



North Dakota Association of Oil & Gas Producing Counties

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Testimony- Vicky Steiner
Interim Taxation Committee
July 2, 2008
9 AM
Roughrider room, State Capitol

Good morning, Mr. Chairman and members of the interim Taxation Committee. My name is Vicky Steiner. I represent the North Dakota Association of Oil and Gas Producing Counties and the North Dakota Coal Conversion Counties Association as their Executive Director.

Thank you for this time today to talk about what's happening in the oil counties. I hope we can answer your questions today. I have a talented team behind me and if we don't have the answers here, we'll certainly find them for you and get them to you. I'll talk briefly about the 5% gross production tax and then we have Dean Bangsund from NDSU who will discuss a study we conducted last January with counties on oil impacts. Following that, we have some representatives from Dunn and Mountrail County to discuss their concerns. Dunn County has 14 active rigs this week; Mountrail has 27 rigs- there are 76 rigs working in the remote areas of western North Dakota this week.

First off, since it's been several months since we've discussed the 5% gross production tax, I've brought a chart to quickly go through it. Thank you for your support of House Bill 1044 which passed last session. This bill adjusted the first percentage tier on this formula which will bring additional tax revenues to the oil county political subdivisions.

The funding for the law took effect yesterday. The counties will see the effects of the change in their September payment.

I'd like to publicly thank Treasurer Kelly Schmidt and her staff for their changes they made to the county distribution. This January, they began paying the county, cities and schools their tax revenues each month instead of the old quarterly method.

As you look at the 5% chart, you'll see that the first 1% has the slice for the \$3 million a year for oil impacts. That's still capped at \$6 million. We

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recommend that cap be taken off and let the impact office rise and fall because as production rises and falls, so do impacts. The state receives the other two-thirds of that percentage.

The formula was adjusted by increasing the first percentage from 75% to the counties to 100% to the counties. This is definitely a benefit. It looks like 4-5 counties may hit the cap levels of 1983. I want to draw your attention to this cap problem because these caps have been in place since 1983. Gravel costs have increased and the cap levels aren't working. In 1953, the 5% oil and gas gross production tax was put in place so that 75% of tax revenues would reach the impacted county, Williams County. Today's formula doesn't meet that intent because the 1983 caps hold back needed revenues.

This Association's Executive Committee is asking you to consider that the caps should be removed and the state would receive 75%, the producing county 25%. This would allow an additional \$35 million of the 5% oil tax paid by the oil companies to remain in those counties for impact use. This information is attached to the back of my testimony.

By taking both caps off, we believe we can start bringing the infrastructure in western North Dakota back to the strength it needs to be to support a 19 year Bakken oil play. This is a partnership and we are willing to do our part but we need your help to get there.

At this time, I'd like to introduce Dean Bangsund from NDSU to explain what he found in the study he conducted a few months ago. After Dean finishes, we have several people from Dunn and Mountrail County who wish to give some information to the committee.

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Oil Taxes 2008



State General Fund = Such fund assists with projects and programs (educational, DOT, governmental, human services, agricultural, etc) across the entire state of ND.

Oil & Gas Counties - Schools = Such fund assists counties impacted by the production of oil and gas. Entitlement is based on a percentage and census basis.

Oil & Gas Counties - Cities = Such fundassists counties impacted by the production of oil and gas. Entitlement is based on a percentage and population basis.

Education Purposes - Common School Trust Fund = Proceeds are deposited with DPI and interest from such fund is distributed to schools via tuition appointment payments.

Permanent Oil & Gas Fund = Such fund assists with projects and programs (educational, DOI, governmental, human services, agricultural, etc) across the entire state of ND.

Oil & Gas Research Council Fund = Such fund assists to accumulate and disseminate information concerning the petroleum industry to foster the best interests of the public and industry.

45% counties= To receive additional \$1 million funding over 2007 caps of \$3.9, 4.1 and 4.6 million, counties must levy at least 10 mills for county roads. Cap levels are set by population.

**Expected Annual County Share of Gross Production Tax Revenue
Assuming Price and Production Levels that Generate
\$25 Million in Total Gross Production Tax Revenue Per Month**

**Expected Annual County Revenue Under Current Law Distributions
And Assuming the Removal of the County Caps**

County	Current Law	With Caps Removed	Change
Billings	\$ 4,900,000	\$ 5,504,000	\$ 604,000
Bottineau	2,549,000	2,549,000	-
Bowman	5,100,000	13,333,000	8,233,000
Burke	2,664,000	2,664,000	-
Divide	2,381,000	2,381,000	-
Dunn	5,100,000	10,901,000	5,801,000
Golden Valley	2,014,000	2,014,000	-
Hettinger	-	-	-
McHenry	69,000	69,000	-
McKenzie	5,100,000	9,290,000	4,190,000
McLean	110,000	110,000	-
Mountrail	5,600,000	20,627,000	15,027,000
Renville	1,561,000	1,561,000	-
Slope	1,253,000	1,253,000	-
Stark	2,459,000	2,459,000	-
Ward	148,000	148,000	-
Williams	5,600,000	7,360,000	1,760,000
	\$ 46,608,000	\$ 82,223,000	\$ 35,615,000