Governor's bill 2013/2229 contains up to \$24 million but the fiscal note is less given today's projections for dropping oil production
- State takes 3 dollars, the top oil producing county takes 1
- If the county production falls off, the state and county share at the lower 50/50
- Intent of the 5% gross production tax isn't being met today with the caps on

VICKY STEINER - EXECUTIVE DIRECTOR
859 Senior Ave. ~ Dickinson, ND 58602-1333 ~ Phone: (701) 483-TEAM (8326) ~ Fax: (701) 483-8328 ~ Cellular: (701) 290-1339
E-mail: vsteiner@ndsupernet.com ~ Web: www.ndoilgas.govoffice.com

Linda Svihovec - Permit Operator
P.O. Box 504 ~ Watford City, ND 58854 ~ Phone: 701-444-3457 (work) ~ Phone: 701-444-4061 (home) ~ Fax: 701-444-4113 ~ Email: lsvihovec@co.mckenzie.nd.us

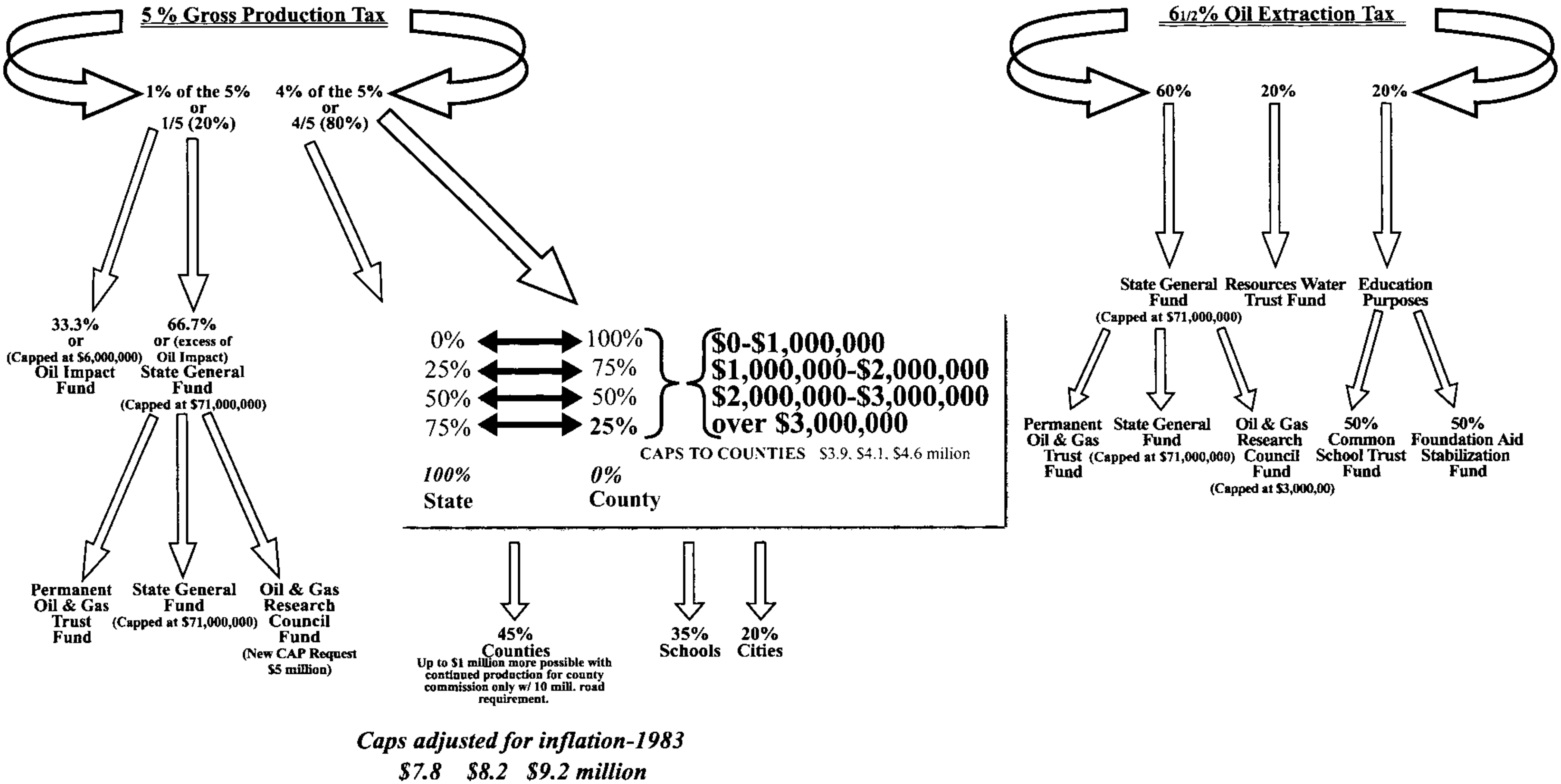
3. **What works**

- TWO state funding sources - assure success of the oil industry with viable long term county infrastructure
- 1- Energy impact funding- HB 1225 and HB 1275 take off the cap- estimated $27 million biennium fiscal note at $57 oil, the Governor's proposal $14 million new money, current law $6 million biennium
- 2- lift the caps and allow the top oil producing counties 25% at the bottom of the formula which was law prior to 1981- the caps are not working given increases to road construction and the pace of the oil development
- Fatalities, road safety, bridge repair, school bus breakdowns, loss of property values for local citizens, increased law enforcement, counties compete for resources with the industry, water infrastructure needs are part of why the oil counties need that 25% at the bottom of the formula, not zero as is current law.

The North Dakota Association of Oil and Gas Producing Counties

supports an amendment to remove the caps in HB 1304.

Oil Taxes
2009



ND Association of Oil and Gas Producing Counties ©2009

Testimony 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

Testimony 5

To: Chairman Belter
Members of the Finance and Taxation Committee

From: Christy L. Larsen
Dunn County Recorder/Clerk of Court

RE: HB1304

For the record, my name is Christy Larsen. I am currently the Dunn County Recorder & Clerk of Court. I am here to support House Bill 1304.

As the county recorder/clerk of court I have seen a steady increase in the use of our public records and the system in which we preserve these records.

When one hears oil impact in western North Dakota, you often hear of the quality of the roads traveled. As a county recorder I would like to stress the effects that this impact is having in my office.

Dunn County currently averages between 20 to 25 land men daily. This number was at 60 during the peak of the leasing process. In 2006 our records working area was set up to hold 12 people and contained 2 public terminals. As of today, we have added three more public terminals along with seating and tables down the hall, in the commissioners room and the lunch room.

In 2006 the recorder/clerk of court offices consisted of 3 staff, the recorder/clerk of court and then a deputy for both areas. As of today we have added a clerk and indexing position so we are currently at five staff.

Competing with the oil field to keep staff has been a large burden. Since 2006 the recorder/clerk of court, deputy recorder, and 2 indexing positions have left our office and are currently working in the oil business. Dunn County can not compete with the wages that the oil field is able to pay not to mention the time and extra costs that are incurred to train the new staff that are hired.

Along with the influx of land men comes wear and tear of our computers, copy machines, printers, faxes, furniture and mostly the priceless records we keep in our office.

The recorders office has added a copy machine, printer, three computers and is in the process of bidding out a copier/fax machine. We have also added numerous tables and have replaced seating throughout the courthouse.

As the keeper of the records, I feel they have seen the biggest effect of this influx. Pages are being ripped out of books, pages are going missing, books are being put back out of sequence along with the damage that is occurring to the bindings of the books.

I recently had Tri State Binders review our needs for maintaining our books, he looked through 66 of our books and quoted $13,800.00 to make the needed fixes. He also suggested to hold off on much of the fixing until our usage is down as they are being broken from being pulled from the shelves and they will continue to break until this is changed. To replace one of the books in the pictures, the average cost is between $600.00 to $900.00 dollars.

Dunn County is in the process of dealing with the wear and tear of the books by digitizing the records and making them available in other manners. This in turn comes with a hefty price monetarily, in man power and time.

I support HB 1304, lifting the cap will help us care for our roads but it would also provide support in our county to help us guarantee the preservation of the records for our public in the future.

I thank you for this time and would be happy to answer any questions you may have.

Testimony 6

Testimony

Good Morning.

My name is Deb Harsche and I am a rural resident of Dunn County. I am in favor of House Bill 1304.

My dad worked in the oil field for 35 years.

I have lived in Dunn and McKenzie Counties most of my life and have seen the oil field come and go. It seems to me that removing the caps would only affect oil producing counties during high oil prices. When impact and drilling is increased so would the money to the counties. When prices are down and drilling slows or stops-the removal of the caps would not be noticed. From what I understand some counties such as ~~my~~ McKenzie county, ~~Dunn~~, reached their cap in 2008. Unless oil prices go up these counties will probably not reach the cap in 2009.

I don't see a great risk in removing the caps. When activity is high and lets hope that improves, the affected counties will have help with roads, policing ,school busing and other county issues. When prices are down it would be business as usual.

The counties like Dunn and Mountrail who are "newer" to this oil business don't have the reserves yet to deal with great impact.

While all the impact is not bad-it's the bad roads and dangerous traffic that tend to be the most noticeable and affect nearly everyone. Combined with the winter we are having, it's pretty scary driving these country roads. We ranch in Dunn County and pulling a trailer or getting around feeding cows is much more complicated with the increased truck traffic.

I'm not here to complain about the activity we're seeing.

We are fortunate to have the good jobs and traffic for our local businesses. However many of these jobs are temporary and the money and people will leave. When they go we are left with a mess to clean up and without some reserves that won't be possible. The burden will be left with the counties. I would like to see more of the tax revenue coming back to the counties where it can from in the first place.

Thank you for your time.

Testimony 7

Bill: HB1304
Hearing: House Finance and Tax Committee
Date: January 27, 2009

Honorable Chairman Belter and Members of the Committee;

My name is Brad Bekkedahl and I am the elected Finance Commissioner for Williston and the Past President of the North Dakota Association of Oil and Gas Producing Counties. I stand before you today in support of HB1304, as amended by its author, Representative Skarphol.

HB 1304 is a legislative attempt to improve on the current system of allocation of funds to the oil producing counties. Its most important component is the removal of caps as they now exist. These caps have placed an unfair burden on our local taxpayers to fund the costs of development when there has not been sufficient funds allocated by the State. It is important to note that our impacts and expenses for these development issues do not "cap" when they accelerate with the activity. When there is not adequate funding for our impacts during and after these boom cycles, then these costs are borne exclusively by our local taxpayers. This is a negative impact to our constituents, and it is unwarranted at a time when the State has and is accruing the financial resources from the Gross Production Tax to do more.

I wish to bring up two instances where the Legislature has responded to local government funding areas and responded with systems that made them partners in their mission of delivery of services to the citizens of North Dakota. The first example is the State Aid Distribution Fund to Cities. This fund used to be appropriated at a steady amount by the Legislature in budgets every session. The allocations did not keep up with cost increases, and the League of Cities worked with the Legislature to develop a funding system that allowed for increases in funding when the state was prospering, and also shared the risk of declines in the economy on an equal basis. The funding was tied to a 0.4% share of the sales and use tax revenues for the State, and it has been a very successful system for both the State and cities. The second example just occurred in the 2007 Legislative Session when deliberations brought forward a funding formula that addressed equity for local school districts in North Dakota. This has led to a successful partnership between schools and the State and is another example of correcting a system of funding that provides "equity" between the State and its local government entities. I am here today to ask that you now support "equity" between the State and the 17 Oil and Gas Producing Counties by removing the caps on the 5% Gross Production Tax so that we may have adequate funding to address our impacts and needs, and the State may retain its ability to do the same for all its Citizens. Removing caps will not return enough money to address the level of needs as documented by a study of impacts completed this past summer for submission to the Interim Tax Committee, but it will make us partners with the State in funding during good times and bad, and that is the equity we seek with the passage of HB1304.

Thank you for your kind attention today, and I hope you give HB1304 a DO PASS vote and recommendation for further consideration. I am happy to answer any questions you may have.

Brad Bekkedahl drbekk@wil.midco.net 701-570-1879

Testimony 8

Bill No: HB1304
Hearing Committee: HB-FINTAX
Date: Tuesday, January 27, 2009

Honorable Chairman Belter and Committee Members,

My name is Ward Koeser, and I am President of the Williston City Commission, a position also referred to as Mayor. I stand here today in support of HB 1304 and ask for your support as well.

House Bill 1304, with the amendments offered here today by its sponsor, Representative Skarphol, offers the opportunity to our city, county, townships, and schools to begin to fully address the impacts related to oil and gas development in North Dakota. Prior to the institution of the current caps on the gross production tax receipts in 1983, there were not a lot of problems in keeping pace with the infrastructure development and maintenance required by the industry to produce this resource, a resource that has benefitted the State tremendously with its production and extraction taxes since then.

The City of Williston is a perfect example of how caps have detrimentally affected our residents while the state benefitted. In the late 1970's and the early 1980's boom and bust cycle, Williston was encouraged by the State to provide housing and industry infrastructure to support the development of the resource that was benefitting the State at the time. You must remember that, at the time, Williston had huge numbers of people actually living in tents and temporary quarters, as well as businesses doing the same due to the rapid nature of the boom. We responded with an aggressive infrastructure plan that led to almost $30 million of debt remaining when the bust happened overnight.

In response, we were forced to tax our local property owners to pay this debt over the next 20 years. Until our citizens approved a limited home rule charter and a local 1% sales tax, we were spending almost 40% of our city budget on special assessment deficiency payments. While we did receive some State impact funds and a State loan to help with this debt load, the majority of the debt became the responsibility of our local citizens. Understand that functionally the city suffered also with high property tax levies, no infrastructure improvements, and minimal maintenance of our physical plant. Not having caps on production taxes returning to the local entities may have provided us sufficient income to not have to use large debt accumulation during the high cash flow periods to the State, and it would certainly help us now to address another boom and bust cycle. We are not asking for it all: remember that by removing the caps, we only get 25% of the tax after production income exceeds $4 million in our county. The State still receives 75% of the income above this limit. It just gives us the ability to move up and down as partners with the state in this revenue stream. We understand we will always have to pay part of the burden.

Our example as a city is but one of many. Tioga, Ray, Stanley, Parshall, New Town, Crosby, Dickinson, Belfield, Bowman, and Watford City are others that have struggled and continue to bear an unfair burden to benefit others in the state. It is our belief that when the State removed our ability to property tax this development, they also assumed the responsibility to pay for its impacts. I ask you to now offer some relief by voting a "Do Pass" recommendation to HB1304 and its amendments. I would be happy to answer any questions you may have, and appreciate your considering my testimony today.

Testimony 9

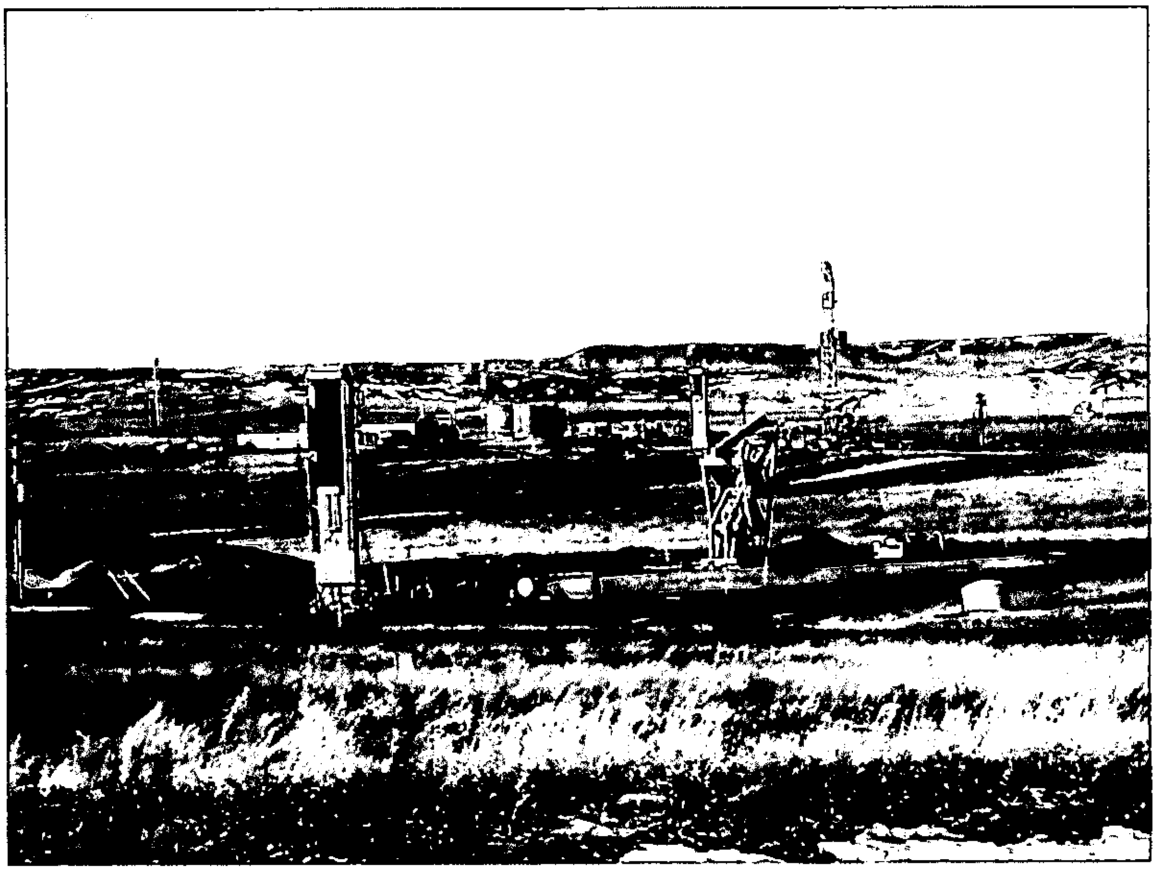
TESTIMONY FOR HOUSE BILL 1304

AMEND SECTION 57-51-15

PREPARED FOR:

HOUSE FINANCE AND TAXATION COMMITTEE

REP. WESLEY R. BELTER, 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 Finance and Taxation Committee
Rep. Wesley R. Belter, 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 1304 with the removal of the caps. 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	COUNTY
				BOWMAN
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	

Same handout given to Senate.

Item No.	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			

Item No.	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				

Item No.	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 COUN[illegible]OAD COST SURVEY

Item No.	COUNTY ROAD INVENTORY	TOTAL MILES ASPHALT	TOTAL MILES GRAVEL	COUNTY
				BOWMAN
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	

Same to Senate.

Item No.	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			

Item No.	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

Item No.	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

Same to Senate.

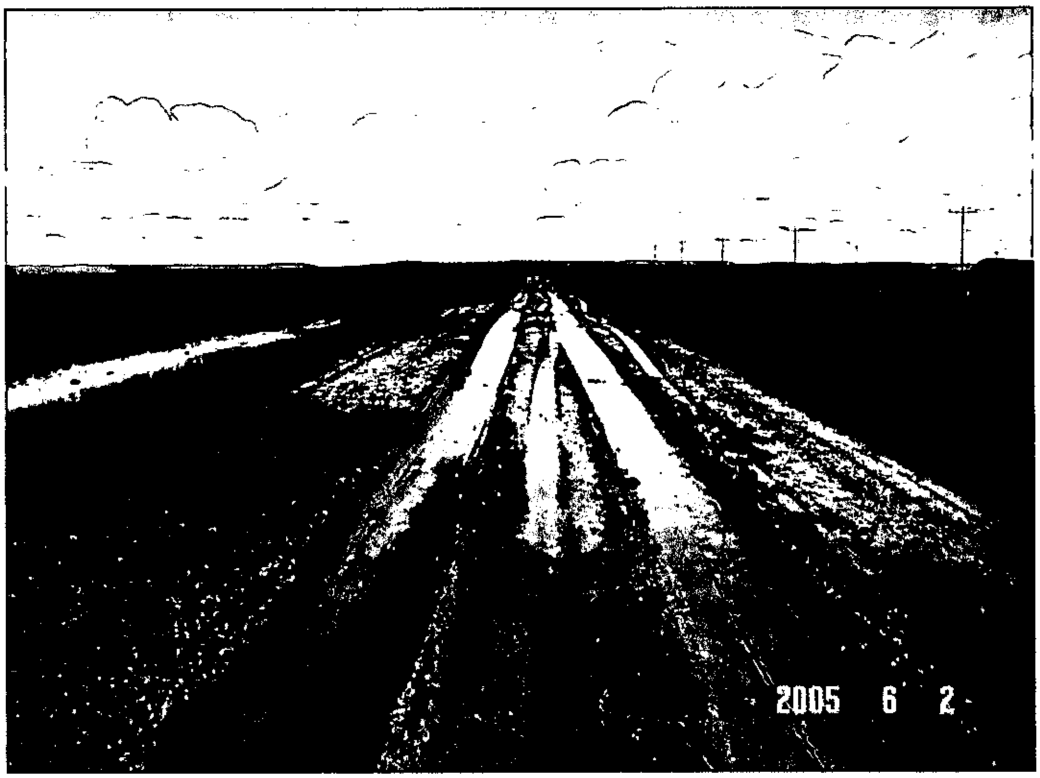
Non-impacted Roads

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

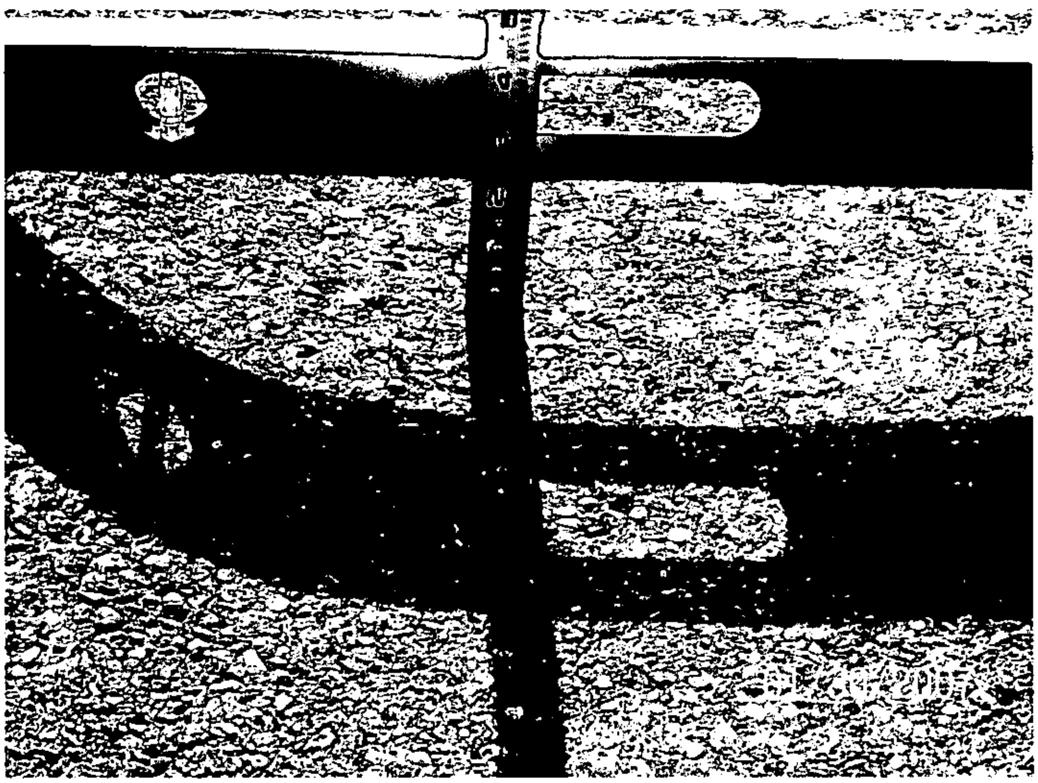


LOOP ROAD – SPRING

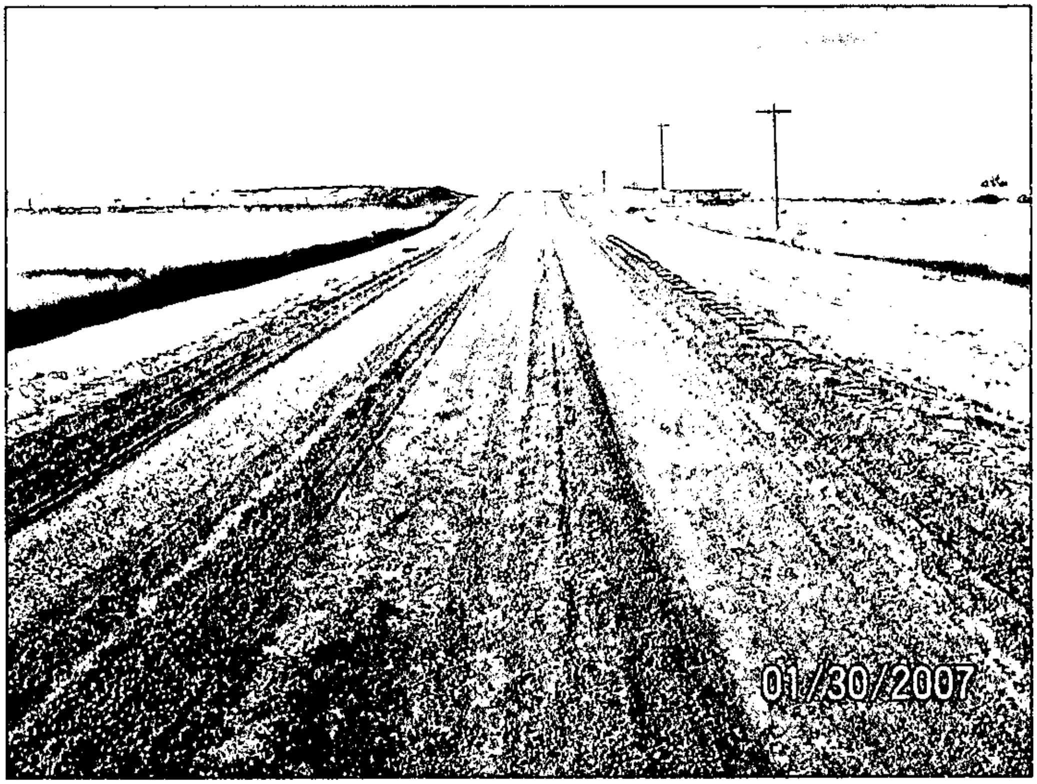
TOWNSHIP ROAD

TOWNSHIP ROAD

RHAME ROAD

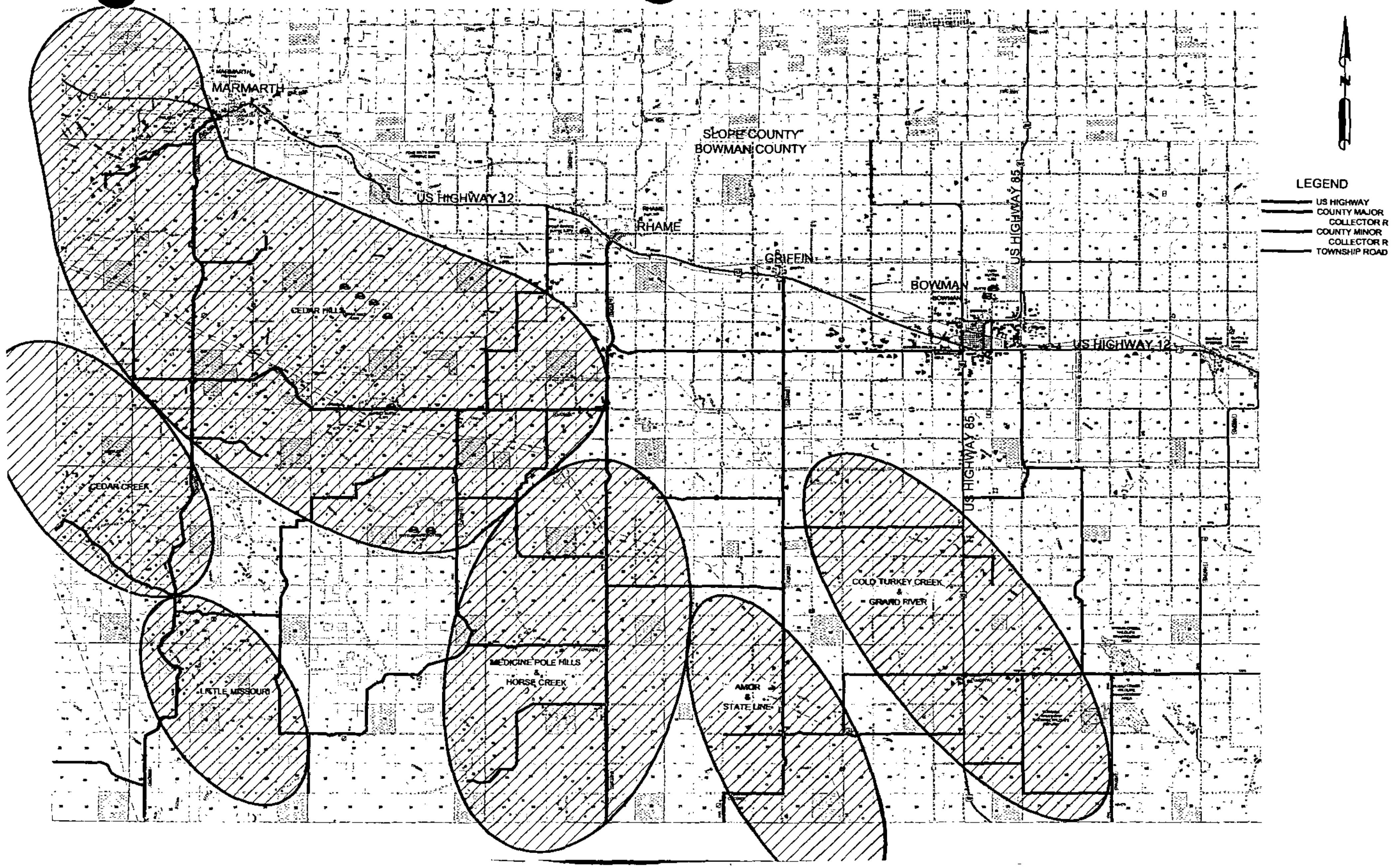


RHAME ROAD



GRIFFIN-RHAME CUT ACROSS

GRIFFIN-RHAME CUT ACROSS



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

Testimony 10

The City of
Bowman

January 20, 2009

Mr. Chairman and Committee Members:

My name is Lyn James, President of the Bowman City Commission. I am here to testify in support of HB 1304.

You have heard Bowman County, and the other oil producing counties, present effective and informative testimonies clearly explaining their needs for the oil-extraction taxes as the oil industry impacts their roads, bridges and other infrastructure.

I 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 gross production taxes, to the maximum available for our population. Those funds are a God-send as we struggle to provide essential services. The City needs to assist in all areas of services, and also 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 trucks. The 6-7 block construction costs will be at least $1,000,000. We have also needed additional road enhancement on the outer limits of our city.

Each year since 2005, the City of Bowman has reached the maximum funding allowed by the formula put in place in 1983. Because of continued demands 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 for 2009 by, and I'll tell you that the Commission has taken a lot of heat over this decision.

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 $98,000.00 annually. There is need for additional and more specialized fire equipment, as well the space and related expenses to house this equipment. Enhanced ambulance services and equipment has been essential. Training requirements in each of the areas I have spoken of has been an issue as well. In order to keep quality employees in place, the City has also seen the need to be competitive with the oil industry in the area of salaries and benefits.

The City strives to enhance "quality of place" issues, in order to encourage families who are drawing oil-related salaries to select Bowman as their home community. Some of those essential services are public safety, transportation enhancement and healthcare, as well as cultural and recreational facilities and services.

These "quality of place" issues are very difficult to quantify from a dollar and cent perspective, but have continued to be a significant public need.

In regard to the Energy Impact Grants, the City of Bowman encourages you to expand that fund in order to meet more energy impact funding needs. I have included information regarding grant requests and receipts from our City, Fire Department and Healthcare Services for the past six years.

We support House Bill 1304. Such legislation will allow additional energy dollars to come back to the Bowman area, as well as our neighbors in the North Dakota oil country.

Thank you for your time.

Respectfully submitted,

Lyn James
President, City Commission

ENERGY IMPACT GRANT REQUESTS
2008

SW HEALTHCARE:

03	04	05	06
Request: $200,000 Salaries	$135,000 Phys. Salary	$35,000 Port X-Ray	$20,000 Ambulance
Receive: $40,000	$10,000	$10,000	$5,000
Request: $14,600 Pharm. Supplies	$12,000 Drug Testing		$7,450 Pharm. Supplies
Receipt: $5,000	$5,000		$2,000
Request: $100,000 X-Ray Equip	$20,000 Ambulance		$22,000 Phys. Recruit
Receipt: -0-	$5,000		$5,000
Request: $5,000 Training Supplies	$3,853 Pharm. Supplies		$30,000 Remodel
Receipt: $4,000	$1,000		-0-
Request: $20,000 Ambulance			
Receipt: $5,000			
Request: $13,000 Bathrooms			
Receipt: -0-			

	07		08
Request:	$30,500 Ambulance/		$20,000 Ambulance
Receipt:	$5,000		$5,000
Request:			$13,266 Pharm. Supplies
Receipt:			-0-

FIRE DEPT:

03		04	05	08
Request	$70,000 Rescue Unit	$40,000 Rescue Unit	$5,000 Foam Truck Rep.	$400,000 New Fire Hall
Receipt:	$10,000	$5,00	$2,500	$20,000

CITY OF BOWMAN

		04	05	06
Request:	$25,000 Solar Bee	$10,000 Police Car	$40,000 Chip Seal	$50,000 New Shop
Receipt:	$5,000	$4,000	$10,000	-0-
	Public Safety			
Request:	$10,000 Vehicle	$82,000 Chip Seal	$150,000 Water Main	$15,000 11th Ave No.
Receipt:	-0-	$10,000	-0-	$5,000
Request:			$200,000 Reservoir Cover	
Receipt:			-0-	
07				
Request:	$20,000 Cemetery Road			
Receipt:	$2,000			

****

City of Bowman: 2003 thru 2008

Requests: $492,000
Receipts: $36,000

SW Healthcare: 2003 thru 2008

Requests: $701,669
Receipts: $107,000

Fire Dept: 2003 thru 2008

Requests: $480,000
Receipts: $32,500

Testimony 11

Honorable Members of the Finance & Taxation Committee:

I am David J. Hynek, Chairman of the Board of the Mountrail County Commissioners. I have been in office since January of 1997. My testimony is in support of removing the cap amendment to House Bill 1304.

Mountrail County has adopted and maintains the attitude that we will do everything we can to help the oil industry succeed in our County. The impact on our infrastructure and our citizens has been enormous, in spite of this you will rarely find anyone speaking ill of the oil industry.

The economic engine of the State depends upon maintaining and improving infrastructure state-wide. The tax dollars generated by the oil industry needs to be and should be shared state-wide, from flood control and adequate fresh water in the Red River Valley to water, road and crude oil and natural gas pipelines in the western part of the State and points in between.

The continued success of the oil and gas industry in North Dakota and its ability to generate tax revenue depends on a number of factors including: fair and stable tax rates, reasonable per barrel price for oil and **adequate infrastructure within the oil and gas producing counties.**

Mountrail County is the top oil producing county in North Dakota. Our infrastructure is being stressed beyond reason and in some instances crumbling. Our entire county is affected. We have in excess of 700 oil wells producing in 49 of our 55 townships. We receive six or more new permits every permit list.

The current amount of revenue we receive from the gross production tax is not adequate. Despite our best efforts including use of our property tax dollars we are losing ground trying to just maintain our infrastructure let alone improve it. Some specific costs we have incurred are:

$452,912 – Contractors for road maintenance and repair
89,800 – Crushing of gravel
500,000 – 2009 Budget for Township Assistance
94,600 – Grind-up pavement and turn to aggregate
58,360 – Dust control on 11 miles of road
185,799 – Maintenance of EOG haul road

These are just a few annual maintenance items associated with oil impact.

Current and future road re-building and re-surfacing needs include but are not limited to:

$ 3,690,000 – Overlay 9 miles of ground-up payment
$12,000,000 – Overlay 24 miles of pavement that may have to be ground up if not taken care of
$ 7,400,000 – Rebuild 37 miles of county gravel road
$ 9,200,000 – Assist townships in rebuilding 46 miles of gravel road
$ 184,000 – Dust control on 46 miles of county and township road, annual expenses

Part of the above costs will be covered by our 10 mill ballot money leveraging state and federal money.

Near the beginning of my testimony I state that Mountrail County was and is displaying a cooperative mentality toward the oil industry. An example of this is the number of requests by the oil industry to re-zone property to address their needs. We received and acted on 71 requests in 2007-2008. Every request was approved.

Mountrail County is not only willing but wants to share oil tax revenue with the entire state of North Dakota. All we ask is to be treated right. There is no doubt in my mind that the committee and this legislative session know what is right. The decision is yours. Please remove the cap. Thank you for your time and attention.

Respectfully,

David J. Hynek, Chairman
Mountrail County Commissioners
9148 59th St NW
Ross, ND 58776
(701) 755-3372
joanh@co.mountrail.ns.us

Testimony 12

Testimony to the
House Finance and Taxation Committee
Prepared January 27th, 2009 by
Mountrail County Sheriff Ken G. Halvorson

CONCERNING HOUSE BILL 1304

- Chairman Representative Belter and members of the committee; I am Mountrail County Sheriff Ken Halvorson. I have been with the Mountrail County Sheriff's Department for approximately 35 years, the last 31 of which I have served as the county's sheriff.
- I am here today to testify, as an elected Mountrail County official, in support of removing the cap on the oil and gas extraction tax.
- Mountrail County was established in 1909, making this year the counties one hundredth anniversary.
- Mountrail County is made up of 55 townships, which cover approximately 1,933 square miles. With in its boundaries are approximately 1,800 miles of established roads which are maintained by the state, county, & townships.
- Every new oil well that is drilled is causing an increase in the miles of established roadways that the county has. This also increases the number of personnel needed to maintain & patrol these roads.
- During my time with the Mountrail County Sheriff's Department, I have never seen such an increase of activity within the county, as I have in the last 2 years. This increase is solely due to the production of oil and is occurring in every corner of Mountrail County.

  The county sheriff's office is not only responsible for patrolling the rural areas of the county, but is also responsible for providing law enforcement services for the cities of New Town and Parshall. Both of these communities are located in the area impacted by the oil boom.
- With this dramatic increase in oil activity, comes a substantial increase in the work load that the Mountrail County Sheriff's Office has seen.

  With more people, there is more crime. In 2008, I did add an additional two deputies to help off set the increase in the work load. But considering the size of the increase in the amount of traffic our county has seen, I really need an additional two or three more deputies, because of the hundreds or trucks and oil related workers we see coming into the county every day. During 2008, I lost 4 deputies and 1 dispatcher. Some left to go to work in the oil fields, and some left because of problems that related back to the oil field.

- With the additional traffic and people, new problems are added to the workload that my office is already called upon to handle. Some of these new calls that my office is summoned to include fires at oil rig sites, semi roll over's, gas plant burn offs, drilling rig accidents, etc. This is only a small sample of the new calls we have received and responded to. While we are busy with the additional calls, we are still handling all of the normal day to day operations of the County Sheriff's Office.
- In 2007, my office issued 303 traffic citations, during the 2008 year my office issued 1,351 citations. This amounts to an over 400% increase.
- In 2007 my department investigated 132 traffic crashes, while during 2008 we investigated 164. Of these crashes, 29 were directly related to oil field activity.
- The monetary value of the losses seen due to the crashes in 2007 was $572,265.00. While in 2008, this value increased to $6,431,100.00.
- In 2008 we investigated 5 oil field related fatalities. 1 of which occurred on a drilling rig, while the other 4 occurred in oil field related traffic crashes.
- All of this activity has a cost attached to it. More officers (if you can find them) mean more salaries, and higher salaries are required to compete with the large salaries that the oil field workers are being paid.
- In a three year period my annual budget has risen by nearly 40%; from a budget of $647,673.00 in 2006 to my current budget for 2009 which is $1,015,596.00.
- In closing, Mr. Chairman and Committee Members, the increase in oil production is a benefit to all of North Dakota. I am respectfully requesting that the oil extraction tax cap be removed so that my county, and other oil producing counties, can better serve the residence of our counties and deal with the increase expenditures that the oil production has caused. Thank You

Testimony 13

Good morning ladies and gentlemen.

I am Joan Hollekim. I took office as Mountrail County Auditor on April 1, 2007, although I am not a newcomer to Mountrail County as I have worked in the auditor's office since 1984. I don't recollect in the past 25 years, being as busy in the Courthouse as it has been in the last few years.

I stand before you in favor of removing the caps on the 5% oil and gas production tax. Mountrail County receives $3,070,000 annually out of the $5,600,000 cap, the remaining goes to the schools and cities.

I am here to give testimony on the annual cost Mountrail County has incurred because of the oil industry. The added personnel over the last couple of years is overwhelming. A full-time rover position to help throughout the Courthouse offices, a full-time temporary position to help in the Recorder's Office, two full-time officers and a full-time dispatcher in the Sheriff's Office, a full-time planner position and four full-time road positions. This is ten new positions at an **ongoing annual cost** to Mountrail County of **$547,832**. This figure only includes salary and benefits. The ongoing operating expenses to equip new personnel have compounded budgets, such as maintainers, patrol vehicles, computers, fuel, repairs, and the list goes on.

Supporting evidence of personnel cost:

	Salary	Benefits	Total
Rover position	$31,200	$16,700	$ 47,900
Temporary position	$27,456	$ 2,100	$ 29,556
Dispatcher	$35,856	$17,600	$ 53,456
2 – Officers	$39,060 ea	$18,000 ea	$114,120
4 - Roadworkers	$37,500 ea	$17,800 ea	$221,200
Planner	$60,000	$21,600	$ 81,600
		Total	$547,832

Now some of you might be thinking does Mountrail County need all this extra help? I for one have no doubt that every position hired was warranted. I work directly with the Planning Commission, we conducted 51 public hearings this past year and the year before was just as busy. Nearly every one of these hearings was due to the oil industry. The need for a qualified planner was well over due.

One great concern of mine personally, is burn-out of the staff. Mountrail County needs more funding to hire contractors and additional help. Our overtime budget alone has gone from $36,700 in 2006, to 45,517 in 2007, and $58,195 in 2008. You see the pattern. Very little of this overtime was worked by the new positions created. At times, officials and employees have to work Monday through Saturday and sadly to say even Sundays to keep up with the work load.

In closing let me make a small comparison of the oil and gas revenues Mountrail County received to our last road project. The last 8.3 mile road project completed in the year 2005 cost **$1,332,722** which included construction, engineering and related expenses. This equals **$159,359 per mile**. Mountrail County alone has 365 miles of gravel and paved roads and 1,217 miles of township roads; many of the township miles are maintained by the County at a very minimal cost. Divide the oil and gas revenues of $3,070,000 by the 1,582 miles of county and township road in Mountrail County; **$1,940 per mile.** I do not need to say more.

Now I could go on and on with increased figures resulting from the oil activity. I only hope you realize how much Mountrail County and other oil affected counties need additional funding to help maintain their infrastructure and the continual added cost counties have to bear because of the oil impact.

I know as senators and representatives your job is not easy with the many decisions you have to make. Well imagine being a county commissioner in an impacted oil county making decisions on how to allocate the County's money. The difference, our funding is limited. Again, I respectfully asked for your support in removing the caps on the oil and gas production tax.

Thank you.

Joan Hollekim
Mountrail County Auditor
PO Box 69
Stanley, ND 58784
(701) 628-2145
joanh@co.mountrail.ns.us

Testimony 14
HB 1304
January 27, 2009

HELLO.........I AM LARAE IWEN THE RECORDER AT MOUNTRAIL COUNTY. I TOOK OVER THE RECORDERS OFFICE NOV. 17^{TH} OF 2008, BUT I HAVE BEEN EMPLOYED THERE FOR ALMOST 4 YEARS. IT WAS A VERY BUSY OFFICE WHEN I STARTED BUT NEVER DID I FATHOM HOW BUSY WE WERE YET TO GET.

I COME TO TESTIFY ON BEHALF OF REMOVING THE CAPS ON THE 5% OIL & GAS PRODUCTION TAX.

THE RECORDERS OFFICE HAS BEEN DRASTICALLY AFFECTED BY THE OIL PLAY. THE NUMBER OF LANDPEOPLE AND GENERAL PUBLIC HAS CALLED FOR DEMANDS TO UPGRADE TO KEEP UP WITH THE INFLUX. OUR DOCUMENTS THAT COME IN FOR RECORDING HAS INCREASED FROM **5929** DOCUMENTS IN **2005** TO **15,038** IN **2008,** JUST THIS PAST YEAR OF 2008 WE HAVE INCREASED THE NUMBER OF DOCUMENTS FOR RECORDING BY ALMOST **6000.**

WE HAVE DIGITIZED OUR DOCUMENTS FOR EFFICIENCY AND DUE TO LACK OF SPACE. WE NO LONGER HAVE SPACE IN OUR VAULT TO STORE ANY MORE DOCUMENTS. OUR OFFICE AVERAGES ANYWHERE FROM 30-80+ LANDPEOPLE IN OUR OFFICE AT ANY GIVEN TIME.

WE HAVE CONVERTED WHAT WAS A LAW LIBRARY TO ROOM FOR LANDPEOPLE TO USE. THEY NOW HAVE A COPIER, PRINTER, AND FOUR COMPUTER TERMINALS IN THAT ROOM TO USE FOR THEIR RESEARCH. WE ALSO HAVE ADDED TWO COPIERS IN OUR OFFICE AND 4 OTHER PUBLIC COMPUTER TERMINALS. THIS WAS A NECESSITY FOR THE VOLUME OF LANDPEOPLE UTILIZING OUR OFFICE AND EXTRA STAFF.

THERE IS MUCH EXPENSE TO ADDING PUBLIC COMPUTER TERMINALS. THERE IS SOFTWARE, LISENCING, TONER, PAPER, & MAINTENANCE, WIRELESS INTERNET, AND A TAX WEBSITE. THE EXPENSES HAVE OBVIOUSLY INCREASED FOR EMPLOYEE PURPOSES ALSO. WE HAVE PURCHASED TWO SCANNERS TO SCAN OUR IMAGES, AND LABELS WHICH GO ON EVERY PAGE OF EVERY DOCUMENT WHICH IS VERY EXPENSIVE.

ALL OF THE TRAFFIC IN OUR OFFICE HAS ALSO LEAD TO EXPENSIVE COSTS IN BOOK REPAIRS. WE BUDGETED $9,000 FOR 09 JUST FOR BOOK REPAIRS. THEY ARE LIKE THE YELLOW PAGES, THEY GET USED. THE DOCUMENTS WE MAINTAIN ARE VITAL TO SO MANY PEOPLE FOR SO MANY REASONS ESPECIALLY FOR THE RECENT DEMAND OF DETERMINING MINERAL OWNERSHIP. WE HAVE TO SAFEGUARD OUR DOCUMENTS.

WE HAVE EXTRA COST IN DIGITIZING THE DOCUMENTS AND OFF SITE STORAGE FOR OUR DOCUMENTS. THE RECORDERS OFFICE IS SPECULATING IT WILL COST AROUND $243,574.00 TO KEEP THE OFFICE FUNCTIONAL FOR 2009 .

AND LASTLY NOT TO BE FORGOTTEN ARE THE EMPLOYEES OF THE RECORDERS OFFICE. WE HAVE PUT IN SEVERAL HOURS OF OVERTIME OVER THE LAST FEW YEARS. WE HAVE HAD TO ADD A FULL TIME TEMPORARY POSITION, AND A PART TIME POSITION ALSO ADDING EXPENSE TO THE OPERATION OF THE RECORDERS OFFICE.

IN CLOSING OUR OFFICE HAS ENCURRED PHENOMINAL EXPENSES IN ORDER TO MAINTAIN AN EFFECTIVE EFFICIENT OFFICE. THE RECORDERS OFFICE IS OBVIOUSLY AN INSTRUMENTAL PART OF THE OIL INDUSTRY IN NORTH DAKOTA. SO I ASK YOU TO TAKE INTO CONSIDERATION WHEN DECIDING ON THIS BILL THE HARD WORK, LONG HOURS AND EXPENSES INCURRED TO ACCOMADATE OIL PRODUCTION IN OUR COUNTY AND OTHER OIL-PRODUCING COUNTIES IN NORTH DAKOTA.

THANK YOU FOR YOUR TIME.

LaRae Iwen
Mountrail County Recorder
PO BOX 69
STANLEY, ND 58784
(701)628-2145
liwen@co.mountrail.nd.us

1304

HB ~~123~~5

Testimony 15

Oil & Gas Development – Road and Bridge Impacts

Jack L. Olson, Assistant Director
Planning & Programming Division
North Dakota Department of Transportation

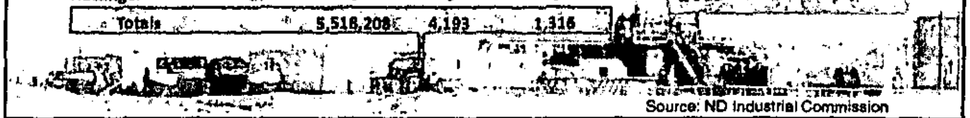
State Capitol Building, Fort Totten Room
9:00 AM Tuesday
January 27, 2009

NDDOT
North Dakota
Department of Transportation

NDDOT
North Dakota Department of Transportation

County	August 08 Ranking	August 08 (bbls)	Wells	Avg Prod/Well
Mountrail	1	1,553,946	214	7,261
Bowman	2	1,377,637	553	2,491
McKenzie	3	657,620	810	812
Dunn	4	525,240	253	2,076
Williams	5	398,637	434	919
Billings	6	357,856	471	760
Bottineau	7	189,358	506	374
Stark	8	119,952	71	1,689
Burke	9	108,273	351	308
Divide	10	73,049	123	594
Renville	11	66,244	283	234
Golden Valley	12	48,928	68	720
Slope	13	30,684	14	2,192
Ward	14	4,026	16	252
McLean	15	3,487	9	387
McHenry	16	3,271	17	192
Hettinger	17	0	0	0
Totals		5,518,208	4,193	1,316

Year	# of Wells
1951	1
1976	1635
2001	3372
2007	3870
2008	4193+
2009	?

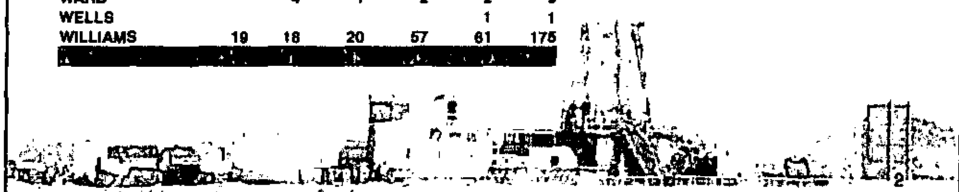


Source: ND Industrial Commission

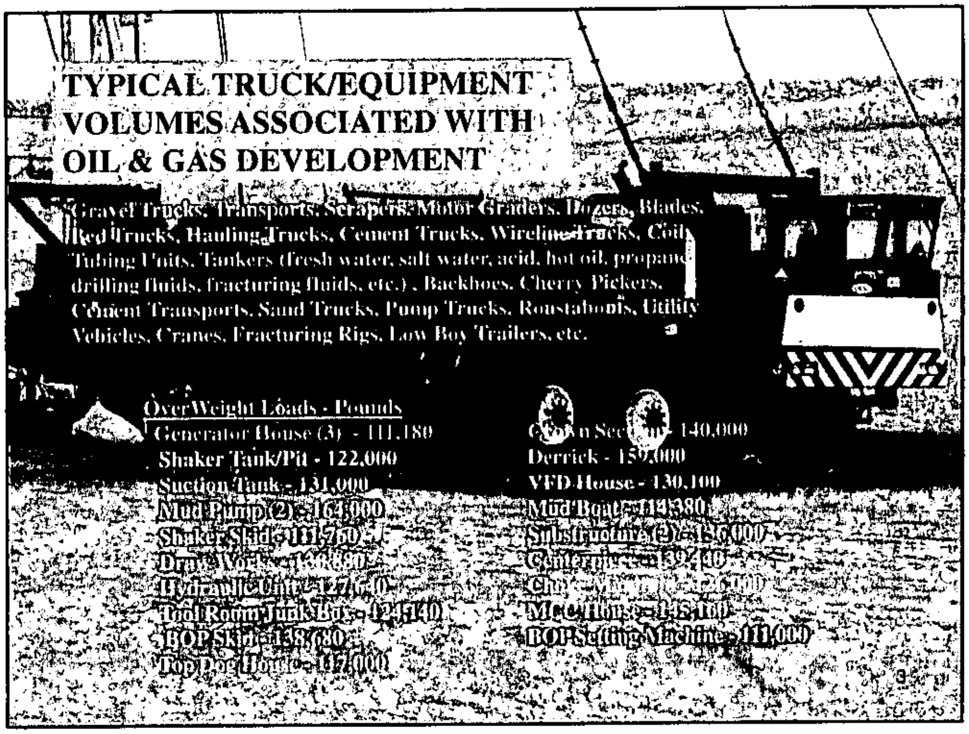
Number of Wells Drilled 2003 - 2007

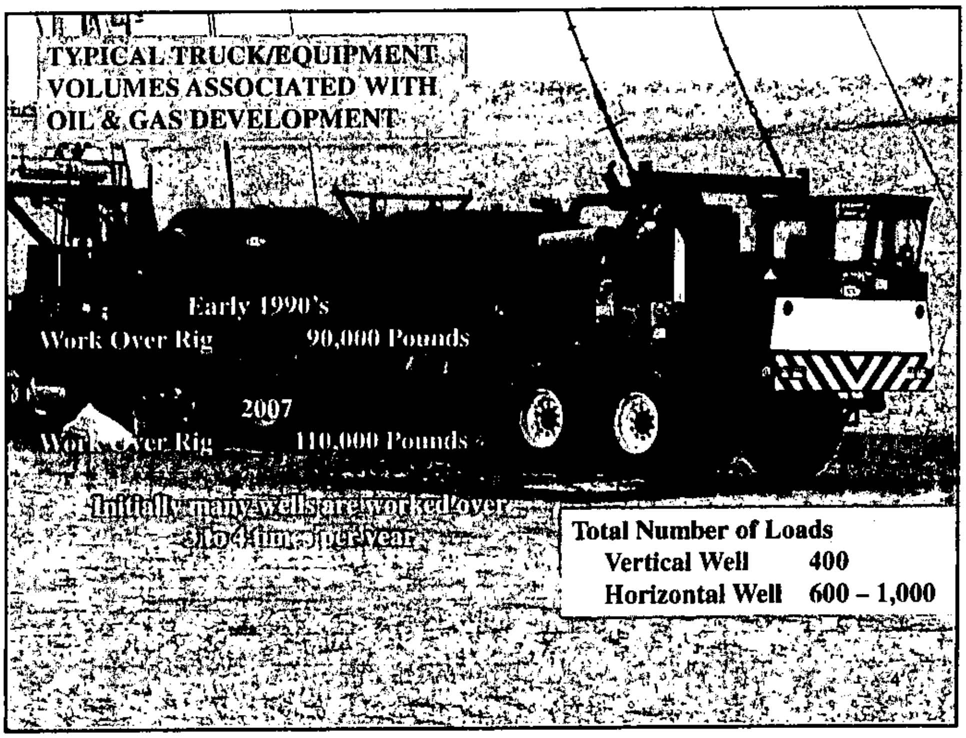
NDDOT
North Dakota Department of Transportation

BARNES					1	1
BILLINGS	24	26	40	54	33	177
BOTTINEAU	18	18	15	15	11	77
BOWMAN	133	90	132	112	56	523
BURKE	5	6	15	17	24	67
BURLEIGH				1		1
DIVIDE	4	7	16	14	16	56
DUNN	5	1	5	22	62	95
EMMONS	1			2	1	4
GOLDEN VALLEY	4	8	13	14	5	44
MCHENRY			1			1
MCKENZIE	22	38	50	66	54	230
MCLEAN		1	3		1	5
MORTON		1				1
MOUNTRAIL		2	7	18	60	87
RENVILLE	2	10	8	20	17	57
ROLETTE				1		1
SLOPE			2	2		4
STARK	4	5	6	1	4	20
STUTSMAN				1		1
WARD		4	1	2	2	9
WELLS					1	1
WILLIAMS	19	18	20	57	61	175
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Source: ND Industrial Commission

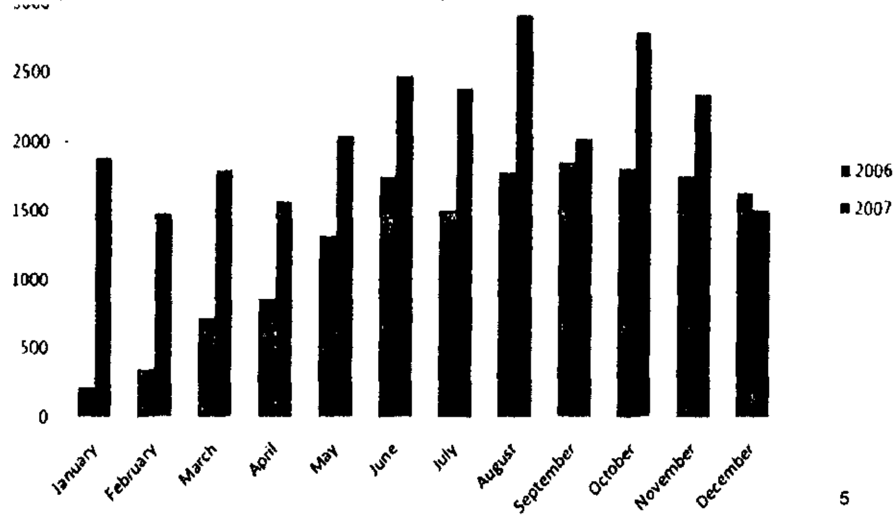

TYPICAL TRUCK/EQUIPMENT VOLUMES ASSOCIATED WITH OIL & GAS DEVELOPMENT
Gravel Trucks, Transports, Scrapers, Motor Graders, Dozers, Blades, Rod Trucks, Hauling Trucks, Cement Trucks, Wireline Trucks, Coil Tubing Units, Tankers (fresh water, salt water, acid, hot oil, propane drilling fluids, fracturing fluids, etc.), Backhoes, Cherry Pickers, Cement Transports, Sand Trucks, Pump Trucks, Roustabouts, Utility Vehicles, Cranes, Fracturing Rigs, Low Boy Trailers, etc.
OverWeight Loads - Pounds
Generator House (3) - 111,180
Shaker Tank/Pit - 122,000
Suction Tank - 131,000
Mud Pump (2) - 164,000
Shaker Skid - 111,760
Hydraulic Unit - 127,640
Tool Room/Junk Box - 124,140
BOP Skid - 138,680
Top Dog House - 117,000
Derrick - 159,000
VFD House - 130,100
Mud Boat - 114,380
BOP Setting Machine - 111,000


TYPICAL TRUCK/EQUIPMENT VOLUMES ASSOCIATED WITH OIL & GAS DEVELOPMENT
Early 1990's
Work Over Rig 90,000 Pounds
2007
110,000 Pounds
Initially many wells are worked over
3 to 4 times per year
Total Number of Loads
Vertical Well 400
Horizontal Well 600 – 1,000

O/W & O/D and O/D Only Permits (No WOR) (Williston, Minot, Dickinson Districts) 2006 & 2007

Statewide Over Weight/Over Dimension Fees

2006	$2,043,753	# Permits	33,348
2007	$2,155,835	# Permits	38,792



5

Source: ND Highway Patrol

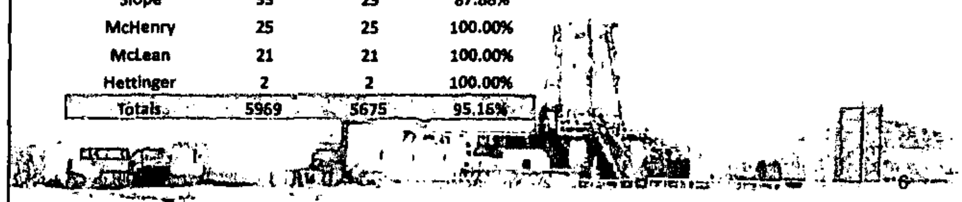
Oil & Gas Development Sites – August 08

NDDOT

County	# All Sites	More 1/4 Mile State Hwy	% More 1/4 Mile
McKenzie	1030	963	93.50%
Bowman	891	889	99.78%
Bottineau	732	709	96.86%
Billings	585	576	98.46%
Williams	569	521	91.56%
Burke	466	410	87.98%
Mountrail	446	418	93.72%
Dunn	398	378	94.97%
Renville	376	370	98.40%
Divide	162	152	93.83%
Stark	117	99	84.62%
Golden Valley	79	76	96.20%
Ward	37	37	100.00%
Slope	33	29	87.88%
McHenry	25	25	100.00%
McLean	21	21	100.00%
Hettinger	2	2	100.00%
Totals	5969	5675	95.16%

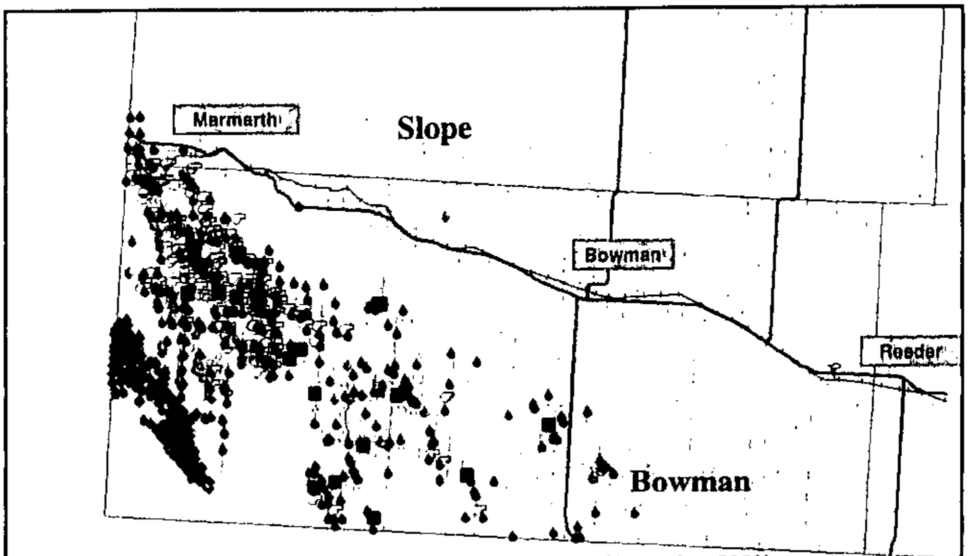
Systems Impacted

- State Highways
- County Roads
- Township Roads
- City Streets
- Tribal Roads



6

Source: ND Industrial Commission



Oil and Gas Activity in Bowman County (November 2008)

Legend

- Acid Gas Disposal Sites
- Air Injector
- Confidential Oil and Gas Wells
- Dump Flood Sites
- Dump Flood Producer
- Gas Condensate Sites
- Dry Gas Sites
- Gas Injector
- Oil and Gas Wells
- Instructional Well
- Salt Water Disposal Site
- Water Injector
- Water Supply

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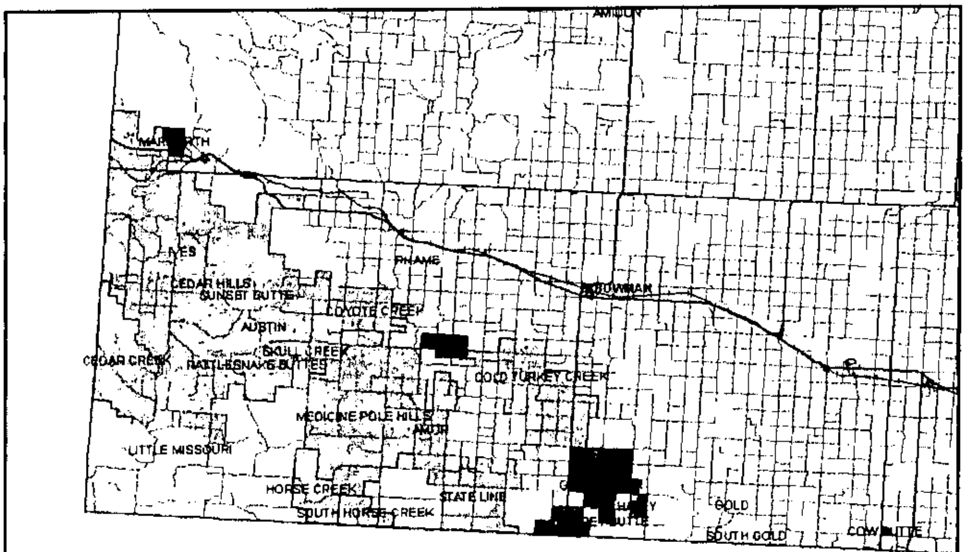
North Dakota Department of Transportation
7



Bowman County Oil Transportation

Legend

- TRANSPORT 100% BY TRUCK
- TRANSPORT 100% BY PIPELINE
- TRANSPORT IS A MIX OF TRUCK AND PIPELINE
- TRANSPORT UNKNOWN

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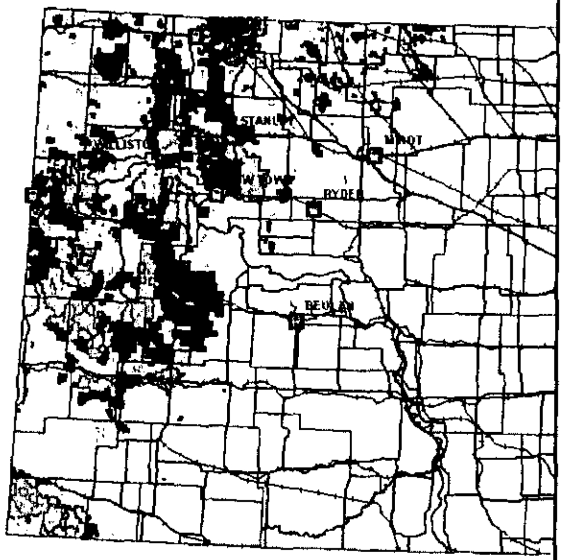
North Dakota Department of Transportation

Source: ND Industrial Commission

North Dakota Oil Fields and Railroad Oil Loading Facilities – December 2008

Legend

- 100% Trucked
- Mix of Truck and Pipeline
- 100% Pipelined
- Unknown
- In operation
- Planned
- Under evaluation
- Railroad
- County Boundaries
- State Roads



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Department of Transportation

North Dakota Oil Fields – August 08

386 oil fields

328 or 85% truck

20 or 5% pipeline

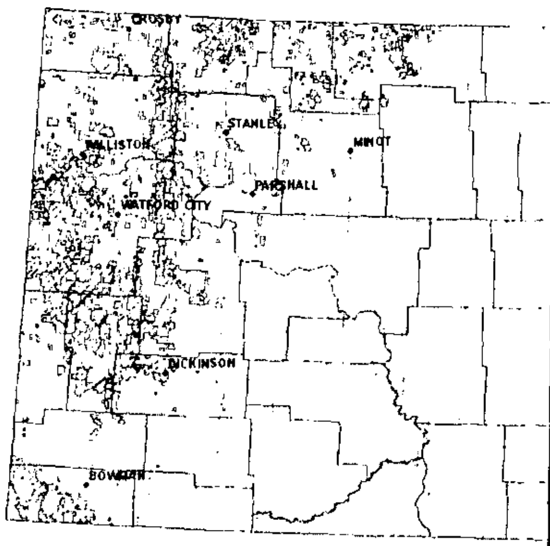
38 or 10% truck/pipeline

Legend

- County Boundaries
- State Roads
- OilFields

35% of wells pipeline

65% of wells truck



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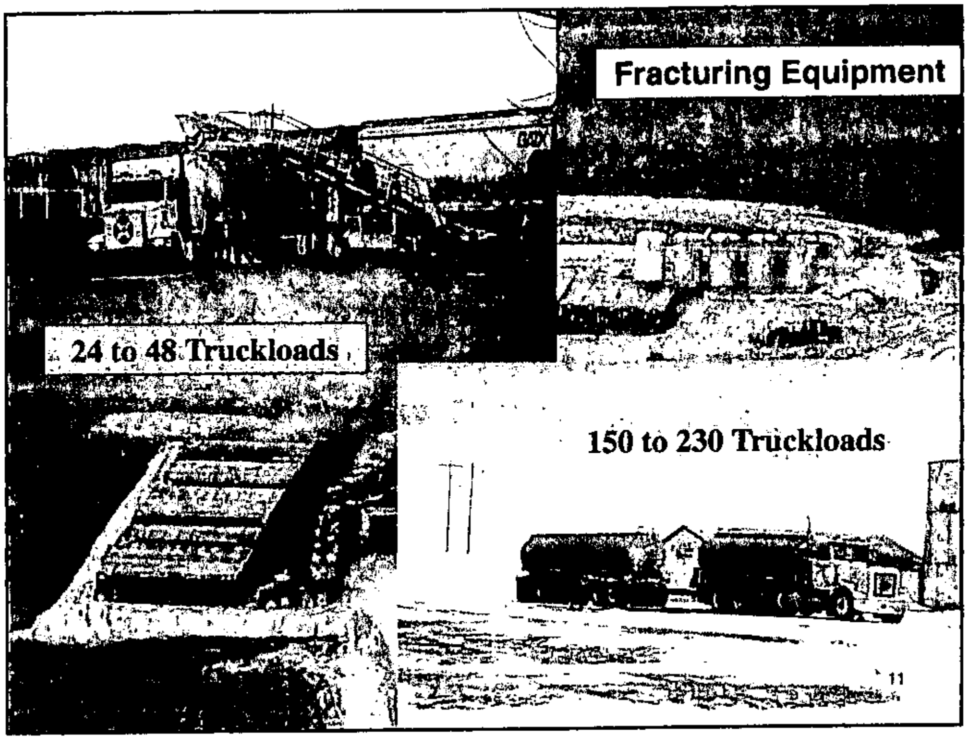
North Dakota
Department of Transportation

10



Salt Water Disposal Sites – Sept 08

5,518,208 barrels of oil

9,180,907 barrels of salt water

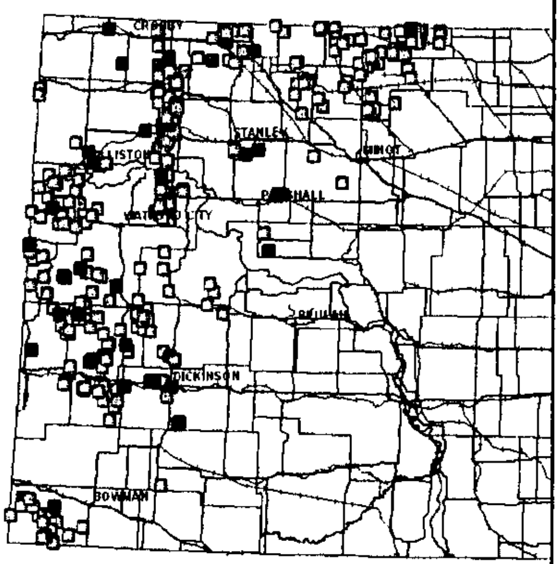
2,192,941 barrels, or

24% by truck

Legend

- 100% by Pipeline
- Mix of Truck and Pipeline
- 100% by Truck

16,869 truckloads



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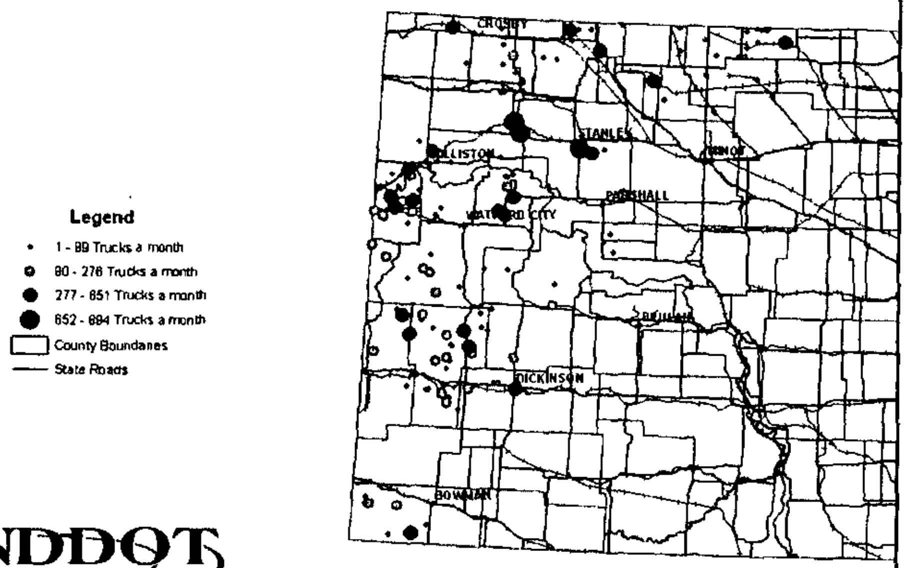
Source: ND Industrial Commission

Salt Water Disposal Site Truck Traffic for September 2008



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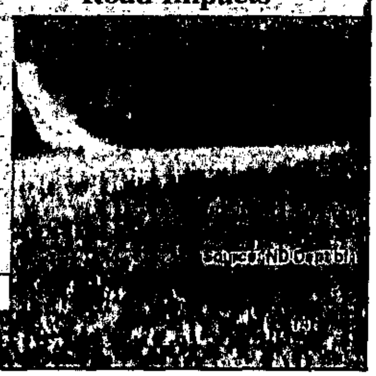
	State Highway Miles	Local Road Miles	Federal Lands Road Miles
Billings	48.4	730.4	251.8
Bottineau	173.3	2834.8	8.3
Bowman	79.2	1198.8	0
Burke	126.7	1526.5	21.6
Divide	110.1	1891.9	0
Dunn	146.5	1723.5	119.7
Golden Valley	69.9	1023.6	41.3
Hettinger	99.2	1641.7	0
McHenry	175.1	2839.5	26.7
McKenzie	278.3	2011.2	341.7
McLean	287.4	3088.0	64.8
Mountrail	173.2	2431.8	17.4
Renville	73.0	1493.8	2.6
Slope	71.8	1022.6	21.3
Stark	135.9	1954.9	0
Ward	230.1	3140.0	139.7
Williams	230.7	3176.1	0.2
Totals	2508.8	33729.1	1057.1

State and Local Road Impacts



State and County Structures and Status By County December 2008

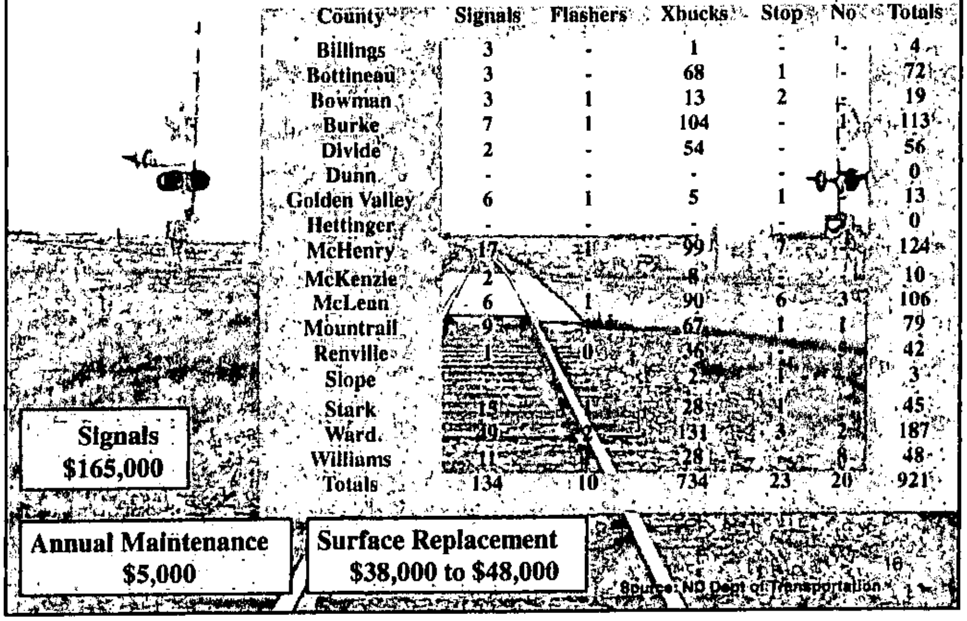
County	State	FO	SD	County	FO	SD	Total
Billings	25	2	0	31	2	1	56
Bottineau	27	0	1	123	11	45	150
Bowman	25	0	0	49	4	0	74
Burke	24	0	0	16	0	5	40
Divide	7	0	0	10	0	2	17
Dunn	40	0	0	58	1	11	98
Golden Valley	20	2	0	22	2	3	42
Hettinger	27	0	0	60	5	22	87
McHenry	21	0	1	96	14	25	117
McKenzie	68	1	3	82	4	6	150
McLean	31	0	0	32	3	2	63
Mountrail	16	0	0	22	1	3	38
Renville	13	0	0	17	0	1	30
Slope	28	0	0	30	0	5	58
Stark	108	0	4	104	9	31	212
Ward	97	0	1	74	4	4	171
Williams	56	2	1	66	9	26	122
Totals	633	7	11	892	69	192	1525

Structure Replacement Costs Typical $450,000

NDDOT
North Dakota Department of Transportation

Highway/Rail At-Grade Crossings

NDDOT
North Dakota Department of Transportation



County	Signals	Flashers	Xbucks	Stop	No	Totals
Billings	3	-	1	-	-	4
Bottineau	3	-	68	1	-	72
Bowman	3	1	13	2	-	19
Burke	7	1	104	-	1	113
Divide	2	-	54	-	-	56
Dunn	-	-	-	-	-	0
Golden Valley	6	1	5	1	-	13
Hettinger	-	-	-	-	-	0
McHenry	17	1	99	7	[illegible]	124
McKenzie	2	[illegible]	8	[illegible]	[illegible]	10
McLean	6	1	90	6	3	106
Mountrail	9	[illegible]	67	1	1	79
Renville	1	0	36	[illegible]	[illegible]	42
Slope	[illegible]	[illegible]	2	1	[illegible]	3
Stark	15	1	28	1	[illegible]	45
Ward	49	2	131	3	2	187
Williams	11	1	28	-	8	48
Totals	134	10	734	23	20	921

Signals
$165,000

Annual Maintenance
$5,000

Surface Replacement
$38,000 to $48,000

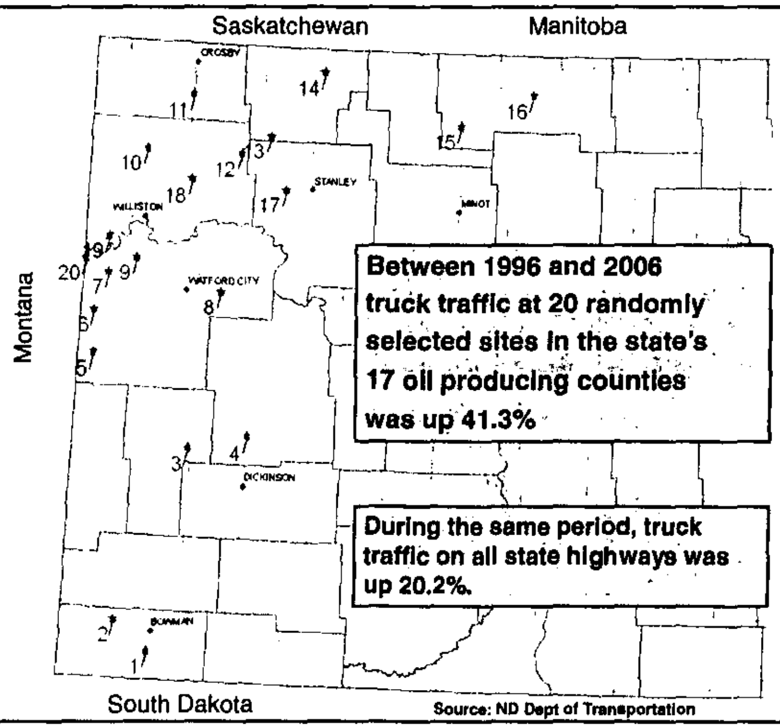
Source: ND Dept of Transportation

Estimated Oil & Gas Related Truck Volumes - September 2008

Loaded Truck Movement Type	Truckloads
New Wells Drilled Non-Bakken (150)	60,000
New Wells Drilled Bakken (750)	600,000
WorkOver Rig Movements	
New Wells (900)	3,150
Existing Wells (4193)	839
Acid 2-3 Truckloads Per New Well	2,250
Crude Oil Truckloads Existing	105,348
Crude Oil Truckloads (New Bakken)	375,722
Crude Oil Truckloads (New Non-Bakken)	23,966
Freshwater (Bakken)	117,186
Freshwater (Non- Bakken)	1,674
Sand (Bakken Only)	27,000
Saltwater (Existing)	202,428
Saltwater (New-Bakken)	158,959
Saltwater (New Non-Bakken)	162,228
Abandonment 100-150 Wells Annually	3,750
Gas Plant Truck Movements	10,950
Total Truckloads (Annually)	**1,855,450**
Total Truckloads (Daily)	**5,083**

NDDOT North Dakota Department of Transportation

Source: ND Dept of Transportation



Source: ND Dept of Transportation

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Current Annual Estimated Truckloads by Economic Activity

Oil & Gas Development	1,855,450
Agriculture	1,300,000*
Manufacturing	820,000*
Total	3,975,450

* Figures do not include fertilizer, gas and diesel deliveries, other inputs, multiple agricultural movements, or raw material inputs for manufacturing

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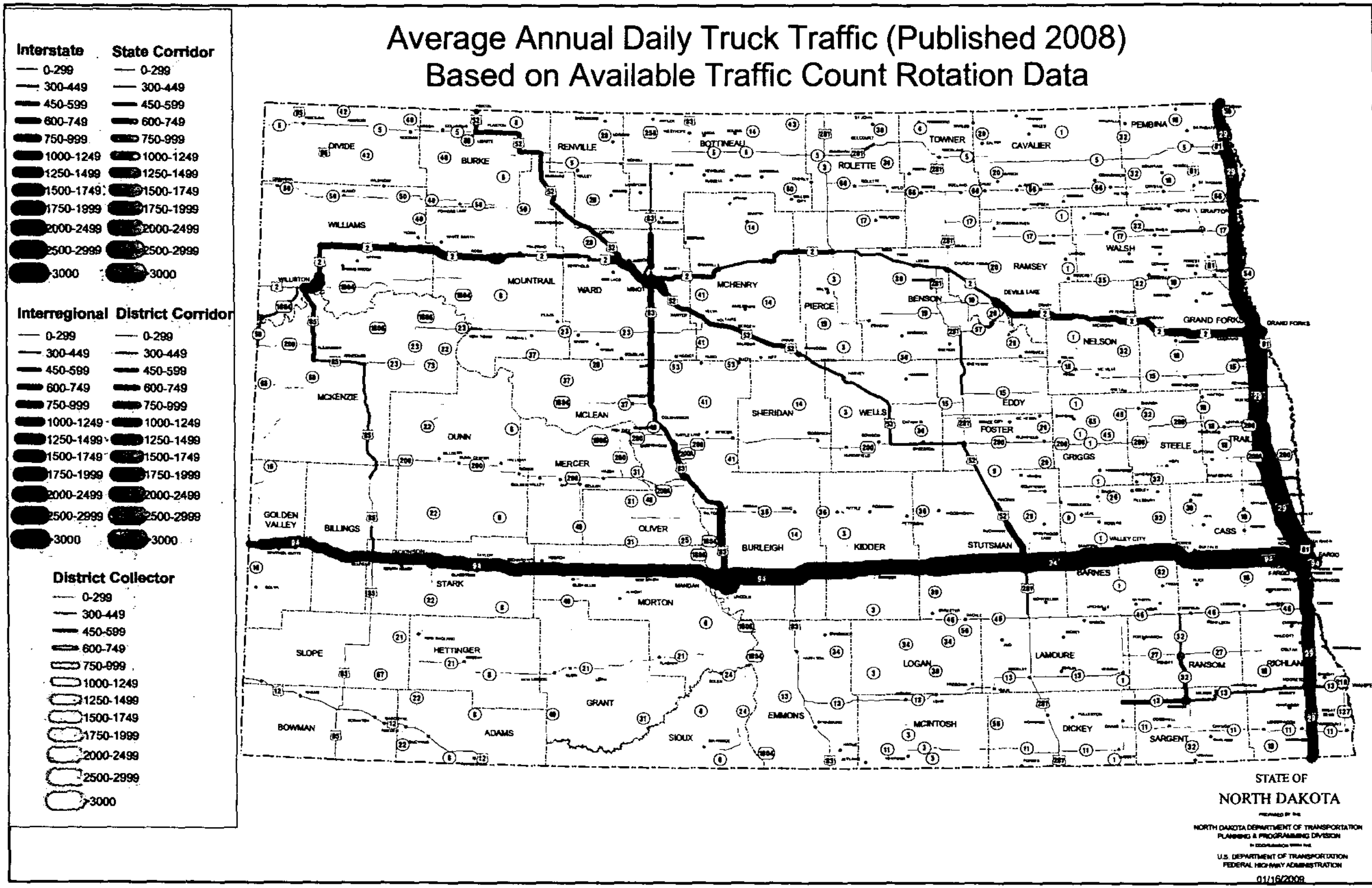
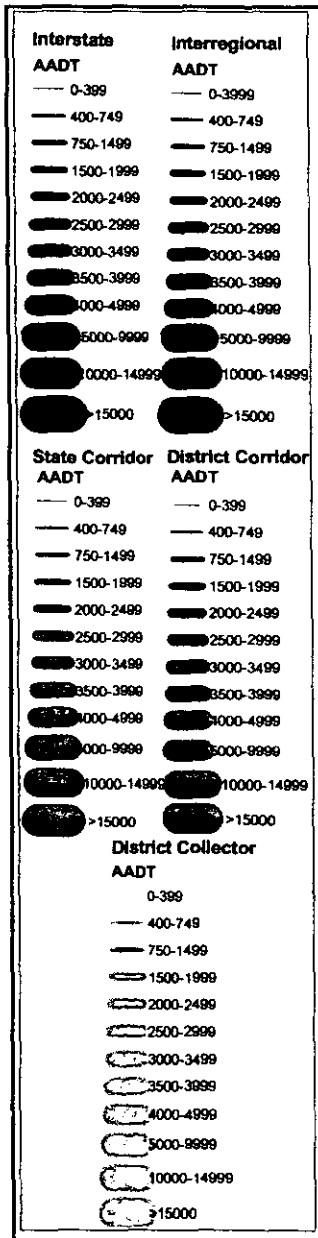
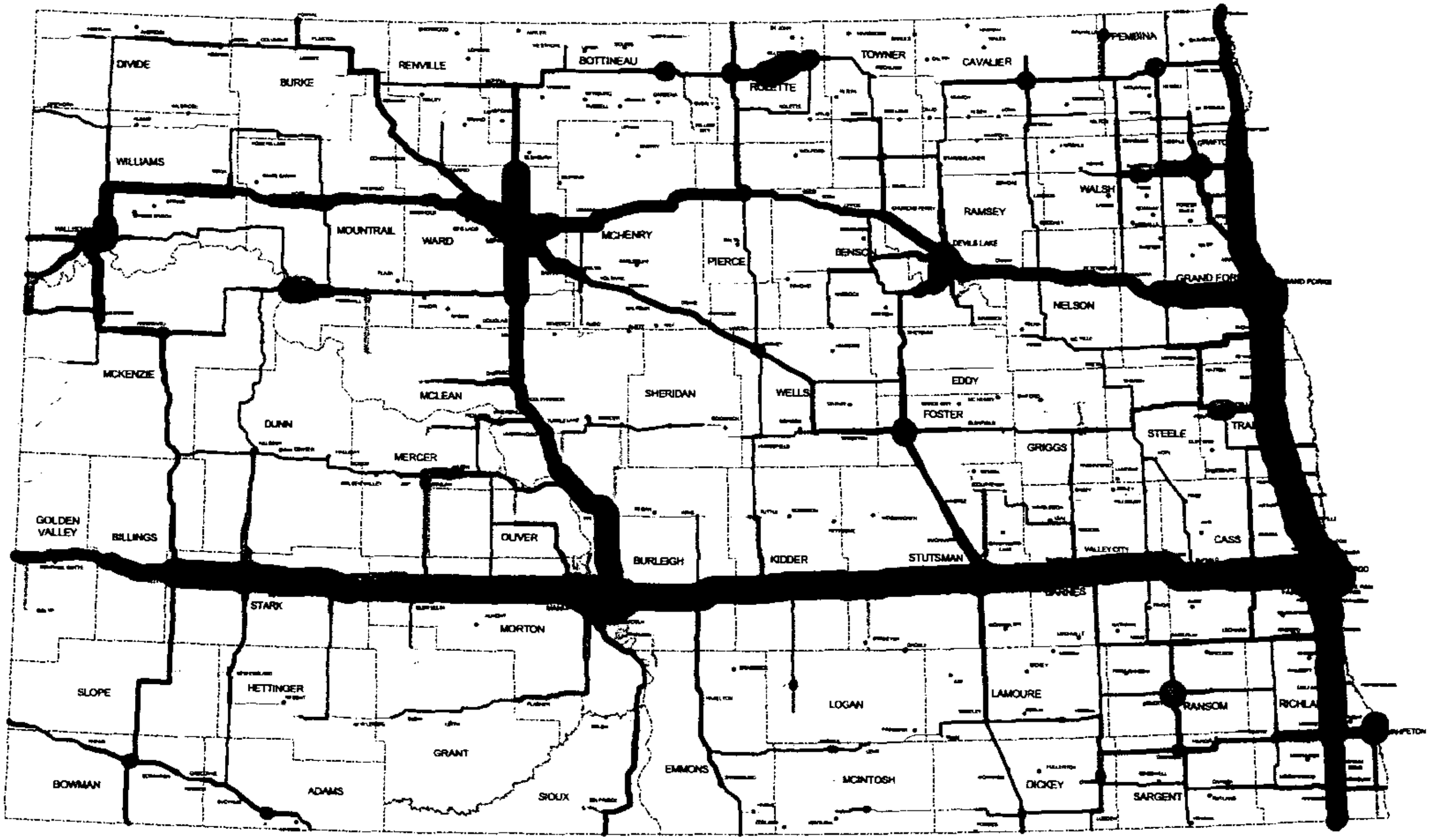
Average Annual Daily Truck Traffic (Published 2008)
Based on Available Traffic Count Rotation Data



Average Annual Daily Traffic (Published 2008)
Based on Available Traffic Count Rotation Data





AADT By HPCS

STATE OF
NORTH DAKOTA

NORTH DAKOTA DEPARTMENT OF TRANSPORTATION
PLANNING & PROGRAMMING DIVISION

U.S. DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION

01/20/2009

1304
HB ~~1235~~-House Finance & Taxation Committee, Tuesday, January 27, 2009, Fort Totten Room, State Capitol Building
Oil & Gas Development – Road and Bridge Impacts (Notes)
Jack L. Olson, Assistant Director, Planning & Programming Division, North Dakota Department of Transportation

Slide 1 - In August 2008, North Dakota had 4,193 active oil wells which produced over five and a half million barrels of oil and additional wells are being drilled every day.

Slide 2 - Between 2003 and 2007, 1637 oil wells were drilled in 23 counties.

Slide 3 - Many different pieces of equipment are necessary to bring an oil well into production. Several loads involve oversize and overweight movements. Of the 40 to 50 loads necessary to move a drilling rig, almost half require permits since they exceed legal weights, and 3 out of every 4 loads are also oversized.

Slide 4 - The size and weight of oil related traffic has increased steadily over time. For example, in the early 1990's, work over rigs had gross weights of approximately 90,000 pounds. By 2007, the weight of a work over rig was approaching 110,000 pounds. Initially, many wells are worked over 3 to 4 times a year.

The total number of loads involved with bringing a well into production is dependent on its depth, whether the well is drilled vertically or horizontally, and the efficiency of the company moving the equipment.

Slide 5 – This slide shows a comparison between the number of overweight and over-dimensional permit tallies between 2006 and 2007 in the Williston, Minot and Dickinson NDDOT Districts. About 1/3 of the permit tallies were for travel in more than one district.

We do not know the amount of overweight and over-dimension fees generated in 17 oil producing counties, however statewide in 2007, a little more than 2.1 million dollars of self-issued permits and identification supplements were sold; enough to build about two miles of two-lane highway.

Slide 6 - This slide shows that 95% of all oil and gas development sites are more than a quarter mile from a state highway. Oil and gas development impacts the road systems of all levels of government.

Slide 7 - This slide shows the location of oil and gas wells and other oil related sites in Bowman County. The red lines are the county boundaries, the black lines are state highways and the lighter gray lines are county or township roads. In Bowman County 99.8% of the county's active wells and oil related sites are more than a quarter mile off a state highway.

Slide 8 - This slide shows the method of crude oil transport from wells in Bowman County. The oil from fields shown in red is transported to tank farms or pipeline collection points by truck; the oil from fields shown in green is transported by pipelines; and oil from the fields shown in blue is transported by either truck or pipelines. Similar patterns exist in the other oil producing counties.

Slide 9 - This slide shows the location of all of North Dakota's oil fields and the method of crude oil transportation. It also shows the location of railroad oil loading facilities.

Slide 10 - In ~~December~~ August of 2008, there were 386 distinct oilfields in North Dakota. The oil from 328 or 85% of the fields was transported by truck. Oil from 20 or 5% of the fields was transported 100% by pipeline. The oil from the remaining 38 or 10% of the fields was transported by trucks or pipeline.

Oil from 35 percent of the state's wells is transported by pipelines and oil from the remaining 65 percent is trucked.

Slide 11 - The shallow natural gas wells between Bowman and Baker, MT; and the oil wells of the Bakken Formation and those between Stanley, Killdeer and Dickinson generally require stimulation to enhance their production. This is done by fracturing equipment which injects the gas or oil bearing formation with sand suspended by polymers in freshwater under great amounts of pressure.

To bring an oil well on line in the Bakken Formation requires between 20,000 to 30,000 barrels of water which is the equivalent of 150 to 230 truckloads, and 1,000,000 to 2,000,000 pounds of sand which is the equivalent of 24 to 48 truckloads. All sand for fracturing is currently transported through Williston.

Slide 12 - In September of 2008, the oil extraction process produced over 5.5 million barrels of oil. Over nine million barrels of saltwater was also produced. Of the total amount of saltwater almost 2.2 million barrels, or 24% of the saltwater, was transported by truck to permitted disposal sites. This is the equivalent of 16,869 truckloads.

Slide 13 - This slide shows the location of salt water disposal sites and associated truck traffic as of September 2008.

Slide 14 - There are 2509 miles, or 33% of all state highways; and 33,729 miles, or 35% of the state's local roads in the 17 oil and gas producing counties. At this time we do not know how many of these road miles are directly impacted by oil and gas development.

Slide 15 - In addition to impacting roads, oil development significantly impacts bridges and other structures. This slide shows that 3% of the structures on state highways and 29% of the structures on county roads in the oil producing counties are either functional obsolete or structurally deficient as of December 2008. The cost of replacing a typical structure averages about $450,000.

Slide 16 - Another cost of maintaining safe roads in oil producing counties occurs at highway/railroad grade crossings. Due to higher volumes of oil-related traffic, energy companies have approached the BNSF Railway seeking the installation of signals at rural crossings.

Currently, it costs about $165,000 to install signals at a highway/rail crossing. NDDOT's current budget allows for between 8 and 10 signal upgrades per year. Each signal annually costs the railroad approximately $5,000 to maintain. It costs about [illegible],000 to 48,000 dollars to replace the crossing surfaces on a single track line.

Slide 17 - Between March and September of 2008 the projected annual truck volume associated with oil and gas development increased approximately 11% from 1.6 million truckloads to 1.8 million truckloads.

Slide 18 - Between 1996 and 2006, truck traffic at 20 randomly selected sites in the state's 17 oil producing counties was up 41.3%. We do not know how much of this increase is solely attributable to oil and gas development since growth was also experienced in agriculture and manufacturing. During the same period, truck traffic on all state highways was up 20.2%.

Slide 19 - This slide shows a relative comparison of primary truck transport generated by major segments of our economy. It should be noted that the figures for agriculture and manufacturing are incomplete as noted. These figures also do not include wholesale and retail trade, service industries, the construction sector, or trucks passing through our state.

To give some perspective to the magnitude of these numbers, if the nearly 4 million truckloads were placed end to end they would circle the earth more than two times.

Slide 20 & 21 – These slides show the relative distribution of truck traffic and all traffic and have been included to give you some perspective of how traffic compares across the entire state.

Testimony 16

House Bill 1304
Testimony of Michael Ziesch
Job Service North Dakota
Before the
House Committee On
Finance and Tax
Representative Belter, Chair
January 27, 2009

Oil and Gas Production Tax

Chairman Belter and members of the committee, I am Michael Ziesch a Research Analyst with Job Service North Dakota. I am here today offering amended language to three sections of House Bill 1304.

Our concerns lie with the draft wording of 57-51-15.2 (b) (d) & (f). In these sections Job Service would be asked to determine the percentage of a city's labor force that is directly related to oil extraction. The difficulty is that these are fairly strict Labor Market Information terms that come from two separate Bureau of Labor Statistic (BLS) programs, one of which is not produced for all geographies, specifically smaller cities.

For example, a labor force statistic comes from the program that produces the unemployment rate for the state. Besides for statewide and the counties, BLS methodology requires that we only produce that statistic for the 4 largest cities in the state (Fargo, Bismarck, Minot, and Grand Forks). It would not be possible to make a reliable estimate of it for cities of smaller population.

Our suggestion is to make the comparison to a city's "Private Covered Employment" level. This would allow all computations to use one series, the Quarterly Census of

Employment and Wages (QCEW), also known as covered employment. We could have made the comparisons to a city's TOTAL covered employment, but that would have made for a very large denominator in the computation due to inclusion of Federal, State and Local entities (schools & colleges, park districts, etc). These differences can be viewed in Table 1 found at the back of my testimony.

The term oil extraction is also pretty specific, encompassing a very narrow set of industry codes from our QCEW program. As mentioned, our data are compiled following strict BLS definitions and methodology. So, using the term oil extraction would certainly hinder the employment percentage of any city. This will be highlighted in a following section (Table 2).

Our suggestion would be to use the term Mining, which is the generic major industry term for all related activity (Oil & Gas Extraction, Mining (such as coal & gravel), and Support Activities). As can be seen from the tables, most cities in the state have very little employment activity related to mining, with the exception of Williston & Dickinson.

I recommend the following language be amended to allow for more consistent and reliable computations and better meet the intended results. From 57-51-15.2 (b), (d) and (f) change the wording as follows:

The next two hundred eight thousand dollars must be allocated to any city in the county with a population of more than seven thousand five hundred. The allocation under this subdivision must be doubled if the city has more than two and one-half percent of its private covered employment engaged in the mining industry, according to data compiled by Job Service North Dakota.

In the above change, I have replaced the second sentence of the referenced sections. And the percentage threshold can be set at any level that meets legislative intent.

This wording can be summarized as:

- Changing the percentage threshold from seven and one-half to two and one-half (or whatever level is desired)
- Changing "labor force" comparisons to Private Covered Employment
- Changing "directly related to oil extraction" to the mining industry as a whole

I have attached two tables that may highlight how these proposed changes would affect the larger cities in the state. I have included data for the 10 largest cities and also statewide data for comparison. It can be seen that the seven and one-half percent threshold in the current language would only allow one city to qualify (Williston), under either scenario. As well, using the percentage of "private" employment leaves more wiggle room between the cities and the threshold. For example, a threshold of two and one-half percent would open eligibility a bit allowing Dickinson through too. No other city great than 7,500 population is even close.

Table 1 would be using industry data related to “Mining” table 2 related to “Oil Extraction” as defined by BLS.

Chairman Belter, this concludes my testimony. I would be happy to answer any questions at this time.

All Data are year 2007

Table 1:

Area Name	Population	Total Empl.	Private Sector Empl.	Mining	% Total	% Prvt.
STATEWIDE	**639,715**	**341,705**	**277,658**	**5,099**	**1.5%**	**1.8%**
Williston	12,393	10,075	8,796	1,885	18.7%	21.4%
Dickinson	15,916	11,129	9,299	298	2.7%	3.2%
Minot	35,281	26,325	21,853	185	0.7%	0.8%
Bismarck/Mandan	59,503	56,494	45,731	122	0.2%	0.3%
Fargo/WestFgo	92,660	93,420	85,201	***	N/A	N/A
Grand Forks	51,740	36,565	28,951	***	N/A	N/A
Jamestown	14,680	10,022	8,131	***	N/A	N/A
Wahpeton	7,703	5,787	4,663	***	N/A	N/A
Devils Lake	6,675	5,336	4,031	***	N/A	N/A
Valley City	6,300	4,213	3,445	***	N/A	N/A

Table 2:

Area Name	Population	Total Empl.	Private Sector Empl.	NAICS 211 & 213 (Oil and Gas)	% Total	% Prvt.
STATEWIDE	**639,715**	**341,705**	**277,658**	**3,535**	**1.0%**	**1.3%**
Williston	12,393	10,075	8,796	1,850	18.4%	21.0%
Dickinson	15,916	11,129	9,299	175	1.6%	1.9%
Minot	35,281	26,325	21,853	***	N/A	N/A
Bismarck/Mandan	59,503	56,494	45,731	***	N/A	N/A

Population: US Census Bureau

Employment: Quarterly Census of Employment & Wages

*** Non Disclosable due to confidentiality--negligible employment

NORTH DAKOTA PETROLEUM COUNCIL

Ron Ness
President
Marsha Reimnitz
Office Manager

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Phone: 701-223-6380 • Fax: 701-222-0006 • Email: ndpc@ndoil.org

Testimony 17

House Bills 1304 & 1275

House Finance & Taxation

January 27, 2009

Chairman Belter and members of the Committee. My name is Ron Ness. I am the President of the North Dakota Petroleum Council. The North Dakota Petroleum Council represents 160 companies involved in all aspects of the oil and gas industry and has been representing the industry since 1952.

As you know the level of oil and gas activity over the past two years has increased substantially. Maintaining a quality road infrastructure in these areas is critical to the ability to develop the state's oil resources. <u>We strongly support additional funding for oil and gas producing counties. Our industry is paying the tax is a portion of which is intended for impacts to these areas and a sufficient portion should be returned to these counties.</u>

The oil tax distribution formula is broken and needs repair. The current lag between drilling activity and actual oil production resulting in tax revenues flowing to the state and ultimately to the counties must be addressed. The biggest impacts occur early in an oil play prior to the majority of the tax revenues returning to the counties. Counties with new production do not have the budgets/resources to maintain their roads when the impacts hit. There is no reason, with the tremendous amount of wealth that oil production has brought to our state, that counties where the wealth is generated are begging the state to have more of the revenue flowing back to their counties to assist with significant road impacts. Our member companies paid over $400 million in oil production taxes to North Dakota is fiscal year 2008 and yet several of them have recognized the dire straits of budgets in certain counties and have made contributions to counties for vehicles, fire trucks, and bridges. ND companies should not be put in that situation when our state is experiencing historic economic times. This bill will likely see much debate but we hope that you can find the right level of funding to address the counties funding issues.

Attachment A
2/12/09

90260.0303
Title.

Prepared by the Legislative Council staff for
Representative Drovdal
February 10, 2009

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1304

Page 2, line 29, overstrike "must be", remove "allocated within", and overstrike "the county"

Page 2, line 30, after "~~census~~" insert "is subject to limitation"

Page 3, replace lines 1 through 31 with:

"a. Counties having a population of three thousand or less shall receive no more than three million nine hundred thousand dollars for each fiscal year; however, a county may receive ~~up to four million nine hundred thousand dollars under this subdivision~~ the full amount of its allocation under subsection 2 for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. ~~Any amount received by a county exceeding three million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

b. Counties having a population of over three thousand but less than six thousand shall receive no more than four million one hundred thousand dollars for each fiscal year; however, a county may receive ~~up to five million one hundred thousand dollars under this subdivision~~ the full amount of its allocation under subsection 2 for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. ~~Any amount received by a county exceeding four million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~

c. Counties having a population of six thousand or more shall receive no more than four million six hundred thousand dollars for each fiscal year; however, a county may receive ~~up to five million six hundred thousand dollars under this subdivision~~ the full amount of its allocation under subsection 2 for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. ~~Any amount received by a county exceeding four million six hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.~~"

Page 4, line 5, remove "for allocation under this subsection"

Page 4, line 7, remove "for allocation under"

Page 4, line 8, remove "this subsection"

Page 5, line 1, remove "<u>for</u>"

Page 5, line 2, remove "<u>allocation under this subsection</u>"

Page 6, remove lines 1 through 17

Renumber accordingly

#2

Theodore Roosevelt Quote of the Week:

"It is true of the Nation, as of the individual, that the greatest doer must also be a great dreamer."

erkley, California, 1911

From: Triplett, Constance T. [mailto:ctriplett@nd.gov]
Sent: Tuesday, April 07, 2009 1:47 PM
To: Jim Fuglie
Subject: RE: Problem with 1304

Good timing, Jim.

Dwight intends to call us back to committee to reconsider the action we took this morning because he wants to add some accountability language to the new County-Township infrastructure program. I will bring your issue up for discussion. Dwight did not acknowledge that the change in wording made any difference in the dollars. Thanks for the heads-up!

Connie

From: Jim Fuglie [mailto:jimf@medora.com]
Sent: Tuesday, April 07, 2009 2:42 PM
To: Triplett, Constance T.
Subject: Problem with 1304

I just learned of amendments to HB 1304 that really cut into the city of Medora's revenue from the oil production tax. Prior to last session we hade been capped at about $325,000. Last session we got bumped to about $600,000. Sen. Cook now s amendments to bump us back to $450,000, which I think your committee adopted today. Medora' allocation is abased an old formula from the 1970's, that recognized we are a tourist town with a lot of guests. That formula is now outdated. Our little town with a census population of 100 is often a town of five or six thousand people, and we have to provide the infrastructure for a town that size. Streets, curb and gutter, water, sewer, storm sewers. That formula was based on us having a 90 day season. We now have a six month season, and will be going to 12 months. We have huge future needs such as a new sewage treatment system, a new water treatment plant, and housing for year-around employees. If those amendments pass it will create extreme hardship for our little town.

Connie, I hate to call attention to this on the floor when out hotel grant is hanging by a thread in the Commerce Dept. Appropriations bill. Would you be able to just have a discussion with Dwight about this? Randy is over there now trying to talk to him. I'll alert our Mayor, Doug Ellison, and try to get him over here tomorrow. If worst comes to worst, we'll deal with it in conference. I just want you to be aware of this.

Thanks, Connie,

Jim

Jim Fuglie
Development Director
Theodore Roosevelt Medora Foundation
P.O. Box 198
Medora, ND 58645
(701) 623-4444
(701) 220-3492 (cell)

Theodore Roosevelt Quote of the Week:

s true of the Nation, as of the individual, that the greatest doer must also be a great dreamer."

#2

, 2009

County	City	Population	FY 08 Allocation	FY08 Avg/ Resident	Est FY10 Allocation	Est FY10 Avg/ Resident	Est FY10 Excess to County	Est FY11 Allocation	Est FY11 Avg Per Resident	Est FY11 Excess to County
Renville	Glenburn	374	$67,029.34	$179.22	$64,020.44	$171.18	$0.00	$74,038.13	$197.96	$0.00
Renville	Grano	9	$1,613.00	$179.22	$1,540.60	$171.18	$0.00	$1,781.67	$197.96	$0.00
Renville	Loraine	19	$3,405.23	$179.22	$3,252.38	$171.18	$0.00	$3,761.30	$197.96	$0.00
Renville	Mohall	812	$145,528.93	$179.22	$138,996.25	$171.18	$0.00	$160,745.88	$197.96	$0.00
Renville	Sherwood	255	$45,701.82	$179.22	$43,650.30	$171.18	$0.00	$50,480.54	$197.96	$0.00
Renville	Tolley	63	$11,291.04	$179.22	$10,784.19	$171.18	$0.00	$12,471.66	$197.96	$0.00
		1,532	$274,569.36	$179.22	$262,244.16	$171.18	$0.00	$303,279.18	$197.96	$0.00
Slope	Amidon	26	$31,079.53	$1,195.37	$19,500.00	$750.00	($10,025.55)	$19,500.00	$750.00	($14,687.49)
Slope	Marmarth	140	$167,351.32	$1,195.37	$105,000.00	$750.00	($53,983.75)	$105,000.00	$750.00	($79,086.45)
		166	$198,430.85	$1,195.37	$124,500.00	$750.00	($64,009.30)	$124,500.00	$750.00	($93,773.94)
Stark	Belfield	866	$19,799.55	$22.86	$196,688.67	$227.12	$0.00	$216,809.95	$250.36	$0.00
Stark	Dickinson	16,010	$366,040.24	$22.86	$736,619.35	$76.68	$0.00	$765,999.15	$79.74	$0.00
Stark	Gladstone	248	$5,670.08	$22.86	$56,326.55	$227.12	$0.00	$62,088.76	$250.36	$0.00
Stark	Richarton	619	$14,152.34	$22.86	$140,589.24	$227.12	$0.00	$154,971.55	$250.36	$0.00
Stark	South Heart	307	$7,019.01	$22.86	$69,726.81	$227.12	$0.00	$76,859.88	$250.36	$0.00
Stark	Taylor	150	$3,429.48	$22.86	$34,068.47	$227.12	$0.00	$37,553.68	$250.36	$0.00
		18,200	$416,110.70	$22.86	$1,234,019.09	$67.80	$0.00	$1,314,282.97	$72.21	$0.00
Ward	Berthold	466	$301.45	$0.65	$232.83	$0.50	$0.00	$269.27	$0.58	$0.00
Ward	Burlington	1,096	$708.99	$0.65	$547.61	$0.50	$0.00	$633.29	$0.58	$0.00
Ward	Carpio	148	$95.74	$0.65	$73.95	$0.50	$0.00	$85.52	$0.58	$0.00
Ward	Des Lacs	209	$135.20	$0.65	$104.43	$0.50	$0.00	$120.77	$0.58	$0.00
Ward	Donnybrook	90	$58.22	$0.65	$44.97	$0.50	$0.00	$52.00	$0.58	$0.00
Ward	Douglas	64	$41.40	$0.65	$31.98	$0.50	$0.00	$36.98	$0.58	$0.00
Ward	Kenmare	1,081	$699.28	$0.65	$540.11	$0.50	$0.00	$624.63	$0.58	$0.00
Ward	Makoti	145	$93.80	$0.65	$72.45	$0.50	$0.00	$83.78	$0.58	$0.00
Ward	Minot	36,567	$23,654.70	$0.65	$18,270.40	$0.50	$0.00	$21,129.27	$0.58	$0.00
Ward	Ryder	92	$59.51	$0.65	$45.97	$0.50	$0.00	$53.16	$0.58	$0.00
Ward	Sawyer	377	$243.88	$0.65	$188.36	$0.50	$0.00	$217.84	$0.58	$0.00
Ward	Surrey	917	$593.20	$0.65	$458.17	$0.50	$0.00	$529.86	$0.58	$0.00
		41,252	$26,685.37	$0.65	$20,611.23	$0.50	$0.00	$23,836.37	$0.58	$0.00
Williams	Alamo	51	$3,200.98	$62.76	$13,836.52	$271.30	$0.00	$15,185.24	$297.75	$0.00
Williams	Epping	79	$4,958.39	$62.76	$21,433.03	$271.30	$0.00	$23,522.23	$297.75	$0.00
Williams	Grenora	202	$12,678.40	$62.76	$54,803.45	$271.30	$0.00	$60,145.46	$297.75	$0.00
Williams	Ray	534	$33,516.17	$62.76	$144,876.44	$271.30	$0.00	$158,998.42	$297.75	$0.00
Williams	Spring Brook	26	$1,631.88	$62.76	$7,053.92	$271.30	$0.00	$7,741.50	$297.75	$0.00
Williams	Tioga	1,125	$70,609.91	$62.76	$305,217.23	$271.30	$0.00	$334,968.58	$297.75	$0.00
Williams	Wildrose	129	$8,096.60	$62.76	$34,998.24	$271.30	$0.00	$38,409.72	$297.75	$0.00
Williams	Williston	12,512	$785,307.69	$62.76	$1,611,236.95	$128.78	$0.00	$1,670,817.86	$133.54	$0.00
		14,658	$920,000.02	$62.76	$2,193,455.78	$149.64	$0.00	$2,309,789.01	$157.58	$0.00

(1) Medora population before adjustment is 100 - old adjustment gave them 710 - new adjustment gives them 700

NOTE: These schedules are for discussion purposes only. The data in these schedules are based on rough assumptions relating to revenue collections from the political subdivisions and are not official fiscal estimates. Drops in allocation dollars, not limited by caps, are due to price and production fluctuation, not distribution changes.

#2 [redacted] [redacted] [redacted]09

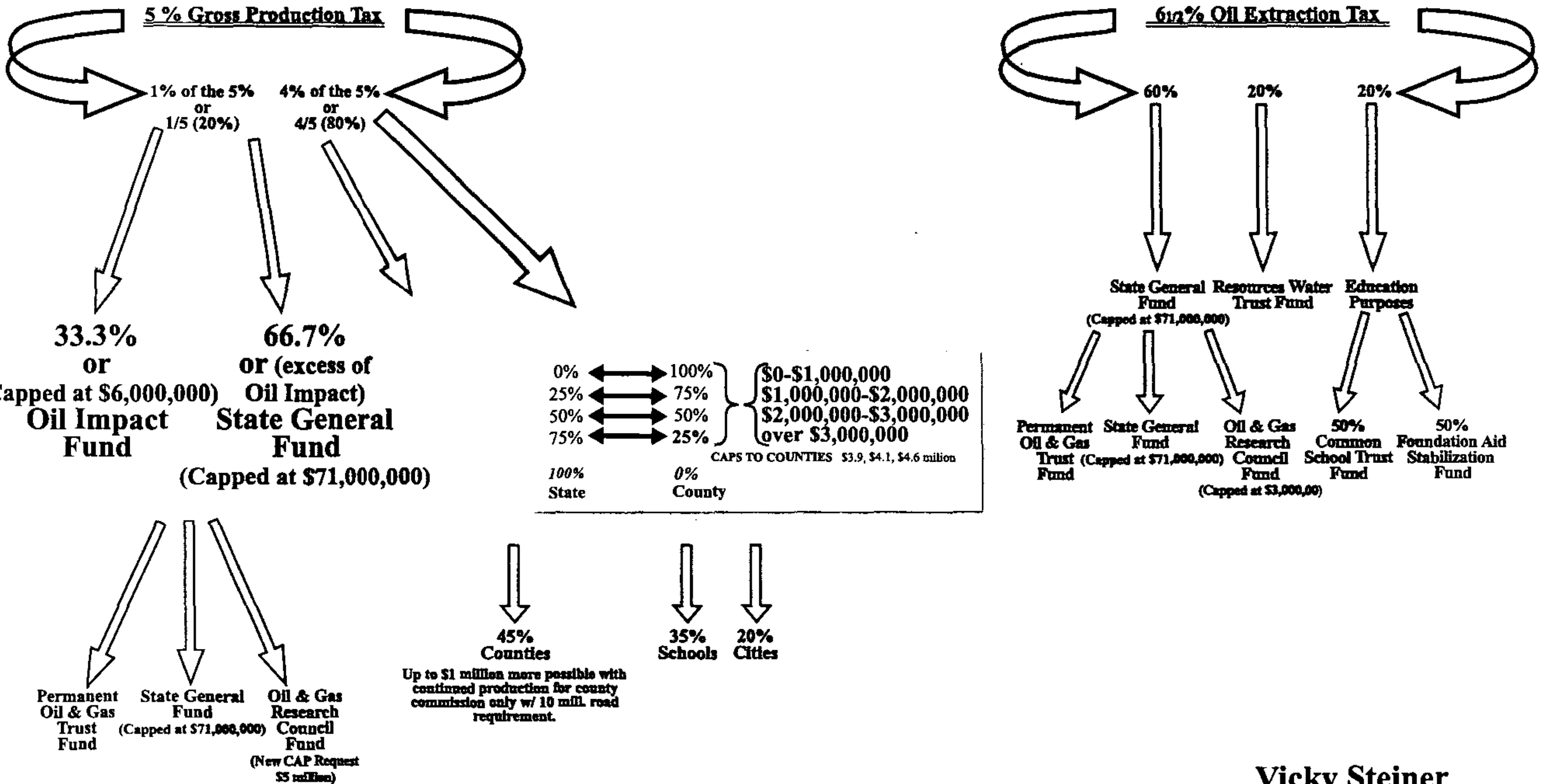
County	City	Population	FY 08 Allocation	FY08 Avg/ Resident	Est FY10 Allocation	Est FY10 Avg/ Resident	Est FY10 Excess to County	Est FY11 Allocation	Est FY11 Avg Per Resident	Est FY11 Excess to County
McHenry	Anamoose	282	$1,212.21	$4.30	$1,200.71	$4.26	$0.00	$1,388.58	$4.92	$0.00
McHenry	Balfour	20	$85.97	$4.30	$85.16	$4.26	$0.00	$98.48	$4.92	$0.00
McHenry	Bantry	19	$81.67	$4.30	$80.90	$4.26	$0.00	$93.56	$4.92	$0.00
McHenry	Bergen	11	$47.28	$4.30	$46.84	$4.26	$0.00	$54.16	$4.92	$0.00
McHenry	Deering	118	$507.24	$4.30	$502.42	$4.26	$0.00	$581.04	$4.92	$0.00
McHenry	Drake	322	$1,384.16	$4.30	$1,371.02	$4.26	$0.00	$1,585.54	$4.92	$0.00
McHenry	Granville	286	$1,229.41	$4.30	$1,217.74	$4.26	$0.00	$1,408.27	$4.92	$0.00
McHenry	Karlsruhe	119	$511.54	$4.30	$506.68	$4.26	$0.00	$585.96	$4.92	$0.00
McHenry	Kief	13	$55.88	$4.30	$55.35	$4.26	$0.00	$64.01	$4.92	$0.00
McHenry	Towner	574	$2,467.41	$4.30	$2,444.00	$4.26	$0.00	$2,826.40	$4.92	$0.00
McHenry	Upham	155	$666.29	$4.30	$659.96	$4.26	$0.00	$763.23	$4.92	$0.00
McHenry	Velva	1,049	$4,509.26	$4.30	$4,466.47	$4.26	$0.00	$5,165.32	$4.92	$0.00
McHenry	Voltaire	51	$219.23	$4.30	$217.15	$4.26	$0.00	$251.13	$4.92	$0.00
		3,019	$12,977.55	$4.30	$12,854.40	$4.26	$0.00	$14,865.68	$4.92	$0.00
McKenzie	Alexander	217	$101,274.90	$466.70	$162,750.00	$750.00	($5,423.67)	$162,750.00	$750.00	($12,606.37)
McKenzie	Arnegard	105	$49,003.99	$466.70	$78,750.00	$750.00	($2,624.36)	$78,750.00	$750.00	($6,099.86)
McKenzie	Watford City	1,435	$669,721.12	$466.70	$1,076,250.00	$750.00	($35,866.19)	$1,076,250.00	$750.00	($83,364.67)
		1,757	$820,000.01	$466.70	$1,317,750.00	$750.00	($43,914.22)	$1,317,750.00	$750.00	($102,070.90)
McLean	Benedict	53	$85.81	$1.62	$81.52	$1.54	$0.00	$94.39	$1.78	$0.00
McLean	Butte	92	$148.95	$1.62	$141.51	$1.54	$0.00	$163.85	$1.78	$0.00
McLean	Coleharbor	106	$171.62	$1.62	$163.04	$1.54	$0.00	$188.78	$1.78	$0.00
McLean	Garrison	1,318	$2,133.92	$1.62	$2,027.22	$1.54	$0.00	$2,347.31	$1.78	$0.00
McLean	Max	278	$450.10	$1.62	$427.59	$1.54	$0.00	$495.11	$1.78	$0.00
McLean	Mercer	86	$139.24	$1.62	$132.28	$1.54	$0.00	$153.16	$1.78	$0.00
McLean	Riverdale	273	$442.00	$1.62	$419.90	$1.54	$0.00	$486.20	$1.78	$0.00
McLean	Ruso	6	$9.71	$1.62	$9.23	$1.54	$0.00	$10.69	$1.78	$0.00
McLean	Turtle Lake	580	$939.05	$1.62	$892.10	$1.54	$0.00	$1,032.96	$1.78	$0.00
McLean	Underwood	812	$1,314.68	$1.62	$1,248.94	$1.54	$0.00	$1,446.14	$1.78	$0.00
McLean	Washburn	1,389	$2,248.87	$1.62	$2,136.43	$1.54	$0.00	$2,473.76	$1.78	$0.00
McLean	Wilton	565	$914.77	$1.62	$869.03	$1.54	$0.00	$1,006.24	$1.78	$0.00
		5,558	$8,998.72	$1.62	$8,548.79	$1.54	$0.00	$9,898.59	$1.78	$0.00
Mountrail	New Town	1,367	$315,831.24	$231.04	$629,246.17	$460.31	$0.00	$674,527.96	$493.44	$0.00
Mountrail	Palermo	77	$17,790.06	$231.04	$35,444.01	$460.31	$0.00	$37,994.63	$493.44	$0.00
Mountrail	Parshall	981	$226,649.92	$231.04	$451,565.82	$460.31	$0.00	$484,061.39	$493.44	$0.00
Mountrail	Plaza	167	$38,583.62	$231.04	$76,872.05	$460.31	$0.00	$82,403.92	$493.44	$0.00
Mountrail	Ross	48	$11,089.90	$231.04	$22,094.96	$460.31	$0.00	$23,684.95	$493.44	$0.00
Mountrail	Stanley	1,279	$295,499.75	$231.04	$588,738.73	$460.31	$0.00	$631,105.53	$493.44	$0.00
Mountrail	White Earth	63	$14,555.50	$231.04	$28,999.65	$460.31	$0.00	$31,086.52	$493.44	$0.00
		3,982	$919,999.99	$231.04	$1,832,961.39	$460.31	$0.00	$1,964,864.90	$493.44	$0.00

ND Association of Oil & Gas Producing Counties

3/2/2009

Oil Taxes
2009

Existing Law



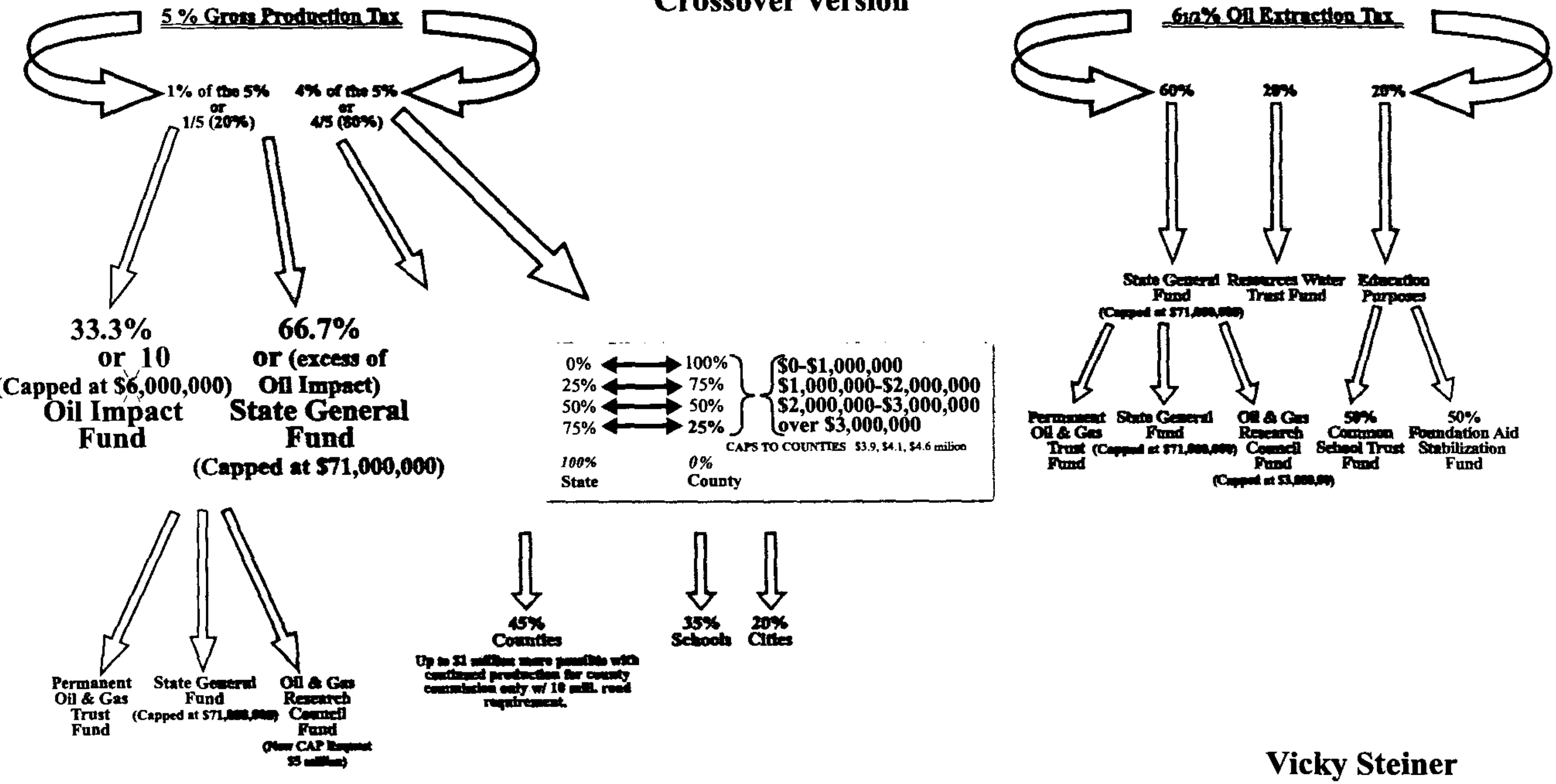
Vicky Steiner
Executive Director
701-290-1339

ND Association of Oil Gas Producing Counties

3/2/2009

Oil Taxes
2009

SB 2013
Crossover Version



Vicky Steiner
Executive Director
701-290-1339

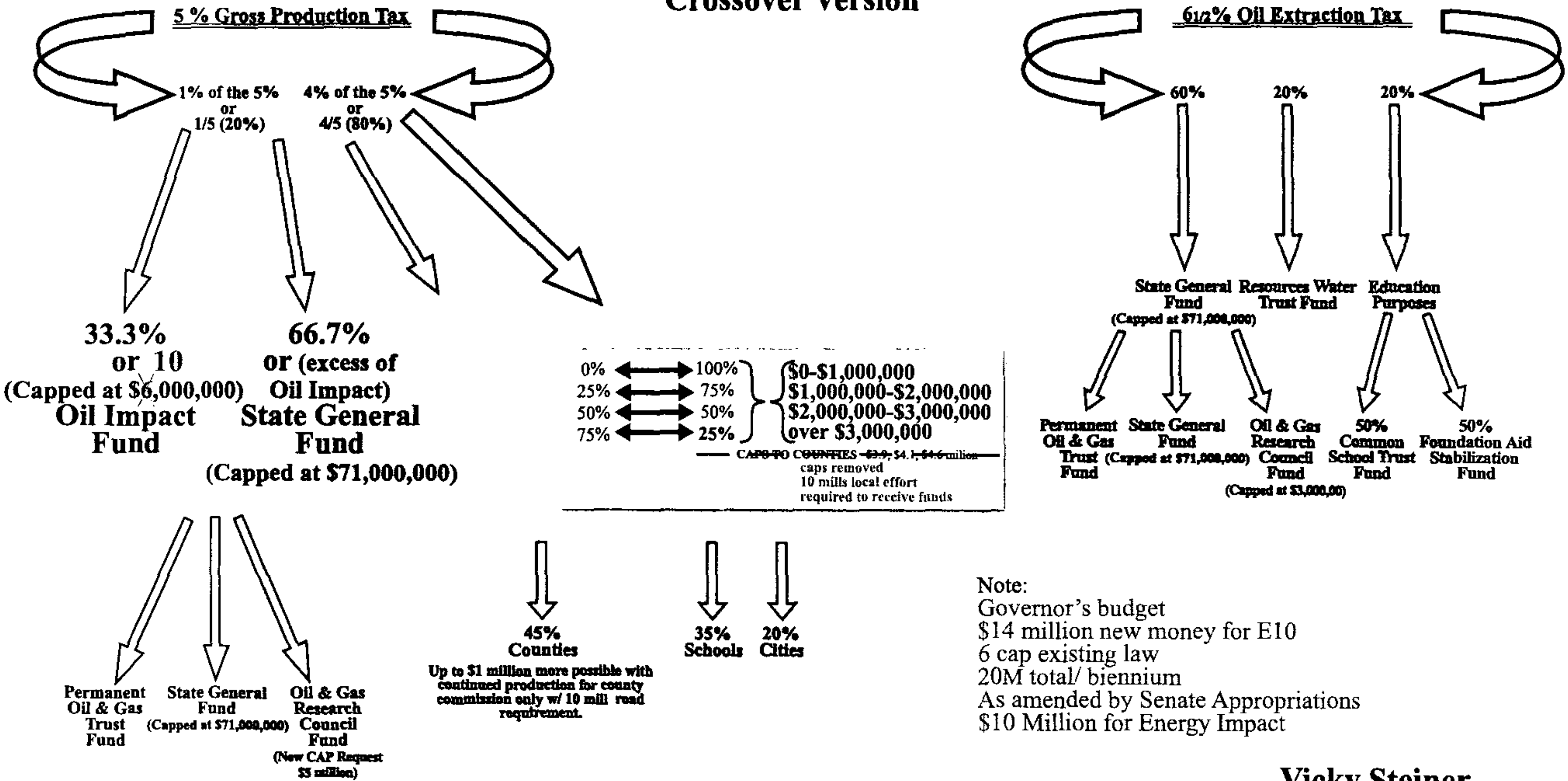
#1

ND Association of Oil & Gas Producing Counties

3/2/2009

Oil Taxes 2009

SB 2229 Crossover Version



Note:
Governor's budget
$14 million new money for E10
6 cap existing law
20M total/ biennium
As amended by Senate Appropriations
$10 Million for Energy Impact

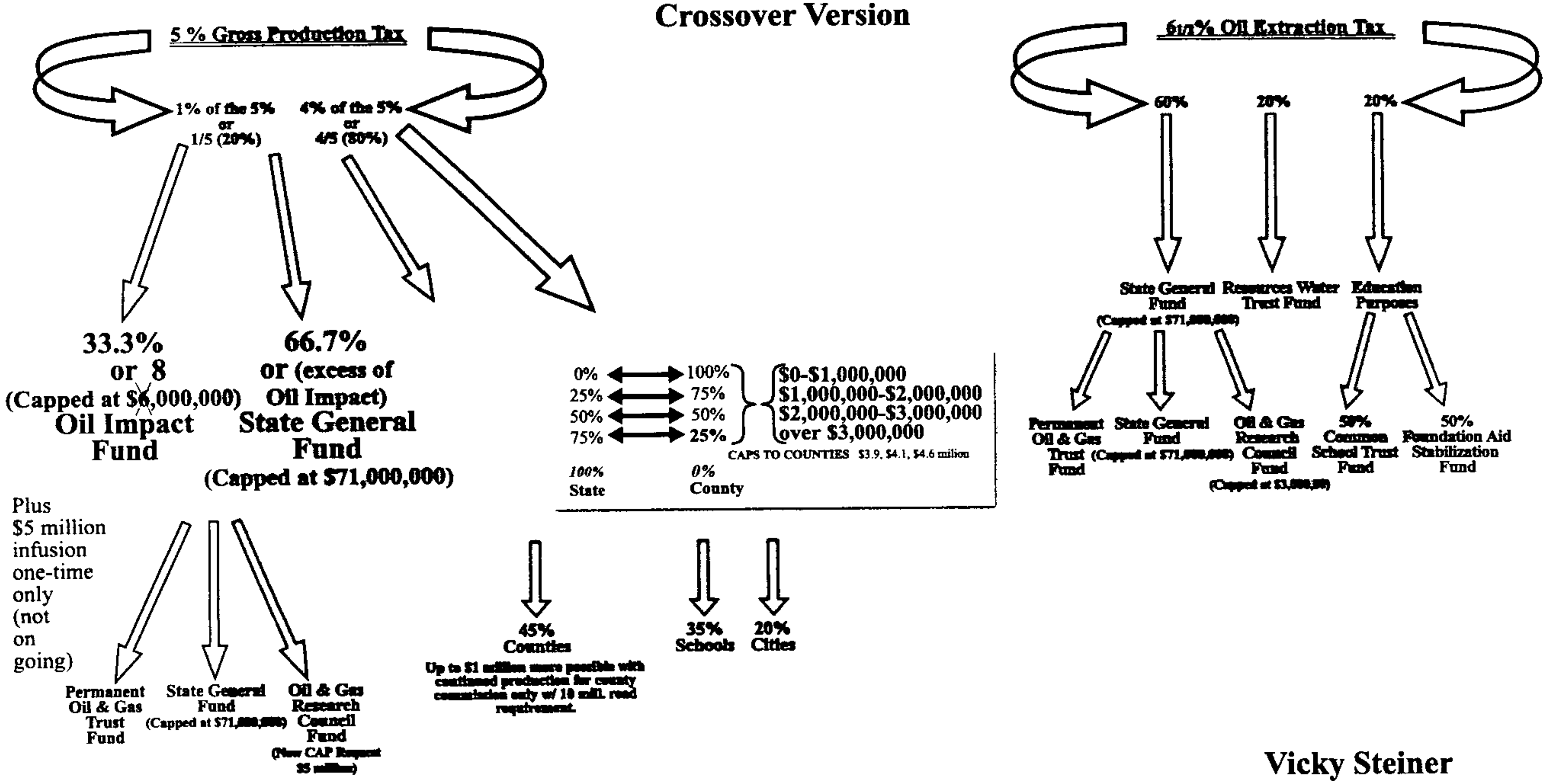
Vicky Steiner
Executive Director
701-290-1339

ND Association of Oil & Gas Producing Counties

3/2/2009

Oil Taxes 2009

HB 1225 Crossover Version



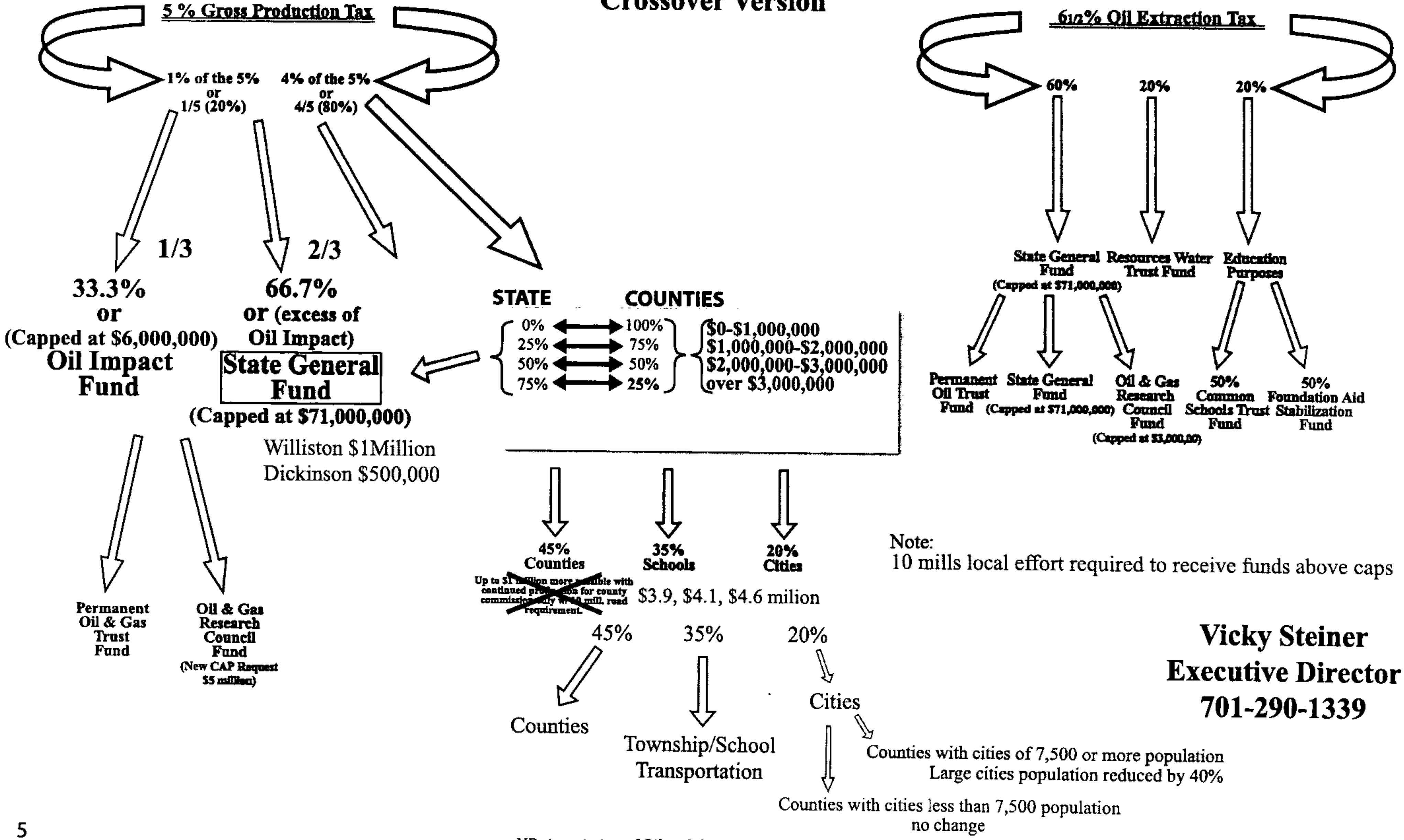
Vicky Steiner
Executive Director
701-290-1339

ND Association of Oil Gas Producing Counties

3/2/2009

Oil Taxes 2009

HB 1304 Crossover Version



Vicky Steiner
Executive Director
701-290-1339

ND Association of Oil and Gas Producing Counties ©2009

ND Association of Oil and Gas Producing Counties

3/2/2009

Oil Taxes 2009

HB 1225

As amended by Senate Natural Resources 3/5/09

5 % Gross Production Tax

1% of the 5% or 1/5 (20%)

4% of the 5% or 4/5 (80%)

33.3% or 8 (Capped at $~~6~~8,000,000) Oil Impact Fund

Plus 8 $~~5~~ million infusion one-time only (not on going)

- Permanent Oil & Gas Trust Fund
- State General Fund (Capped at $71,000,000)
- Oil & Gas Research Council Fund (New CAP Request $5 million)

66.7% or (excess of Oil Impact) State General Fund (Capped at $71,000,000)

State	County	
0%	100%	$0-$1,000,000
25%	75%	$1,000,000-$2,000,000
50%	50%	$2,000,000-$3,000,000
75%	25%	over $3,000,000
100% State	*0%* County	CAPS TO COUNTIES $3.9, $4.1, $4.6 milion

45% Counties

Up to $1 million more possible with continued production for county commission only w/ 10 mill road requirement.

35% Schools

20% Cities

6 1/2% Oil Extraction Tax

60% State General Fund (Capped at $71,000,000)

- Permanent Oil & Gas Trust Fund
- State General Fund (Capped at $71,000,000)
- Oil & Gas Research Council Fund (Capped at $3,000,00)

20% Resources Water Trust Fund

20% Education Purposes

- 50% Common School Trust Fund
- 50% Foundation Aid Stabilization Fund

Vicky Steiner
Executive Director
701-290-1339

ND Association of Oil and Gas Producing Counties ©2009

Same handout given to Senators

City	Year 2000 Population	FY 07-08 GPT Revenue	Revenue/person
Beach	1,116	$238,368.45	$214
Bowman	1,600	$620,037.81	$388
Crosby	1,089	$270,793.37	$249
NewTown	1,367	$340,443.34	$249
Parshall	981	$244,312.33	$249
Stanley	1,279	$318,527.46	$249
Watford City	1,435	$801,216.62	$558

If you add up the revenue per person for all the cities here, and then divide by the number of cities (7) the average revenue per person for cities in this population category is: $308/person.

Using the number of $308/person times Tioga population of 1,125: you get an allocation to Tioga of: $346,500. The calculation for 60% of the twenty percent share to small cities based upon the FY 07-08 numbers for Tioga is $347,805. Just some math to look at from all the figures.

Formula change trial calculations for HB 1304 (February 21, 2009)

Same to Senate.

City	Pop.	07-08	75%	67%	60%	50%
Alamo	51	3,847	19,709	17,607	15,767	13,139
Epping	79	5,959	30,530	27,273	24,424	20,353
Grenora	202	15,237	78,063	69,736	62,450	52,041
Ray	534	40,280	206,364	184,453	165,091	137,574
Springbrook	26	1,961	10,048	8,976	8,038	6,698
Tioga	1,125	84, 859	434,756	388,384	347,805	289,834
Wildrose	129	9,824	49,852	44,535	39,882	33,234
Williston	12,512	943,786	276, 438	364,899	442,301	552,877
			(Add the above number to the $1,000,000 direct allocation)			
Total Williston:			1,276,438	1,364,899	1,442,301	1,552,877

These figures were taken from a compilation of the revenues shown on the ND Treasurer's Office website for Oil and Gas Gross Production tax allocations from July 1, 2007-June 30, 2008

Williams County allocation FY 2007-08 $4,519,548.81

All Cities in Williams County allocation 07-08 $1,105,753.16

Total population incorporated cities outside of Williston..................2,146

Formula change trial calculations for HB 1304 (February 22, 2009)

Same to Senate.

Stark County calculations

City	Pop.	07-08	75%	67%	60%	50%
Belfield	866	19,323	120,374	107,384	96,126	80,538
Gladstone	248	5,534	34,472	30,752	27,528	23,064
Richardton	619	13,812	86,041	76,756	68,709	57,567
South Heart	307	6,850	42,673	38,068	34,077	28,551
Taylor	150	3,347	20,850	18,600	16,650	13,950
Dickinson	16,010	357,227	101,523	134,010	162,437	203,046

(Add the above number to the $500,000 direct allocation)

	75%	67%	60%	50%
Total Dickinson:	601,523	634,010	662,437	703,046

These figures were taken from a compilation of the revenues shown on the ND Treasurer's Office website for Oil and Gas Gross Production tax allocations from July 1, 2007-June 30, 2008

Stark County allocation FY 2007-08 $1,624,369.50

All Cities in Stark County allocation 07-08 $ 406,092.00

Total population incorporated cities outside of Dickinson..................2,190

STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT 120, BISMARCK, NORTH DAKOTA 58505-0600
701-328-2643 FAX 701-328-3002
http://www.treasurer.nd.gov

Kelly L. Schmidt
State Treasurer

Same handout given to Senate.

Only 6 of the 16 Counties will see an impact due to HB 1304

Billings	**2008 Production Billings Old**	**2008 Production Billings New**	**Change**
County	2,621,751	2,487,900	(133,851)
Schools & Townships	1,365,000	1,935,000	570,000
Cities	780,000	1,105,700	325,700
Over all Totals	4,766,751	5,528,600	761,849

Bowman	**2008 Production Bowman Old**	**2008 Production Bowman New**	**Change**
County	2,845,000	7,292,300	4,447,300
Schools & Townships	1,435,000	5,671,800	4,236,800
Cities	820,000	3,241,000	2,421,000
Over all Totals	5,100,000	16,205,100	11,105,100

McKenzie	**2008 Production McKenzie Old**	**2008 Production McKenzie New**	**Change**
County	2,845,000	3,508,400	663,400
Schools & Townships	1,435,000	2,728,700	1,293,700
Cities	820,000	1,559,300	739,300
Over all Totals	5,100,000	7,796,400	2,696,400

Mountrail	**2008 Production Mountrail Old**	**2008 Production Mountrail New**	**Change**
County	3,070,000	3,521,100	451,100
Schools & Townships	1,610,000	2,738,700	1,128,700
Cities	920,000	1,564,900	644,900
Over all Totals	5,600,000	7,824,700	2,224,700

Stark	**2008 Production Stark Old**	**2008 Production Stark New**	**Change**
County	1,273,788	1,273,788	-
Schools & Townships	990,724	990,724	-
Cities	566,128	1,066,128	500,000
Over all Totals	2,830,639	3,330,640	500,000

William	**2008 Production Williams Old**	**2008 Production Williams New**	**Change**
County	3,070,000	2,976,300	(93,700)
Schools & Townships	1,610,000	2,314,900	704,900
Cities	920,000	2,322,819	1,402,819
Over all Totals	5,600,000	7,614,019	2,014,019

The other 10 Counties would see no change due to the current proposed language of HB1304

STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT 120, BISMARCK, NORTH DAKOTA 58505-0600
701-328-2643 FAX 701-328-3002
http://www.treasurer.nd.gov

Kelly L. Schmidt
State Treasurer

Only 6 of the 16 Counties will see an impact due to HB 1304

Dunn	2009 Production Dunn Old	2009 Production Dunn New	Change
County	2,845,000	2,376,400	(468,600)
Schools & Townships	1,435,000	1,848,300	413,300
Cities	820,000	1,056,200	236,200
Over all Totals	5,100,000	5,280,900	180,900

Bowman	2009 Production Bowman Old	2009 Production Bowman New	Change
County	2,845,000	4,292,300	1,447,300
Schools & Townships	1,435,000	3,338,400	1,903,400
Cities	820,000	1,907,700	1,087,700
Over all Totals	5,100,000	9,538,400	4,438,400

McKenzie	2009 Production McKenzie Old	2009 Production McKenzie New	Change
County	2,845,000	2,783,400	(61,600)
Schools & Townships	1,435,000	2,164,900	729,900
Cities	820,000	1,237,100	417,100
Over all Totals	5,100,000	6,185,400	1,085,400

Mountrail	2009 Production Mountrail Old	2009 Production Mountrail New	Change
County	3,070,000	5,444,000	2,374,000
Schools & Townships	1,610,000	4,234,200	2,624,200
Cities	920,000	2,419,500	1,499,500
Over all Totals	5,600,000	12,097,700	6,497,700

Stark	2009 Production Stark Old	2009 Production Stark New	Change
County	871,162	871,162	(0)
Schools & Townships	677,570	677,570	(0)
Cities	387,183	887,183	500,000
Over all Totals	1,935,915	2,435,915	500,000

William	2009 Production Williams Old	2009 Production Williams New	Change
County	2,544,551	2,283,500	(261,051)
Schools & Townships	1,610,000	1,776,100	166,100
Cities	920,000	2,014,910	1,094,910
Over all Totals	5,074,551	6,074,510	999,959

Same given to Senate.

All Data are from year 2007

Area Name	Population	Total Empl.	Private Sector Empl.	Mining	% Total	% Prvt.
STATEWIDE	639,715	341,705	277,658	5,099	1.5%	1.8%
Williston	12,393	10,075	8,796	1,885	18.7%	21.4%
Dickinson	15,916	11,129	9,299	298	2.7%	3.2%
Minot	35,281	26,325	21,853	185	0.7%	0.8%
Bismarck/Mandan	59,503	56,494	45,731	122	0.2%	0.3%
Fargo/West Fargo	92,660	93,420	85,201	***	N/A	N/A
Grand Forks	51,740	36,565	28,951	***	N/A	N/A
Jamestown	14,680	10,022	8,131	***	N/A	N/A
Wahpeton	7,703	5,787	4,663	***	N/A	N/A
Devils Lake	6,675	5,336	4,031	***	N/A	N/A
Valley City	6,300	4,213	3,445	***	N/A	N/A

All Data are from year 2007

Area Name	Population
STATEWIDE	639,715
Williston	12,393
Dickinson	15,916
Minot	35,281
Bismarck/Mandan	59,503
Fargo/West Fargo	92,660
Grand Forks	51,740
Jamestown	14,680
Wahpeton	7,703
Devils Lake	6,675
Valley City	6,300

Area Name	Population	Total Empl.	Private Sector Empl.	NAICS 211 & 213 (Oil and Gas)	% Total	% Prvt.
STATEWIDE	639,715	341,705	277,658	3,535	1.0%	1.3%
Williston	12,393	10,075	8,796	1,850	18.4%	21.0%
Dickinson	15,916	11,129	9,299	175	1.6%	1.9%
Minot	35,281	26,325	21,853	***	N/A	N/A
Bismarck/Mandan	59,503	56,494	45,731	***	N/A	N/A

Area Name	Population
STATEWIDE	639,715
Williston	12,393
Dickinson	15,916
Minot	35,281
Bismarck/Mandan	59,503

Population: US Census Bureau

Employment: Quarterly Census of Employment & Wages

*** Non Disclosable due to confidentiality--negligible employment

Total Empl.	Private Sector Empl.	Mining & Trans/Ware	% Total	% Prvt.
341,705	**277,658**	**14,282**	**4.2%**	**5.1%**
10,075	8,796	2,221	**22.0%**	**25.3%**
11,129	9,299	550	**4.9%**	**5.9%**
26,325	21,853	721	**2.7%**	**3.3%**
56,494	45,731	1,486	**2.6%**	**3.2%**
93,420	85,201	***	**N/A**	**N/A**
36,565	28,951	***	**N/A**	**N/A**
10,022	8,131	***	**N/A**	**N/A**
5,787	4,663	***	**N/A**	**N/A**
5,336	4,031	***	**N/A**	**N/A**
4,213	3,445	***	**N/A**	**N/A**

Total Empl.	Private Sector Empl.	NAICS 48-49 (Trans/Ware)	% Total	% Prvt.
341,705	**277,658**	**9,183**	**2.7%**	**3.3%**
10,075	8,796	336	**3.3%**	**3.8%**
11,129	9,299	252	**2.3%**	**2.7%**
26,325	21,853	536	**2.0%**	**2.5%**
56,494	45,731	1,364	**2.4%**	**3.0%**

#2

90808.0100

Sixty-first
Legislative Assembly
of North Dakota

SENATE BILL NO. 2229

Introduced by

Senators Stenehjem, O'Connell

Representatives Boucher, Carlson

(At the request of the Governor)

A BILL for an Act to amend and reenact subsections 1 and 2 of section 57-51-15 and section 57-51.1-07.3 of the North Dakota Century Code, relating to the apportionment of oil and gas gross production taxes and oil and gas research fund deposits.

BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:

SECTION 1. AMENDMENT. Subsections 1 and 2 of section 57-51-15 of the North Dakota Century Code are amended and reenacted as follows:

1. First the tax revenue collected under this chapter equal to one percent of the gross value at the well of the oil and one-fifth of the tax on gas must be deposited with the state treasurer who shall credit thirty-three and one-third percent of the revenues to the oil and gas impact grant fund, but not in an amount exceeding ~~six~~ <u>twenty</u> million dollars per biennium, including any amounts otherwise appropriated for oil and gas impact grants for the biennium by the legislative assembly, and who shall credit the remaining revenues to the state general fund.
2. The first one million dollars of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county must be allocated to that county. The second one million dollars of annual revenue after the deduction for the amount provided for in subsection 1 from oil and gas produced in any county must be allocated seventy-five percent to that county and twenty-five percent to the state general fund. The third one million dollars of annual revenue after the deduction of the amount provided for in subsection 1 from oil or gas produced in any county must be allocated fifty percent to that county and fifty percent to the state general fund. All annual revenue after the deduction of the amount provided for in subsection 1 above three million dollars from oil or gas produced in any county must be allocated twenty-five percent to that county and

seventy-five percent to the state general fund. However, the amount to which each county is entitled pursuant to this subsection must be limited based upon the population of the county according to the last official decennial federal census as follows:

a. Counties having a population of three thousand or less shall receive no more than ~~three~~ four million nine hundred thousand dollars for each fiscal year; however, a county may receive up to ~~four~~ five million nine hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding ~~three~~ four million nine hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.

b. Counties having a population of over three thousand but less than six thousand shall receive no more than ~~four~~ five million one hundred thousand dollars for each fiscal year; however, a county may receive up to ~~five~~ six million one hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of at least ten mills for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding ~~four~~ five million one hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.

c. Counties having a population of six thousand or more shall receive no more than ~~four~~ five million six hundred thousand dollars for each fiscal year; however, a county may receive up to ~~five~~ six million six hundred thousand dollars under this subdivision for each fiscal year if during that fiscal year the county levies a total of ten mills or more for combined levies for county road and bridge, farm-to-market and federal-aid road, and county road purposes. Any amount received by a county exceeding ~~four~~ five million six hundred thousand dollars under this subdivision is not subject to allocation under subsection 3 but must be credited by the county treasurer to the county general fund.

Any allocations for any county pursuant to this subsection which exceed the applicable limitation for that county as provided in subdivisions a through c must be deposited instead in the state's general fund.

SECTION 2. AMENDMENT. Section 57-51.1-07.3 of the North Dakota Century Code is amended and reenacted as follows:

57-51.1-07.3. Oil and gas research fund - Deposits - Continuing appropriation. There is established a special fund in the state treasury to be known as the oil and gas research fund. Two percent of the state's share of the oil and gas gross production tax and oil extraction tax revenues, up to ~~three~~ <u>five</u> million dollars per biennium, must be deposited into the oil and gas research fund. The state treasurer shall transfer into the oil and gas research fund two percent of the state's share of the oil and gas production tax and the oil extraction tax revenues for the previous three months. All moneys deposited in the oil and gas research fund and interest on all such moneys are appropriated as a continuing appropriation to the council to be used for purposes stated in chapter 54-17.6.

#3

Oil and Gas Gross Production Tax
Estimated County Revenue Distribution - Under Current Law, Executive, and Legislative Proposals
Based on Legislative Council February 2009 Revenue Forecast and Actual January 2009 Distribution of Oil Production

	County Distribution of Feb Leg Fcst Based on Jan 2009 Production and Current Law Distribution Formula			County Distribution of Proposed $1 million Increase in County Caps Contained in Executive Budget			County Distribution of Proposed Removal of County Caps (Incls $1 M from Exec Budget)		
	FY 10	FY 11	Biennium	FY 10	FY 11	Biennium	FY 10	FY 11	Biennium
Billings	$ 3,677,118	$ 4,017,785	$ 7,694,903						
Bottineau	2,536,777	2,699,009	5,235,786						
Bowman	5,100,000	5,100,000	10,200,000	$ 1,000,000	$ 1,000,000	$ 2,000,000	$ 2,646,875	$ 3,119,308	$ 5,766,183
Burke	1,980,147	2,172,636	4,152,783						
Divide	1,364,984	1,539,452	2,904,436						
Dunn	4,709,804	5,100,000	9,809,804		112,062	112,062		112,062	112,062
Golden Valley	1,128,983	1,266,523	2,395,506						
McHenry	64,272	74,328	138,600						
McKenzie	5,100,000	5,100,000	10,200,000	1,000,000	1,000,000	2,000,000	1,094,404	2,063,681	3,158,085
Mountraill	5,600,000	5,600,000	11,200,000	1,000,000	1,000,000	2,000,000	6,437,017	8,085,811	14,522,828
Renville	1,233,416	1,387,297	2,620,713						
Slope	78,251	90,495	168,746						
Stark	2,030,913	2,231,346	4,262,259						
Ward	103,056	119,182	222,238						
Williams	5,217,279	5,600,000	10,817,279		198,945	198,945		198,945	198,945
	$ 39,925,000	$ 42,098,053	$ 82,023,053	$ 3,000,000	$ 3,311,007	$ 6,311,007	$ 10,178,296	$ 13,579,808	$ 23,758,103

Prepared by: Office of Tax Commisisoner
K. Strombeck
7-Mar-09

#3

Honorable Chairman Dwight Cook & Members of the Finance & Taxation Committee:

My name is David Hynek, I am Chairman of the Mountrail County Board of Commissioners. I have been a Mountrail County Commissioner since 1997. My testimony is in support of House Bill #1304.

Mountrail County is at the heart of the Bakken oil play in North Dakota. We have gone from a small oil producing county to the top producing county in 2 years. In spite of recent price drop in a barrel of oil our County is still experiencing significant oil exploration. We have **27** rigs drilling as of March 9. We receive an average of 6 new drilling permits on every two week permit list. The impact on our infrastructure, our budget and our citizens has been and continues to be enormous.

In an attempt to ease the impact of the oil industry we have added the following personnel, a full-time rover position to help throughout the Courthouse offices, a full-time temporary position to the Recorder's Office, two full-time deputy sheriffs, a full-time dispatcher in the Sheriff's Office, a full-time planner position and six full-time road positions. The **annual cost** to Mountrail County for these 12 positions is **$658,432** for salary and benefits.

The cost of maintainers, patrol vehicles, computers, fuel, repairs and other materials necessary to support these positions is approximately **$424,450** annually.

Our total annual cost for our county funds in 2007 was **$6,915,340**. In 2009 we budgeted **$15,355,516** to support our General Fund and special revenue funds; an increase of **$8,440,176.** The County Road & Bridge Fund budget alone went from $1,055,929 in 2007 to $5,513,941 in 2009.

The following are some of the current and future needs for road re-building and re-surfacing; these amounts are not reflected in our current budget:

1. $3,690,000 – Overlay 9 miles of ground up pavement destroyed by oil industry in 2008 – 2010-2011 if money is available.
2. $12,000,000 – Overlay 24 miles of pavement that may be ground up if not taken care of – 2010-2012 if money is available.
3. $9,200,000 – Assist townships in re-building 46 miles of gravel road – 2009-2013 if money is available.
4. $150,000 – Additional dust control on an annual basis.

Let me focus on the revenue side. Mountrail County received the following revenue from the 5% gross production tax and oil impact fund in 2008 under current law:

	<u>2008</u>
5% G.P.T.	$3,070,000
Oil Impact Grants	-0-
**Mineral Royalty	$221,301 (of $11,688,263 to counties)

The State of North Dakota received the following revenue from oil and gas production tax in Mountrail County:

5% G.P.T.	**<u>MILLIONS!!</u>** $134,512,356 – 2007 Year 2008 thru May - $89,861,090
Oil Extraction Tax	**<u>MILLIONS!!</u>** $97,871,420 – 2007 YEAR 2008 thru May - $81,006,604
**Mineral Royalty	$28,325,265 - $11,688,263 to counties = $16,637,002 State Share
School Lands (Royalty & leases)	$88,075,044 = State Share ($17,254,584 collected in Mountrail County) (**<u>-0-</u>** dollars to counties – all state)

Based on these figures, I am guessing the State of North Dakota pulls in a **<u>half billion dollars</u>** or more each year from the oil industry.

The continued success of the oil and gas industry in North Dakota and its ability to generate tax revenue depends on a number of factors including: Fair and stable tax rates, reasonable price for oil and **<u>adequate infrastructure within the oil and gas producing counties.</u>**

Mountrail County has adopted and is trying to maintain the attitude that "we will do everything we can to help the oil and gas industry succeed in our County".
We also believe that the revenues generated by this industry must be shared state wide, whether it be flood control and fresh water supplies in the Red River Valley or for roads and pipeline and water projects in western North Dakota and points in between.

Additionally, and I cannot emphasize this strongly enough, we believe that the amount of the 5% gross production tax revenue going back to oil and gas producing counties must be sufficient to keep county infrastructure in a safe and functional manner; a manner that allows our local citizens to go about their daily lives as they are accustomed to.

We hit the cap on the 5% gross production tax in **November of 2008**. We will not receive one more penny of this revenue until **September of 2009**. If the current rig count holds we will be adding about 25 new Bakken wells per month. In 9 months that's 225 new wells of impact.

The revenue stops but the impact continues. **Please remove the caps!**

Respectfully,

David J. Hynek, Chairman
Mountrail County Commissioners
9148 59th St NW
Ross, ND 58776
(701) 755-3372

Ongoing Annual Expenses – Mountrail County

Positions – 12 new positions

Total per year – 1,082,882

Operating expenses include fuel, repairs, uniforms, travel, training, office supplies and insurance. Equipment includes pickups ($30,000 each every 2 years), motor graders ($225,000 each every 8 years), computers and office equipment.

Supporting evidence of yearly personnel costs:

	Salary	Benefits	Total
Rover position	$31,200	$16,700	$ 47,900
Temporary position	$27,456	$ 2,100	$ 29,556
Dispatcher	$35,856	$17,600	$ 53,456
2 – Officers	$39,060 ea	$18,000 ea	$114,120
6 - Roadworkers	$37,500 ea	$17,800 ea	$331,800
Planner	$60,000	$21,600	$ 81,600
		Total	$658,432

Supporting evidence of yearly equipment & operating costs:

	Equip/Vehicles	Operating	Total
Rover position	$ 600	$ 200	$ 800
Temp position	$ 600	$ 200	$ 800
Dispatcher	$ 600	$ 500	$ 1,100
2 – Officers	$15,000 ea	$11,000 ea	$ 52,000
6 – Roadworkers	$28,125 ea	$33,000 ea	$366,750
Planner	$ 1,000	$ 2,000	$ 3,000
		Total	$424,450

Clerk of Court – Caseload Statistics for Mountrail County

	2005	2006	2007	2008	%
CIVIL	149	183	221	236	58%
PROBATE	50	53	111	276	452%
RESTRICTED	35	30	26	39	11%
CRIMINAL	264	360	287	372	41%
TRAFFIC	1378	889	866	2001	45%

#4

Mr. Chairman and Committee Members:

My Name is Les Snavely, Commissioner of the City of Bowman. I rise to support HB 1304, as amended.

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.

HB1304 specifically addresses the removal of the "Caps" off the county production funds, and the City of Bowman supports that action.

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; 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 Production 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.

The demand for services continues. We support HB 1304, as amended. 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.

#5

NORTH DAKOTA PETROLEUM COUNCIL

Ron Ness
President

Marsha Reimnitz
Office Manager

120 N. 3rd Street • Suite 200 • P.O. Box 1395 • Bismarck, ND 58502-1395
Phone: 701-223-6380 • Fax: 701-222-0006 • Email: ndpc@ndoil.org

House Bill 1304

Senate Finance & Taxation

March 10, 2009

Chairman Cook and members of the Committee, my name is Ron Ness. I am the President of the North Dakota Petroleum Council. The Petroleum Council stands in support of HB 1304. As you know the level of oil and gas activity over the past two years has increased substantially. Maintaining a quality road infrastructure in these areas is critical to develop the state's oil resources. <u>We strongly support additional funding for oil and gas producing counties. Our industry is paying the tax, which a portion is intended for impacts to these areas, and a sufficient portion should be returned to these counties.</u>

The oil tax distribution formula is broken and needs repair. The current lag between drilling activity and actual oil production resulting in tax revenues flowing to the state and ultimately to the counties must be addressed. The biggest impacts occur early in an oil play prior to the majority of the tax revenues returning to the counties. Counties with new production do not have the budgets/resources to maintain their roads when the impacts hit. There is no reason why, with the tremendous amount of wealth that oil production has brought to our state, counties where the wealth is generated are begging the state to have more of the revenue flowing back to their counties to assist with significant road impacts. Our member companies paid over $400 million in oil production taxes to North Dakota in fiscal year 2008, and yet several of them have recognized the dire straits of budgets in certain counties and have made contributions to counties for vehicles, fire trucks, and bridges. North Dakota companies should not be put in that situation when our state is experiencing historic economic times.

#6

BOWMAN CO. SUMMARY OF TESTIMONY
House Bill 1304

- Bowman Co. share of Oil and Gas Production Tax
  $2.845 Million

- Less than 2% of taxes returned to Bowman Co.

- Impacted Oil and Gas Roads cost 10 times that of non-impacted Roads in Bowman County.

- Steiner Personal Testimonial

COUNTY OF BOWMAN
BOARD OF COUNTY COMMISSIONERS

104 First Street NW
Suite One

Bowman, ND 58623
Phone: 701-523-3130

Senate Finance and Taxation Committee
Sen. Dwight Cook, 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 to Bowman County, especially the past few years.

We would like to provide some numbers and figures as to how much financial assistance the $5.1 million oil and gas production contributes to Bowman County, not including the schools and cities in the county. After the formula divides up the $5.1 million with the schools and cities, $2.845 million remains for the county to provide safe roads, sheriff's protection and other services expected by the citizens of the county.

In fiscal year 2008, less than two percent of the production and extraction taxes taken out of Bowman County were returned to Bowman County to provide a safe and productive oil business.

Members of the Finance and Taxation Committee as you all know, roads are one of the highest priorities of a County. Thus we expend a large amount of our resources to building and maintaining a safe and efficient road system. This is especially true in the oil field. <u>If the road system is inadequate, oil production maybe reduced at times, which reduces revenue to all.</u> Maintenance of the system, once it is built, is also a factor that needs consideration. Our experience is that roads in the oil field need much more maintenance than in areas outside the production area. We have tracked costs associated with the exploration and production of oil and gas in our county since 1995. The results of that show that the cost of roads in the oil production areas of our County are 10 times higher. The attached information completed for the NDSU study verifies this information.

At my first County Commission meeting in January of 2003, I was asked to approve bids for a road repair project in the heart of the oil field at a cost of $1.1 million. I though that was an outlandish amount of money. Since that time we have spent about $250,000 and will need to invest another $200,000 this spring to repair damages to that same road. This is just a small portion of the road system in the oil field. We budget about 4.5 million dollars each year for roads in Bowman County. We have needs for much more than that but have no more funds.

Bowman County supports House Bill 1304 with the caps removed with amendments. The legislation is needed to maintain and provide additional needs for the residents of Bowman County. Your support is urgently needed.

Kenneth Steiner, Chairman of Bowman County Commission

#7

House Bill 1304

March 6, 2009

Senate Finance and Tax

The Honorable Senator Cook

Distinguished Committee Members

As Bowman Township Officers we urge that you give a "do pass" on House Bill 1304. As Supervisors we are responsible for the maintenance of 21 miles of roads within our township, and over the last several years our job has been increasing difficult. Our mill levy generates an annual budget of $15,000.00 a year, if it wasn't for the cooperation and financial assistance of our County Commissioners maintaining these miles would an impossible task. We are currently working with the Commissioners on a $620,000.00 project (see enclosed estimate) which consist of 3 miles of a township road that has two families living along it. Traffic used to be the two families, the occasional traveler and farm equipment going from one field to the next. It is now being used by oilfield workers as a cut across to oilfield sites. The traffic has increased dramatically, safety and dust control has become a foremost concern. Due to the Commissioner's commitment to their county and other townships road and our commitment to the other 19 miles of roads that can't be ignored or neglected, the expense of this project will become a 2 to 3 year project or more at the expense of safety and dust control for our patrons. Passage of this bill is essential as a lifeline for County Townships.

Respectfully

Donald Wallman, Chairman

Donald Wallman

Bruce McLaughlin

Bruce McLaughlin

Lynn Peterson

Lyn Pet

PROJECT COST OPINION
BOWMAN BOXETH ROAD - 3 MILES
BOWMAN TOWNSHIP
ESTIMATE PREPARED ON MARCH 19, 2008

ITEM DESCRIPTION	ESTIMATED COST
Mobilization	$10,000.00
Earthwork	$135,000.00
Salvage Aggregate and Gravel Surfacing	$120,000.00
Prime and Double Chip Seal	$135,000.00
Traffic Control	$2,000.00
Seeding	$10,000.00
Erosion Control	$8,000.00
Culverts	$30,000.00
Miscellaneous	$40,000.00
SUBTOTAL =	$480,000.00
Box Culvert (actual need to be determined via bridge inspection) =	$140,000.00
TOTAL OPINION OF PROBABLE COST =	$620,000.00

#8

North Dakota Association of Oil & Gas Producing Counties

EXECUTIVE COMMITTEE

Supt. Anthony Duletski
President
Bowman County PSD

Brad Bekkedahl
Past President
Williston

Jim Arthaud
Billings County

Greg Boschee
Mountrail County

Dan Brosz
Bowman City

Steve Holen
McKenzie County PSD

Gary Melby
Bowbells City

Verdean Kveum
Bottineau County

Supt. Steve Cascaden
Parshal PSD

Reinhard Hauck
Secretary/Treasurer
Manning

Testimony

HB 1304

In Support as Amended

North Dakota Association of Oil and Gas Producing Counties

Mr. Chairman Cook and Members of Senate Finance and Tax. My name is Vicky Steiner and I represent the North Dakota Association Association of Oil and Gas Producing Counties. We thank you for your unanimous support of this concept in a Senate bill prior to Crossover, SB 2229. This bill distributes the additional revenues with a more specific direction. Infrastructure maintenance of political subdivisions like counties and cities in the oil and gas fields top the list of priorities that this bill will address.

As you may remember, the 5% oil and gas gross production tax is "in lieu of" property tax in the counties. If the state doesn't distribute the money evenly, then taxpayers in Mountrail and other counties will feel the burden.

We've given testimony on this issue so I won't repeat it. We have a few people who would like to address some of their pressing issues.

I'll finish with some new information on the state's interest in seeing that the Bakken and other formations are successfully developed in the coming years.

Oil tax revenues today make their way to all corners of our state. The 5% is a shared tax between the producing county but the extraction taxes are paid to state funds. The State Land Department staff reported this session in House Appropriations committee work that for every 10 oil wells in the state, the state owns one of them. That's one in ten. Over 400 wells belong to the State Land Department.

The royalties on that state interest are exempt from taxation. The road to the state well must be maintained by someone somehow. During the last two years, the state land department reported that the state was adding about 6 new state oil wells every month to its portfolio. It's slowed down but they are still adding wells.

VICKY STEINER - EXECUTIVE DIRECTOR
859 Senior Ave. ~ Dickinson, ND 58602-1333 ~ Phone: (701) 483-TEAM (8326) ~ Fax: (701) 483-8328 ~ Cellular: (701) 290-1339
E-mail: vsteiner@ndsupernet.com ~ Web: www.ndoilgas.govoffice.com

Linda Svihovec - Permit Operator
P.O. Box 504 ~ Watford City, ND 58854 ~ Phone: 701-444-3457 (work) ~ Phone: 701-444-4061 (home) ~ Fax: 701-444-4113 ~ Email: lsvihovec@co.mckenzie.nd.us

The wealth from the state oil wells is invested and interest is paid to 15 trust funds. 13 of those trust funds are listed in the State Land Department biennial report on their website.

Some of the trust funds are paid to well-known institutions like University of North Dakota, North Dakota State University, School for the Deaf, School for the Blind but not listed in the report are two other funds that also see benefit from state oil wells. They are: the state buildings fund and the Land and Minerals trust fund. The lands and minerals trust fund is used to deposit money from the trust fund into the general fund at the end of this June for some of the programs being voted on during this session.

Thank you for your consideration of this complicated bill. It takes into account the impacts to the larger cities and how they affect the small cities in the distribution. It removes the caps from the larger oil producing counties. This will be good long term tax policy for the oil industry, the state, and the counties and their political subdivisions.

#9

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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 HOUSE BILL NO. 1304

Senate Finance and Taxation Committee
March 10, 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. The EDIO became a part of the Land Department in 1989.

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. The changes proposed in this bill provide much needed increases in revenues to the counties, cities and schools that are most impacted by oil and gas development. It also provides funds to help townships deal with the impacts of this development.

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 the EDIO 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 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. Making more funds available directly to the most impacted counties, cities and schools will allow the EDIO to continue to focus on "filling in the gaps" for those entities that receive either no funding or inadequate funding under the gross production tax distribution formula.

#10

Testimony to the:
Senate Finance and Taxation Committee
Prepared March 7th, 2009 by the Mountrail County Sheriff's Department
Corey Bristol, Chief Deputy

Concerning House Bill 1304

Chairman Cook and members of the Committee, I am here today to testify on behalf of the Mountrail County Sheriff's Department who is in support of removing the cap on the oil and gas extraction tax. I am the Chief Deputy of the Mountrail County Sheriff's Department and have been working there 14 years.

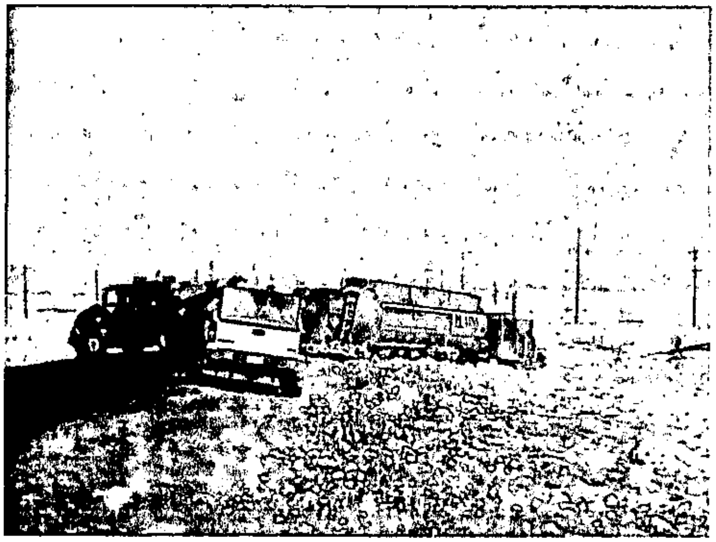
In the matter of a year and a half, Mountrail County has surpassed all other counties in the State of North Dakota to become the leading oil producing county in the State. With this great distinction, Mountrail County is experiencing tremendous growing pains. Roads were built to accommodate small grain trucks and cars, not the enormous vehicles associated with oil production. Roads that were seldom used by anyone are now major thoroughfares of the oil industry. Oil production activity has engulfed every corner of Mountrail County.

With this dramatic increase of oil activity, the Mountrail County Sheriff's Office has experienced a tremendous increase in work load. Many new people have moved into the area to work in the oilfield. The people that can't find a place to live here have to commute from larger communities. Traffic has increased dramatically. Commuters fill the roads at all hours of the day, oilfield trucks working the area are everywhere. Our department has been stretched to the limit trying to provide law enforcement coverage in places we never dreamed would be necessary. In 2008, we had a 400% increase in the number of traffic citations that were issued by the department compared to 2007. In 2008 we had 5 oilfield related deaths in Mountrail County (1 rig fatality and 4 oilfield related traffic deaths).

Every day we start our shifts looking at all of the wonderful positive things that this oil activity has brought to our area. We work together with the oil companies trying to make Mountrail County a safe place to work. The solutions to safety seem pretty easy to us, but try getting a new "stop sign" or "trucks entering ahead" sign placed along a state highway, this is near impossible.

All of this new activity has a cost attached to it. More officers means more money for salaries, vehicles, equipment and gas. From 2006 to 2009, the budget of the Mountrail County Sheriff's Department has risen more than 40%. We have added officers whose primary responsibility is patrolling the oilfield to keep it safe.

In conclusion Mr. Chairman and committee members, the money being generated by the oilfields of Mountrail County is a great benefit to the whole state of North Dakota. We are not asking for all of this money. We are just asking that the cap be removed from the extraction tax money returned to the counties. This will allow us to repair and maintain the roads and to provide safety to these areas.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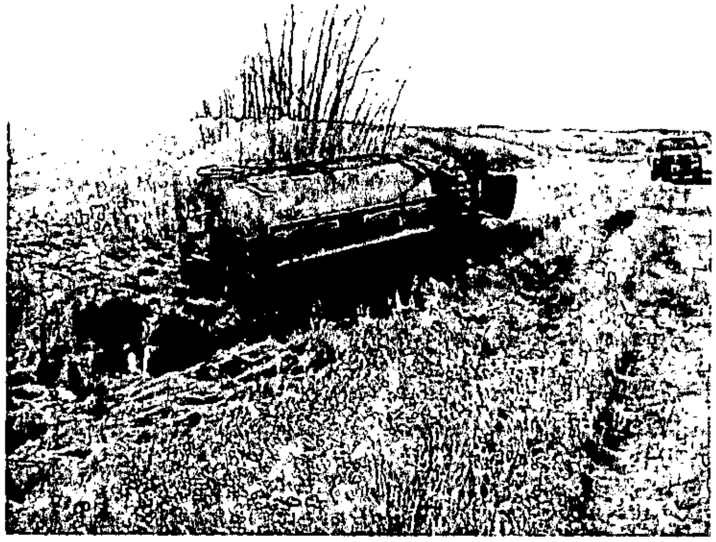
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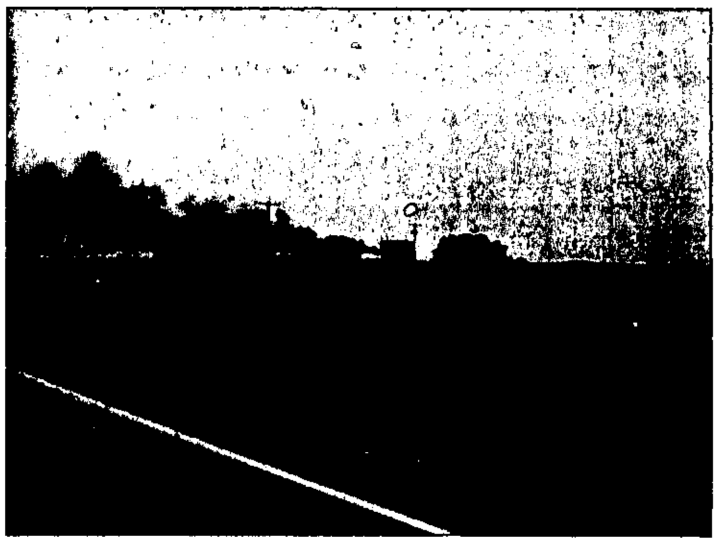
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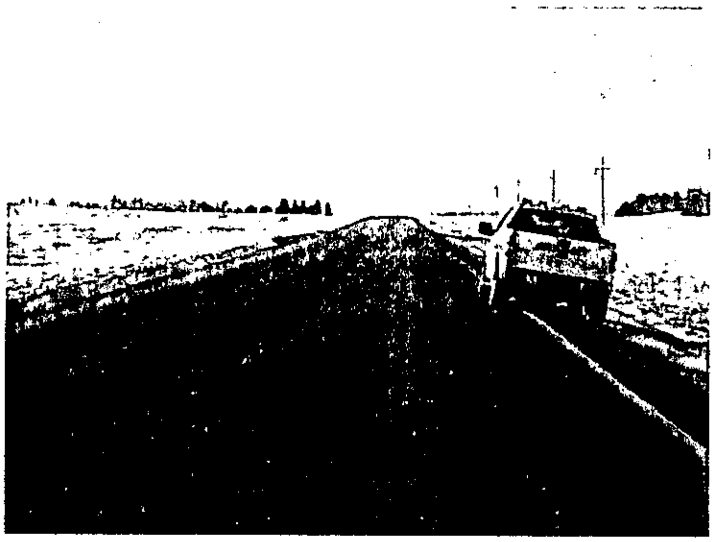
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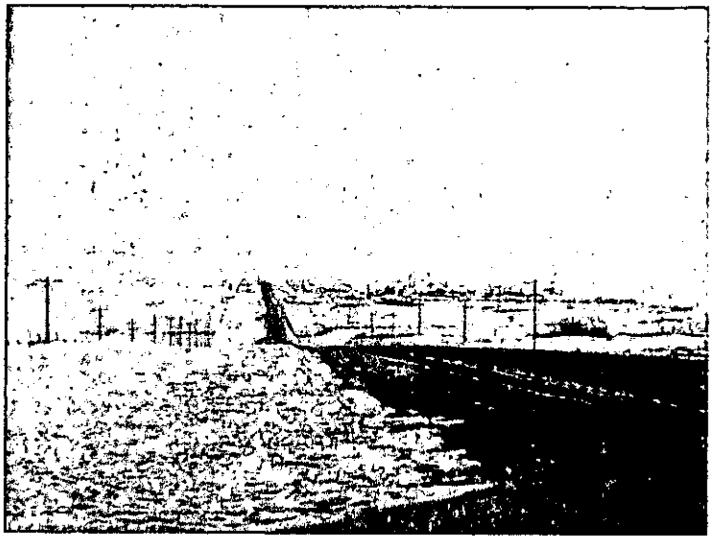
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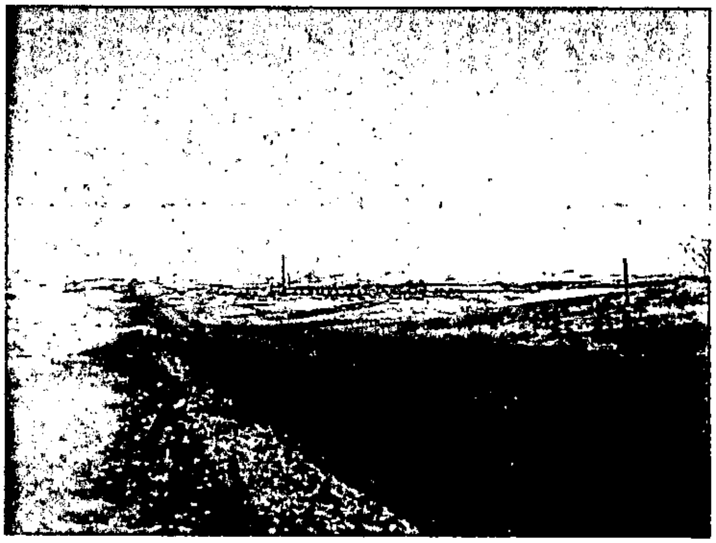
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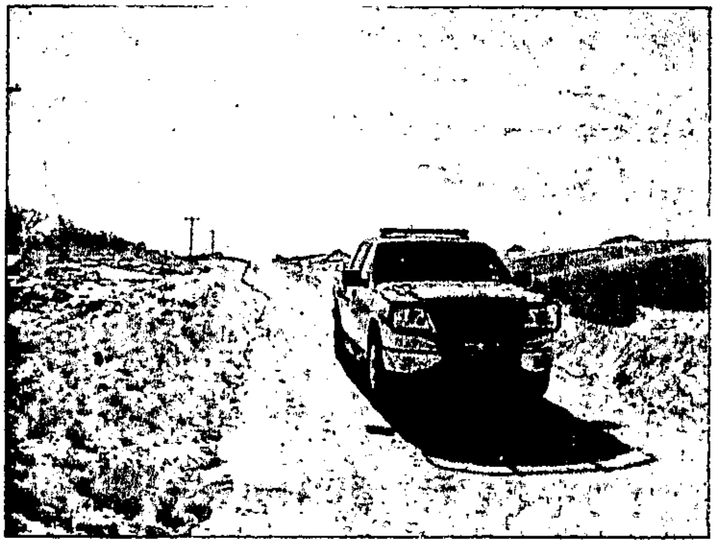

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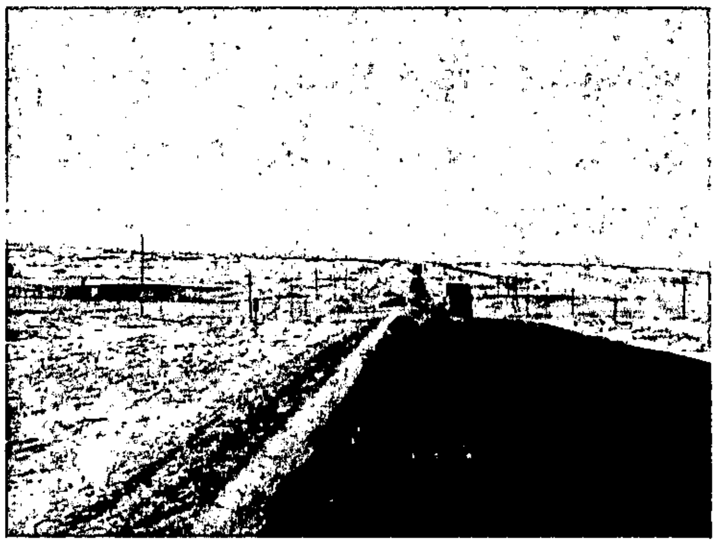

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Attachment V

Oil and Gas Gross Production Tax

Estimated County Revenue Distribution - Under Current Law, Gov's, and New Senate Cap Removal Proposals

Based on Legislative Council February 2009 Revenue Forecast and Actual January 2009 Distribution of Oil Production

	County Distribution of Feb Leg Fcst Based on Jan 2009 Production and Current Law Distribution Formula			County Distribution of Proposed $1 million Increase in County Caps Contained in Executive Budget			County Distribution of Proposed Removal of County Caps w/ $2 M 100% and Top Tier 10%		
	FY 10	FY 11	Biennium	FY 10	FY 11	Biennium	FY 10	FY 11	Biennium
Billings	$ 3,677,118	$ 4,017,785	$ 7,694,903				$ 750,000	$ 750,000	$ 1,500,000
Bottineau	2,536,777	2,699,009	5,235,786				750,000	750,000	1,500,000
Bowman	5,100,000	5,100,000	10,200,000	$ 1,000,000	$ 1,000,000	$ 2,000,000	2,174,063	2,537,723	4,711,786
Burke	1,980,147	2,172,636	4,152,783				365,074	461,319	826,393
Divide	1,364,984	1,539,452	2,904,436				121,661	179,818	301,479
Dunn	4,709,804	5,100,000	9,809,804		112,062	112,062	750,000	862,062	1,612,062
Golden Valley	1,128,983	1,266,523	2,395,506				42,994	88,841	131,835
McHenry	64,272	74,328	138,600						-
McKenzie	5,100,000	5,100,000	10,200,000	1,000,000	1,000,000	2,000,000	1,708,321	1,999,104	3,707,425
McLean									
Mountrail	5,600,000	5,600,000	11,200,000	1,000,000	1,000,000	2,000,000	3,564,807	4,224,325	7,789,132
Renville	1,233,416	1,387,297	2,620,713				77,805	129,099	206,904
Slope	78,251	90,495	168,746						-
Stark	2,030,913	2,231,346	4,262,259				390,457	490,673	881,130
Ward	103,056	119,182	222,238						-
Williams	5,217,279	5,600,000	10,817,279		198,945	198,945	750,000	948,945	1,698,945
	$ 39,925,000	$ 42,098,053	$ 82,023,053	$ 3,000,000	$ 3,311,007	$ 6,311,007	$ 11,445,183	$ 13,421,909	$ 24,867,092

Prepared by: Office of Tax Commissioner

K. Strombeck

7-Apr-09

STATE OF NORTH DAKOTA
OFFICE OF STATE TREASURER
STATE CAPITOL, 600 E. BOULEVARD AVE., DEPT 120, BISMARCK, NORTH DAKOTA 58505-0600
701-328-2643 FAX 701-328-3002
http://www.state.nd.us/ndtreas

Kelly L. Schmidt
State Treasurer

CURRENT	Total	County	School	City	Twp	Total
Billings	7,694,903	3,462,706	2,693,216	1,538,981		7,694,903
Bottineau	5,235,786	2,356,104	1,832,525	1,047,157		5,235,786
Bowman	10,200,000	5,690,000	2,870,000	1,640,000		10,200,000
Burke	4,152,783	1,868,752	1,453,474	830,557		4,152,783
Divide	2,904,436	1,306,996	1,016,553	580,887		2,904,436
Dunn	9,809,804	5,299,804	2,870,000	1,640,000		9,809,804
Golden Valley	2,395,506	1,077,978	838,427	479,101		2,395,506
McHenry	138,600	62,370	48,510	27,720		138,600
McKenzie	10,200,000	5,690,000	2,870,000	1,640,000		10,200,000
Mountrail	11,200,000	6,140,000	3,220,000	1,840,000		11,200,000
Renville	2,620,713	1,179,321	917,250	524,143		2,620,713
Slope	168,746	75,936	59,061	33,749		168,746
Stark	4,262,259	1,918,017	1,491,791	852,452		4,262,259
Ward	222,238	100,007	77,783	44,448		222,238
Williams	10,817,279	5,757,279	3,220,000	1,840,000		10,817,279
	82,023,053	41,985,270	25,478,590	14,559,194		82,023,053

HB 1304	Total	County	School	City	Twp	Total
Billings	9,194,903	4,137,706	3,218,216	1,838,981	-	9,194,903
Bottineau	6,735,786	3,031,104	2,357,525	1,347,157	-	6,735,786
Bowman	14,911,786	6,710,304	3,220,000	2,982,357	1,999,125	14,911,786
Burke	4,979,176	2,240,629	1,742,712	995,835	-	4,979,176
Divide	3,205,915	1,442,662	1,122,070	641,183	-	3,205,915
Dunn	11,421,866	5,139,840	3,220,000	2,284,373	777,653	11,421,866
Golden Valley	2,527,341	1,137,303	884,569	505,468	-	2,527,341
McHenry	138,600	62,370	48,510	27,720	-	138,600
12,000 McKenzie	13,907,425	6,258,341	3,220,000	2,781,485	1,647,599	13,907,425
Mountrail	18,989,132	8,545,109	3,220,000	3,797,826	3,426,196	18,989,132
Renville	2,827,617	1,272,428	989,666	565,523	-	2,827,617
Slope	168,746	75,936	59,061	33,749	-	168,746
Stark	6,143,389	2,314,525	1,800,186	2,028,678	-	6,143,389
Ward	222,238	100,007	77,783	44,448	-	222,238
Williams	14,516,224	5,632,301	3,220,000	4,503,245	1,160,678	14,516,224
	$109,890,144	$48,100,565	$28,400,299	$24,378,029	$9,011,252	$109,890,144

DIFFERENCE	Total	County	School	City	Twp	Total
Billings	1,500,000	675,000	525,000	300,000	-	1,500,000
Bottineau	1,500,000	675,000	525,000	300,000	-	1,500,000
Bowman	4,711,786	1,020,304	350,000	1,342,357	1,999,125	4,711,786
Burke	826,393	371,877	289,238	165,279	-	826,393
Divide	301,479	135,666	105,518	60,296	-	301,479
Dunn	1,612,062	(159,964)	350,000	644,373	777,653	1,612,062
Golden Valley	131,835	59,326	46,142	26,367	-	131,835
McHenry	-	-	-	-	-	-
McKenzie	3,707,425	568,341	350,000	1,141,485	1,647,599	3,707,425
Mountrail	7,789,132	2,405,109	-	1,957,826	3,426,196	7,789,132
Renville	206,904	93,107	72,416	41,381	-	206,904
Slope	-	-	-	-	-	-
Stark	1,881,130	396,509	308,396	1,176,226	-	1,881,130
Ward	-	-	-	-	-	-
Williams	3,698,945	(124,978)	-	2,663,245	1,160,678	3,698,945
	27,867,091	6,115,295	2,921,709	9,818,835	9,011,252	27,867,091

Addendum to 1304

Distrib[illegible]f Forecasted Gross Production Tax Revenues to Counties and Schools - HB 1304 with [illegible] change to allocate $5.35 million:

	County Distribution Expected Under Provisions of HB 1304			Schools Distribution Expected Under Provisions of HB 1304 - FY 2010:						
	FY 2010	FY 2011	Biennium	35% of the First $5.35 million	100% of First $350,000	75% of Next $350,000	67% of Next $262,500	50% of Next $175,000	Remaining to Population Cap	Total
Billings	$ 4,427,118	$ 4,767,785	$ 9,194,903	$ 1,549,491	$ 350,000	$ 262,500	$ 175,009	$ 87,500	$ 411,991	$ 1,287,000
Bottineau	3,286,777	3,449,009	6,735,786	1,150,372	350,000	262,500	175,098	87,500	12,872	887,970
Bowman	7,274,063	7,637,723	14,911,786	1,872,500	350,000	262,500	175,009	87,500	560,000	1,435,009
Burke	2,345,221	2,633,955	4,979,176	820,827	350,000	262,500	80,556			693,056
Divide	1,486,645	1,719,270	3,205,915	520,326	350,000	127,744				477,744
Dunn	5,459,804	5,962,062	11,421,866	1,872,500	350,000	262,500	175,009	87,500	560,000	1,435,009
Golden Valley	1,171,977	1,355,364	2,527,341	410,192	350,000	45,144				395,144
McHenry	64,272	74,328	138,600	22,495	22,495					22,495
McKenzie	6,808,321	7,099,104	13,907,425	1,872,500	350,000	262,500	175,009	87,500	560,000	1,435,009
McLean	-	-		-						-
Mountrail	9,164,807	9,824,325	18,989,132	1,872,500	350,000	262,500	175,009	87,500	735,000	1,610,009
Renville	1,311,221	1,516,396	2,827,617	458,927	350,000	81,696				431,696
Slope	78,251	90,495	168,746	27,388	27,388					27,388
Stark	2,421,370	2,722,019	5,143,389	847,480	350,000	262,500	98,325			710,825
Ward	103,056	119,182	222,238	36,070	36,070					36,070
Williams	5,967,279	6,548,945	12,516,224	1,872,500	350,000	262,500	175,009	87,500	735,000	1,610,009
	$ 51,370,182	$ 55,519,962	$ 106,890,144	-					**FY 2010 w Fix:**	$ 12,494,432

		(Same as Above)		Schools Distribution Under HB 1304 - FY 2011:						
Billings	$ 4,427,118	$ 4,767,785	$ 9,194,903	1,668,725	$ 350,000	$ 262,500	$ 175,009	$ 87,500	$ 490,000	$ 1,365,009
Bottineau	3,286,777	3,449,009	6,735,786	1,207,153	350,000	262,500	175,009	87,500	69,653	944,662
Bowman	7,274,063	7,637,723	14,911,786	1,872,500	350,000	262,500	175,009	87,500	560,000	1,435,009
Burke	2,345,221	2,633,955	4,979,176	921,884	350,000	262,500	147,930			760,430
Divide	1,486,645	1,719,270	3,205,915	601,745	350,000	188,808				538,808
Dunn	5,459,804	5,962,062	11,421,866	1,872,500	350,000	262,500	175,009	87,500	560,000	1,435,009
Golden Valley	1,171,977	1,355,364	2,527,341	474,377	350,000	93,283				443,283
McHenry	64,272	74,328	138,600	26,015	26,015					26,015
McKenzie	6,808,321	7,099,104	13,907,425	1,872,500	350,000	262,500	175,009	87,500	560,000	1,435,009
McLean	-	-		-						-
Mountrail	9,164,807	9,824,325	18,989,132	1,872,500	350,000	262,500	175,009	87,500	735,000	1,610,009
Renville	1,311,221	1,516,396	2,827,617	530,739	350,000	135,554				485,554
Slope	78,251	90,495	168,746	31,673	31,673					31,673
Stark	2,421,370	2,722,019	5,143,389	952,707	350,000	262,500	168,480			780,980
Ward	103,056	119,182	222,238	41,714	41,714					41,714
Williams	5,967,279	6,548,945	12,516,224	1,872,500	350,000	262,500	175,009	87,500	735,000	1,610,009
	$ 51,370,182	$ 55,519,962	$ 106,890,144	-					**FY 2011 w Fix:**	$ 12,943,173

Distribution of Forecasted Gross Production Tax Revenues to Counties and Schools - Current Law:

	Current County Distribution of Feb Leg Fcst Based on Jan 2009 Production and Current Law Distribution Formula			Current Law Distribution of Schools' Share 35% Up to \$3.9 M/ \$4.1 M / \$4.6 M		
	FY 10	**FY 11**	**Biennium**	**FY 10**	**FY 11**	**Biennium**
Billings	\$ 3,677,118	\$ 4,017,785	\$ 7,694,903	1,286,991	1,365,000	\$ 2,651,991
Bottineau	2,536,777	2,699,009	5,235,786	887,872	944,653	1,832,525
Bowman	5,100,000	5,100,000	10,200,000	1,435,000	1,435,000	2,870,000
Burke	1,980,147	2,172,636	4,152,783	693,052	760,423	1,453,474
Divide	1,364,984	1,539,452	2,904,436	477,744	538,808	1,016,552
Dunn	4,709,804	5,100,000	9,809,804	1,435,000	1,435,000	2,870,000
Golden Valley	1,128,983	1,266,523	2,395,506	395,144	443,283	838,427
McHenry	64,272	74,328	138,600	22,495	26,015	48,510
McKenzie	5,100,000	5,100,000	10,200,000	1,435,000	1,435,000	2,870,000
McLean				-	-	
Mountrail	5,600,000	5,600,000	11,200,000	1,610,000	1,610,000	3,220,000
Renville	1,233,416	1,387,297	2,620,713	431,695	485,554	917,249
Slope	78,251	90,495	168,746	27,388	31,673	59,061
Stark	2,030,913	2,231,346	4,262,259	710,820	780,971	1,491,791
Ward	103,056	119,182	222,238	36,070	41,714	77,783
Williams	5,217,279	5,600,000	10,817,279	1,610,000	1,610,000	3,220,000
	\$ 39,925,000	\$ 42,098,053	\$ 82,023,053	\$ 12,494,271	\$ 12,943,094	\$ 25,437,365

(Targeted Amounts to be Dist Under HB 1304)

[illegible]ion of Forecasted Gross Production Tax Revenues to Counties and Schools - HB 1304 [illegible]sed with allocation of $4.6 million:

	County Distribution Expected Under Provisions of HB 1304			Schools Distribution Expected Under Provisions of HB 1304 - FY 2010:						
	FY 2010	FY 2011	Biennium	35% of the First $4.6 million	100% of First $350,000	75% of Next $350,000	67% of Next $262,500	50% of Next $175,000	Remaining to Population Cap	Total
Billings	$ 4,427,118	$ 4,767,785	$ 9,194,903	$ 1,549,491	$ 350,000	$ 262,500	$ 175,009	$ 87,500	$ 411,991	$ 1,287,000
Bottineau	3,286,777	3,449,009	6,735,786	1,150,372	350,000	262,500	175,098	87,500	12,872	887,970
Bowman	7,274,063	7,637,723	14,911,786	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
Burke	2,345,221	2,633,955	4,979,176	820,827	350,000	262,500	80,556			693,056
Divide	1,486,645	1,719,270	3,205,915	520,326	350,000	127,744				477,744
Dunn	5,459,804	5,962,062	11,421,866	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
Golden Valley	1,171,977	1,355,364	2,527,341	410,192	350,000	45,144				395,144
McHenry	64,272	74,328	138,600	22,495	22,495					22,495
McKenzie	6,808,321	7,099,104	13,907,425	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
McLean	-	-		-						-
Mountrail	9,164,807	9,824,325	18,989,132	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
Renville	1,311,221	1,516,396	2,827,617	458,927	350,000	81,696				431,696
Slope	78,251	90,495	168,746	27,388	27,388					27,388
Stark	2,421,370	2,722,019	5,143,389	847,480	350,000	262,500	98,325			710,825
Ward	103,056	119,182	222,238	36,070	36,070					36,070
Williams	5,967,279	6,548,945	12,516,224	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
				-						
	$ 51,370,182	$ 55,519,962	$ 106,890,144						FY 2010 w/o Fix:	$ 11,706,932

	(Same as Above)			Schools Distribution Under HB 1304 - FY 2011:						
Billings	$ 4,427,118	$ 4,767,785	$ 9,194,903	1,610,000	$ 350,000	$ 262,500	$ 175,009	$ 87,500	472,500	$ 1,347,509
Bottineau	3,286,777	3,449,009	6,735,786	1,207,153	350,000	262,500	175,009	87,500	69,653	944,662
Bowman	7,274,063	7,637,723	14,911,786	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
Burke	2,345,221	2,633,955	4,979,176	921,884	350,000	262,500	147,930			760,430
Divide	1,486,645	1,719,270	3,205,915	601,745	350,000	188,808				538,808
Dunn	5,459,804	5,962,062	11,421,866	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
Golden Valley	1,171,977	1,355,364	2,527,341	474,377	350,000	93,283				443,283
McHenry	64,272	74,328	138,600	26,015	26,015					26,015
McKenzie	6,808,321	7,099,104	13,907,425	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
McLean	-	-		-						-
Mountrail	9,164,807	9,824,325	18,989,132	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
Renville	1,311,221	1,516,396	2,827,617	530,739	350,000	135,554				485,554
Slope	78,251	90,495	168,746	31,673	31,673					31,673
Stark	2,421,370	2,722,019	5,143,389	952,707	350,000	262,500	168,480			780,980
Ward	103,056	119,182	222,238	41,714	41,714					41,714
Williams	5,967,279	6,548,945	12,516,224	1,610,000	350,000	262,500	175,009	87,500	472,500	1,347,509
				-						
	$ 51,370,182	$ 55,519,962	$ 106,890,144						FY 2011 w/o Fix:	$ 12,138,173

North Dakota Association of Oil & Gas Producing Counties

EXECUTIVE COMMITTEE

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Parshal PSD

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Secretary/Treasurer
Manning

April 9, 2009

Testimony in Support of 1304 with suggested changes below

Good morning Senator Holmberg and members of the Senate Appropriations committee

My name is Vicky Steiner. I represent the North Dakota Association of Oil and Gas Producing Counties. Thank you for your time this morning. This is important to us as the 5% tax is our "in lieu of" property tax on the oil industry.

Our Association offers the following list for your consideration to HB 1304 as amended yesterday. If the Senate accepts these changes to the bill, we will support 1304 and we will work to see that House approves this bill as well.

1. Merge Energy Impact funding in this bill
   Page 1, line 12 exceeding **"8"** million dollars per biennium, **$8 million** infusion as passed in HB 1225 by your committee recently
2. Remove the "near cap" numbers of 10% and 90%, go to 25%-75%.
   Page 2, line 17 Remove "**14 million**" and eliminate part "e" completely.
3. Remove new cap put on cities
   On page 5, remove the new cap on cities. Remove the word "**not**" on line 2. Page 5, line 24, remove "**eight hundred percent**. (Medora)"
4. Add school bus/transportation back in 1304
   On page 6, line 7 "to or for the benefit of townships, **school transportation and infrastructure** in the county on the basis of applications by townships **and school districts** for funding..."
5. 6 year sunset to the new report requirement
   On page 7, line 22. "**This report is no longer required after June 30, 2015.**"

This concludes my testimony. Thank you.

VICKY STEINER - EXECUTIVE DIRECTOR
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North Dakota Association of Oil & Gas Producing Counties

EXECUTIVE COMMITTEE

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Bottineau County

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Parshal PSD

Reinhard Hauck
Secretary/Treasurer
Manning

March 1, 2009

To: Legislators

From: ND Association of Oil and Gas Producing Counties

The County Commissions in the oil producing counties

Dear Legislators,

This Association of county commissions is united in our legislative efforts this legislative session. All the counties support the removal of the county production caps in the 5% oil and gas gross production tax and a significant increase in the funding for the energy impact office.

The counties in the oil and gas producing region support those bills that accomplish these goals.

Thank you for the work you do during the legislative session.

Sincerely,

Billings County Commission

Mountrail County Commission

Stark County Commission

Burke County Commission

Renville County Commission

Williams County Commission

Bowman Commission

Slope County Commission

Ward County Commission

Divide County Commission

McLean County Commission

Dunn County Commission

Mercer County Commission

Golden Valley Commission

McKenzie County Commission

McHenry County Commission

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