

2009 HOUSE POLITICAL SUBDIVISIONS

HB 1274

2009 HOUSE STANDING COMMITTEE MINUTES

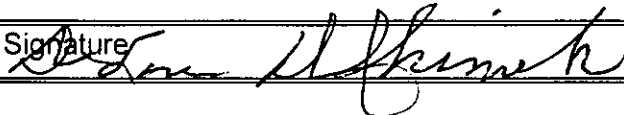
Bill No. HB 1274

House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: January 29, 2009

Recorder Job Number: 8156

Committee Clerk Signature 

Minutes:

Chairman Wrangham opened the hearing on HB 1274.

Rep. Meyer: (see testimony #1 and #2 chart on oil taxes).

Rep. Klemin: If we remove these caps do we have to adjust these percentages also?

Rep. Meyer: We are looking at approximately 9 mills coming forward that address the tax and the formula. There are other bills that address that.

Rep. Klemin: How do we do this so we are not in conflict?

Rep. Meyer: Many of the other bills are not in conflict so each one addresses a different issue. We have had hours of testimony in finance and tax. Basically it was easier to have the bills broken down section by section and by the time we get done with this they won't be in conflict.

Rep. Conrad: The only issue in this bill on the chart we have you are talking about that 45% with the counties?

Rep. Meyer: The tax to counties is based on population. The counties with the caps that are affected are McKenzie, Bowman, Mountrail and Dunn. Explained the chart in more detail.

We were seeing huge impacts to our fire departments and police departments. We cannot have oil activity and not have a hospital. Water, roads and bridges are a huge concern.

You will hear from a lot of people in the counties affected with information on the impacts.

Rep. Drovdal: We did get our formula addressed in our last session so there would be money going out to help the developing counties to get more money. The problem was how big this was going to be. Discussed the large equipment and the impact it has on the county roads. We have 96 rigs working in these counties.

Rep. Headland: Could you relate to the committee the amount of the request to the impact fund and what that number would be or was?

Rep. Drovdal: 28.8 million dollars on another bill. Whether it passes or not I don't know. I have requested that information from the tax department and they have not been able to produce that. Last session we did raise the cap to \$1 million dollars. If we take the cap off it would go to schools, roads and counties and not just to counties.

Rep. Onstad: This formula set up was in lieu of taxes. It has not kept pace with the costs that go with that. When county and paved roads need so many repairs due to oil related company uses they need to be reimbursed to get these roads fixed. As the production continues that affects of this impact will continue. There is a real need due to the expansion of the oil activity.

Rep. Jerry Kelsh: What you said there about counties needing money to keep up roads. They come to the counties for help and the counties don't have the money or be able to raise it.

Rep. Onstad: You are right. Those trucks continue to roll and they do cause damage.

Vicky Steiner: ND Assoc. of Oil and Gas Producing Counties: (see testimony #3). She explained the new chart.

Rep. Corey Mock: How much do these counties get by removing the cap?

Vicky Steiner: We don't have that information from the tax department and give it to you. I can get those numbers for you. This cap was put on in July of 1991.

Rep. Conrad: What do you call the tax?

Vicky Steiner: We call this county production tax.

Greg Baschee: Mountrail County: (Gave out David Hynek's testimony #4) Our impact is unbelievable. Mountrail reached their cap in November and will not receive any more money until next November, 2009. Related a storey about a rig move and how it tore up the roads.

Reinhard Hauck: Dunn County Auditor : (see testimony #5). The oil activity has provided a lot of economic development for Dunn County, but it doesn't come without its challenges and costs. Dunn County currently has 18 rigs drilling. We might get 150-180 new wells drilled this year. Traffic is horrible.

Gary Wilz: Superintendent, Killdeer Public School: (see testimony #6). Explained his outline and went over it.

Christy L. Larsen: Dunn County Recorder/ Clerk of Court: (see testimony #7).

Chairman Wrangham: Is there a charge or fee for having all this information and excess?

Christy Larsen: We only charge for copies.

Cliff Ferebee- Dunn County Commissioner: (see testimony #8).

Rep. Kilichowski: You said the state owns 50,000 acres of mineral rights in Dunn County. Do they get money off that?

Cliff Ferebee: Yes they got \$6.5 million lease money. If there is production in the county they get 1/6th; if there is no production coming to the county they get 1/8th.

Ashley Alderson: Director of the Bowman County Development Corporation: (see testimony #9).

Lynn Brackel, County Commissioner: Bowman County: (testimony #10).

Went over the charts on the oil and gas impact on roads.

Rep. Koppelman: How much does your county currently collect?

Lynn Brackel: We are capped at 4.1 million based on population. The last legislature allocated us another \$1 million for roads and bridges. \$1 million will build 5 miles of road and we have 280 miles.

Rep. Koppelman: Is that new road?

Lynn Brackel: That is resurfacing. The picture of the bus; the road base is approximately 20' wide; we have constant traffic of trucks so you have to rebuild that road and take out 36" and do a 8" surface on top.

Opposition: None

Neutral: None

Hearing closed.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1274

House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: February 5, 2009

Recorder Job Number: 8754

Committee Clerk Signature



Minutes:

Chairman Wrangham opened the hearing on HB 1274. The other two bills are actually dealing with the money and how the money has been spent. Raising the caps in one bill and taking the caps off on another bill. This bill should have been in the Finance and Tax and done there.

Rep. Headland: This bill is no longer needed.

Motion Made for a Do Not Pass By Rep. Headland: Seconded By Rep. Koppelman.

Rep. Nancy Johnson: What are the two other bills? Are they the same as this one?

Chairman Wrangham: HB 1225 and HB 1304.

Rep. Headland: One of the bills raised the caps for the impact dollars to \$9 million; the other one took the cap off completely.

Rep. Hatlestad: The impact funds is something entirely different. If you take the cap off the impact funds; that is one thing. This is the production side and totally different.

Chairman Wrangham: we have a Do Not Pass on the floor and we will wait until later. The motion was withdrawn.

Hearing closed.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1274

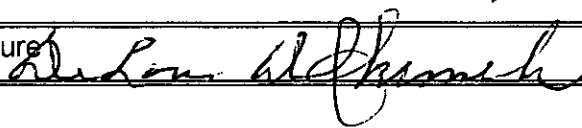
House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: February 5, 2009

Recorder Job Number: 8877

Committee Clerk Signature



Minutes:

Chairman Wrangham hearing on HB 1274.

Motion made for a Do Pass By Rep. Nancy Johnson Seconded By Rep. Hatlestad with referral.

Chairman Wrangham: I have a HB 1304 that does remove the caps. Hopefully both bills will be on the floor at the same time and they can take care of it there.

Discussion: None

Vote: 9 Yes 3 No 1 Absent Carrier: Rep. Hatlestad

FISCAL NOTE
Requested by Legislative Council
02/17/2009

Amendment to: HB 1274

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
			\$33,200,000					

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 1274 removes the limitations on the amount of oil and gas gross production tax revenue that the oil producing counties may receive, provided the counties meet certain mill levy requirements.

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.*

If enacted, Engrossed HB 1274 is expected to increase county revenue by an estimated \$33.2 million in the 2009-11 biennium. It is assumed all counties meet the mill levy requirements. The permanent oil tax trust fund revenue is expected to be decrease by the same amount.

This estimate is consistent with the oil price and production levels contained in the February 2009 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:	02/17/2009

FISCAL NOTE

Requested by Legislative Council
01/12/2009

Bill/Resolution No.: HB 1274

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				(\$36,700,000)		
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
			\$36,700,000					

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 1274 removes the limits/caps on the amount of oil and gas gross production tax that the producing counties may 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.*

If enacted, HB 1274 is expected to increase county revenue by an estimated \$36.7 million in the 2009-11 biennium. (This revenue is further distributed to cities and schools.) The permanent oil tax trust fund revenue is expected to be decrease by the same amount.

This estimate is consistent with the oil price and production levels contained in the executive budget. The counties that are expected to receive the majority of the additional revenue authorized in this bill are Mountrail, Bowman, and McKenzie.

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
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Phone Number: 328-3402

Date Prepared: 01/28/2009

Date: 2/5/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB 1274

House Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS DO NOT PASS AS AMENDED

Motion Made By Rep. C Headland Seconded By Rep. K Koppelman

Representatives	Yes	No	Representatives	Yes	No
Rep. Dwight Wrangham, Chairman			Rep. Kari Conrad		
Rep. Craig Headland, Vice Chairman			Rep. Jerry Kelsh		
Rep. Patrick Hatlestad			Rep. Robert Kilichowski		
Rep. Nancy Johnson			Rep. Corey Mock		
Rep. Lawrence Klemin			Rep. Steve Zaiser		
Rep. Kim Koppelman					
Rep. William Kretschmar					
Rep. Vonnie Pietsch					

Total (Yes) _____ No _____

Absent _____

Carrier: _____

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

Withdrawn
2/5/09

Date: 2/5/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HB1274

House Political Subdivisions Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken DO PASS DO NOT PASS AS AMENDED

Motion Made By Rep. Johnson Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
Rep. Dwight Wrangham, Chairman	✓		Rep. Kari Conrad	✓	
Rep. Craig Headland, Vice Chairman		✓	Rep. Jerry Kelsh	✓	
Rep. Patrick Hatlestad	✓		Rep. Robert Kilichowski	✓	
Rep. Nancy Johnson	✓		Rep. Corey Mock	✓	
Rep. Lawrence Klemin		✓	Rep. Steve Zaiser	0	
Rep. Kim Koppelman		✓			
Rep. William Kretschmar	✓				
Rep. Vonnie Pietsch	✓				

Total (Yes) 9 No 3

Absent 1

Carrier: Rep Hatlestad

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

Refer to appropriations

REPORT OF STANDING COMMITTEE

HB 1274: Political Subdivisions Committee (Rep. Wrangham, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (9 YEAS, 3 NAYS, 1 ABSENT AND NOT VOTING). HB 1274 was rereferred to the Appropriations Committee.

2009 HOUSE APPROPRIATIONS

HB 1274

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1274

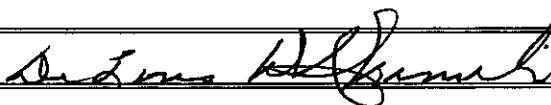
House Political Subdivisions Committee

☐ Check here for Conference Committee

Hearing Date: February 11, 2009

Recorder Job Number: 9242

Committee Clerk Signature



Minutes:

Chairman Svedjan: opened the hearing on HB 1274.

Rep. Wrangham: Political subdivisions gave this bill a 9-3 vote do pass. 1274 removes the caps on the amount of money that the counties receive from the oil and gas production tax from the counties. We had a long extensive hearing on the bill. We heard of many needs in the oil production counties for revenue. The fiscal note shows a \$36.7 million transfer of funds from the general fund to the counties.

Rep. Skarphol: You are going to get another bill in this committee that addresses the same issue. While I am in full agreement with taking the caps off; I am in disagreement with this bill. This bill does away with the requirement that the counties have a 10 mill road levy in place for purposes of matching the dollars they receive. I do not believe we should pass your bill.

Chairman Svedjan: Was that discussed in your committee hearing?

Rep. Wrangham: I do not remember that being discussed.

Rep. Skarphol: It is throughout the bill. It begins in Section 8 it says counties levy at least 10 mills is over struck and removes it in all three sections. 1304 does not do that; it does take the cap off but requires the 10 mill levy in every county that is going to receive the funds. I would not want that removed. I think 1304 addresses more than just this and in fact has some

recommended changes to the formula to more adequately and equitably distribute the money in a couple of counties that we have out there that have had inequitable distribution ever since the tax was put in place.

Rep. Meyer: In the drafting of this bill that could have been inadvertently overlooked. It was never my intention or any of the other sponsors to remove that 10 mill levy. I would move to amend that back into the bill. **Motion Made By Rep. Meyer to amend the bill to put the 10 mill levy back into the bill. Seconded by Rep. Onstad.**

Rep Skarphol: We are going to have the same bill a few days from now. It will be coming down here. Whether or not 1304 is the number of that bill.

Rep. Meyer: If this language would pass it simply guarantees that the caps would come off to the county. Say both bills pass there won't be any conflict or contradiction there. Rep.

Skarphol has a good bill. I intent to support that, but it does substantially change the formula. This does not.

Rep. Berg: If both of these bills are going to be before the committee I would suggest we hold action on this one until we have the other one. I hate to talk about one bill over another one and not have the bills before us.

Chairman Svedjan: We can do that and that is probably the smarter thing to do. We do have a motion on the floor for an amendment.

Rep. Meyer: In response to that I was asked that question in committee. That was never supposed to be a part of this bill.

Chairman Svedjan: I am going to ask you to withdraw your motion for the amendment and the second and ask that you have an amendment prepared so we can have that in front of us when we next consider this bill.

Rep. Meyer withdrew her motion; Seconded by Rep. Onstad withdrawn too.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill No. HB 1274

House Appropriations Committee

☐ Check here for Conference Committee

Hearing Date: February 12, 2009

Recorder Job Number: 9331

Committee Clerk Signature



Minutes:

Chairman Svedjan reopened the hearing on HB 1274. Removes caps that the counties receives and removes the 10 mill levy requirement on the road levy.

Rep. Meyer: It was never my intent or any of the sponsor's intent to remove the 10 mill local match for the roads. There is an amendment that has been prepared that should be passed out to deal with that. (Attachment A). Basically it does what Rep. Drovdal's bill did in 1304.

Rep. Meyer Made a Motion to move the amendment. Seconded By Rep. Ekstrom.

Voice vote carries.

Rep. Bellew: Do we really still need this bill since we passed HB 1304. I would prefer to keep this version since it simply removes the caps. It keeps another vehicle alive.

Rep. Meyer: Basically they do the same thing. This version does not change the formula in any way; it simply removes the caps.

Rep. Nelson: Not only does it keep the vehicle alive, it's a more expensive vehicle. Explain the difference in the fiscal note.

Rep. Meyer: I think the fiscal note should be the same.

Rep. Kempenich: They were using \$60 barrel oil when this was drawn up. The fiscal notes are all relative.

Rep. Klein: Why do we need both bills?

Rep. Meyer: HB 1304 changes the formula. This is a much simpler bill. If 1304 does not pass, this would still be alive. If 1304 passes and this passes, there is no problem; they plug into each other. In the event 1304 fails then we have another vehicle to revert to.

Rep. Nelson: HB 1304 distributes more money to Williston. How would this impact Williston in that case?

Rep. Meyer: The only thing this bill does is remove the cap. HB 1304 changes the formula.

Rep. Skarphol: I would hope we could unite in support behind HB 1304. It gets equity into the two counties that do adversely affect the small towns. **Do Not Pass Motion Made By Rep.**

Skarphol; Seconded By Rep. Klein.

Discussion: None

Roll Call Vote 10 yes 13 No 2 Absent Failed.

Do Pass As Amended Motion Made By Rep. Meyer; Seconded By Rep. Hawken

Vote 12 Yes 11 No 2 Absent carrier: Rep. Onstad

Hearing closed.

Date: 2/11/09
Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1274

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Amend #10 mil road levy. language.

Motion Made By Meigs Seconded By Onstad

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:

Withdrawn

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

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1274

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Failed Action Taken Do Not Pass

Motion Made By Skarphol Seconded By Klein

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

Total (Yes) 10 No 13

Absent 2

Floor Assignment _____

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

90137.0101
Title.

Prepared by the Legislative Council staff for
Representative S. Meyer
February 11, 2009

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1274

Page 1, line 17, remove the overstrike over "~~However, the amount to which each~~"

Page 1, line 18, remove the overstrike over "~~county is entitled pursuant to this subsection~~"

Page 1, line 19, after "eensus" insert "may be limited" and remove the overstrike over "as"

Page 1, line 20, remove the overstrike over "~~follows:~~"

Page 1, replace lines 21 through 24 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 this subsection 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 this subsection 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 this subsection 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 2, remove lines 1 through 25

Page 2, remove the overstrike over lines 26 through 28

page(s) missing

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

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1274

Full House Appropriations Committee

☐ Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken

No Pass or Amended

Motion Made By

Meyer

Seconded By

Hawken

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) 12 No 11

Absent 2

Floor Assignment

Rep. Onstad

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

REPORT OF STANDING COMMITTEE

HB 1274: Appropriations Committee (Rep. Svedjan, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 11 NAYS, 2 ABSENT AND NOT VOTING). HB 1274 was placed on the Sixth order on the calendar.

Page 1, line 1, replace "section 57-51-15(2)" with "subsection 2 of section 57-51-15"

Page 1, line 2, remove "elimination of the"

Page 1, line 5, replace "Section 57-51-15(2)" with "Subsection 2 of section 57-51-15" and after "amended" insert "and reenacted as follows"

Page 1, line 17, remove the overstrike over "~~However, the amount to which each~~"

Page 1, line 18, remove the overstrike over "~~county is entitled pursuant to this subsection~~"

Page 1, line 19, after "~~enues~~" insert "may be limited" and remove the overstrike over "~~as~~"

Page 1, line 20, remove the overstrike over "~~follows:~~"

Page 1, replace lines 21 through 24 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 this subsection 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 this subsection 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 this subsection 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 2, remove lines 1 through 25

Page 2, remove the overstrike over lines 26 through 28

Renumber accordingly

2009 TESTIMONY

HB 1274

HB 1274

Testimony of Shirley Meyer


House Political Subdivisions Dwight Wrangham, Chairman

HB 1274 removes the gross production tax revenue caps related to the share of the gross production tax revenues that go back to the counties, cities, and school districts that are impacted by oil and gas developments.


Oil and gas gross production taxes are apportioned to the state and counties pursuant to NDCC Section 57-51-15. Counties with a population of 3,000 or less may receive no more than \$3.9 million per fiscal year, counties with a population over 3,000 but less than 6,000 may receive no more than \$4.1 million per fiscal year, and counties with a population over 6,000 may receive no more than \$4.6 million per fiscal year.

During the 2007 session we did pass legislation that allowed a county to receive an additional \$1 million if they levied a total of at least 10 mills for combined levies for county road and bridge, farm-to-market and federal aid roads. All counties except Ward are levying at least 10 mills for roads and bridges and are therefore eligible to receive the additional \$1 million.

Please remember that the 5% oil and gas gross production tax is "in lieu of" property tax for the county. This means that the counties cannot tax the oil wells, the equipment, or the oil location.



The Association of Oil and Gas Producing Counties had NDSU do a study that showed in January 2008, the 16 oil and gas producing counties had documented over \$90 million of increased costs. This is due in part to the explosion of activity related to the new horizontal drilling technology that has allowed much of the oil in the Bakken to be accessed for the first time. Along with this tremendous amount of oil being produced there is a tremendous amount of impact from increased truck traffic. Every well completed means an additional 800 to 1000 truck trips on our state, county, and township roads. This is a significant difference in the production occurring now and the production that took place in the eighties.



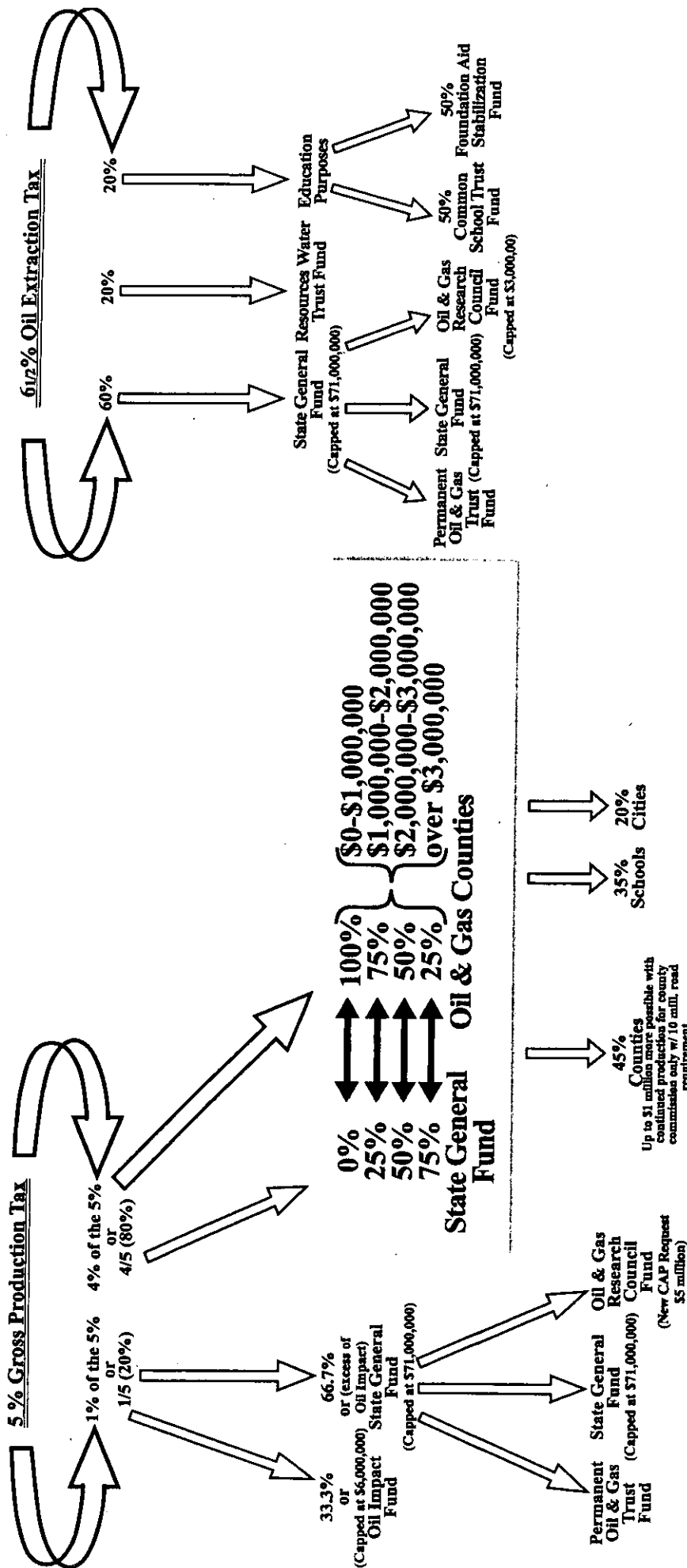
The production of oil creates its own impact. We have to create the infrastructure to allow this product to be brought to market so the entire state can benefit. We are currently enjoying a record breaking surplus. Of the \$1.2 billion in tax revenues generated this last biennium almost \$800 million can be attributed to the oil activity in these 17 oil and gas producing counties. We have counties hitting the caps that were put in place in 1981 and readjusted in 1983.

The amount of people that live in a county should have nothing to do with the limits being placed on our counties to deal with infrastructure challenges of an ever exploding oil industry.

The state is placing caps on a county and after it reaches its cap the state receives 100 percent of the revenue. Now it should be noted that if a county hits its cap there is significant oil activity and continuing impacts to the counties infrastructure. The caps need to be removed and your favorable consideration of HB 1274 will accomplish that goal.



Oil Taxes 2009



CAPS

	3.9 M	4.1 M	4.6 M - 1983
	3,000	6,000	6,000 or Greater

Adjusted for Inflation
\$7.8 \$8.2 \$9.2 million

Title Summaries:

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



North Dakota Association of Oil & Gas Producing Counties

January 29, 2009

EXECUTIVE COMMITTEE

Supt. Anthony Duletski
President
Bowman County PSD

Brad Belkedaht
Past President
Williston

Jim Arthaud
Billings County

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Supt. Steve Cascaden
Parshall PSD

Reinhard Hauck
Secretary/Treasurer
Manning

HB 1274

In support of removal of the caps

House Political Subdivisions Committee

Chair Dwight Wrangham

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
- DOT study shows that truck weights and truck traffic is much greater now than what it was in 1983 For example, DOT found 5,083 daily truck movements in September 2008
- One 105,500 pound industrial truck is equivalent to 27,000 cars
- DOT study shows that between 1996 and 2006 truck traffic at 20 randomly selected sites in the state's 17 oil producing counties was up 41.3%. During the same period, truck traffic on all state highways was up 20.2%. These numbers include all traffic.
- \$1.2 billion surplus, \$800 million was generated from oil activity
- Infrastructure needs to be maintained to keep the oil engine running

VICKY STEINER - EXECUTIVE DIRECTOR

858 Senior Ave. - Dickinson, ND 58602-1333 - Phone: (701) 483-TEAM (8326) - Fax: (701) 483-8326 - Cellular: (701) 290-1339
E-mail: vsteiner@ndsupernet.com - Web: www.ndoigas.govoffice.com

Linda Svihovec - Permit Operator

P.O. Box 504 - Watford City, ND 58854 - Phone: 701-444-3457 (work) - Phone: 701-444-4061 (home) - Fax: 701-444-4113 - Email: lsvihovec@co.mckenzie.nd.us

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
- Intent of the 5% gross production tax isn't being met today with the caps on

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.
- Personal stories of the county going backwards because of the impacts

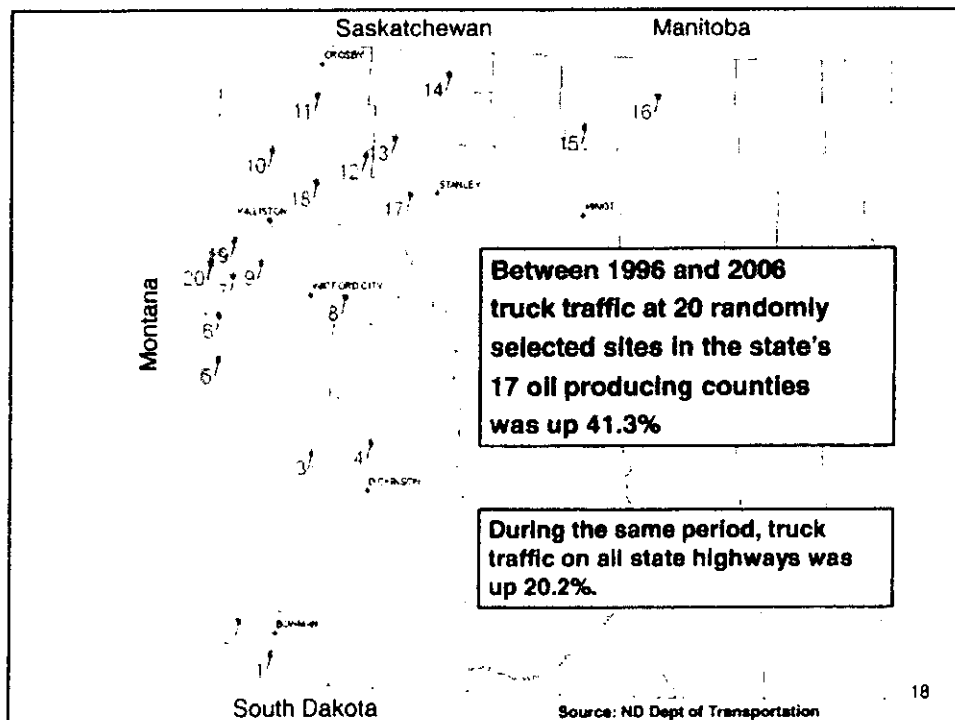
The North Dakota Association of Oil and Gas Producing Counties supports HB 1274.

Estimated Oil & Gas Related Truck Volumes - September 2008

<u>Loaded Truck Movement Type</u>	<u>Truckloads</u>
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



6 1/2% Oil Extraction Tax

60% → Permanent State Oil & Gas Fund (Capped at \$71,000,000)

60% → State General Fund (Capped at \$3,000,000)

20% → State General Fund (Capped at \$71,000,000)

20% → State Resources Water Trust Fund

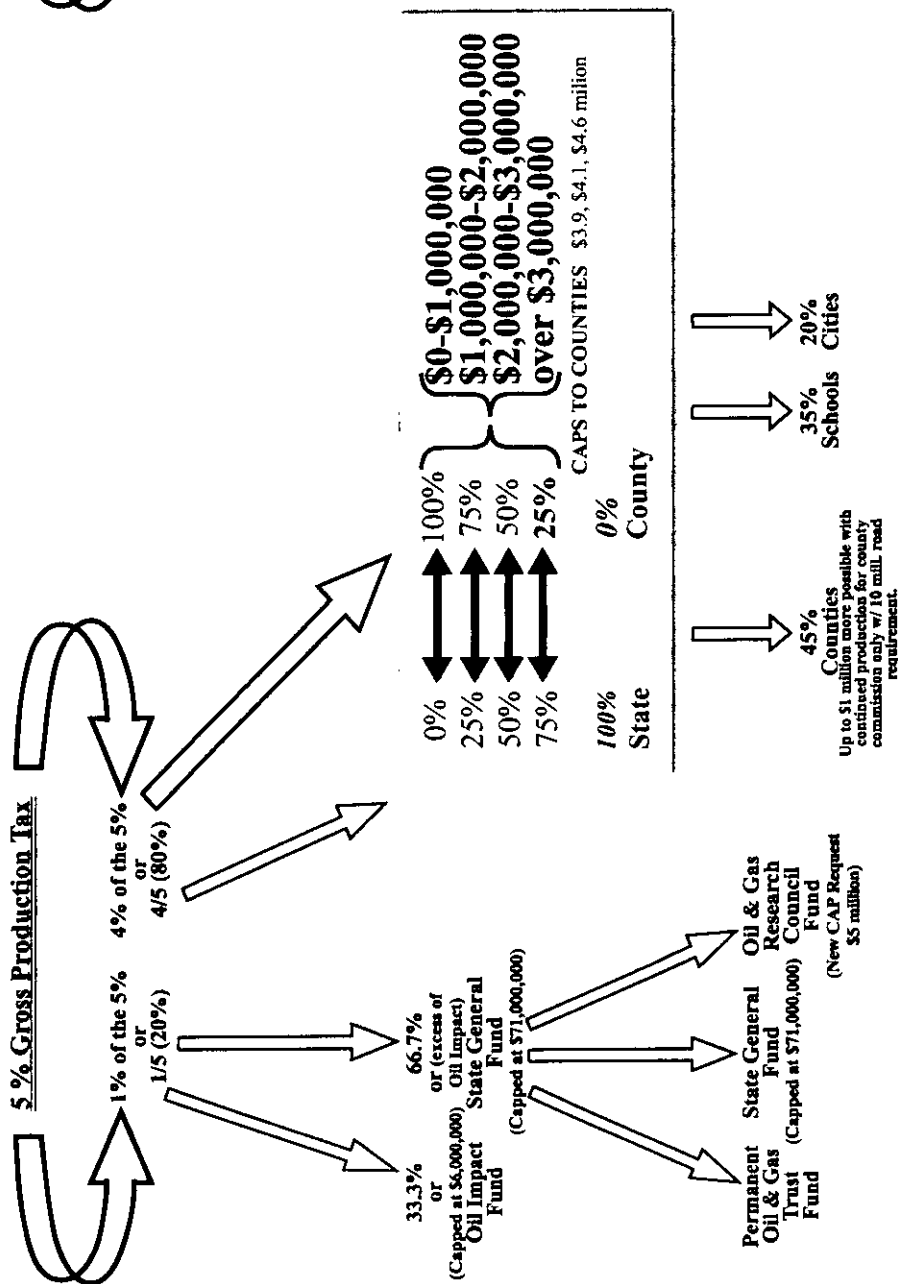
20% → Education Purposes (Capped at \$3,000,000)

20% → Oil & Gas Research Council Fund (Capped at \$71,000,000)

20% → Common School Trust Fund

20% → Foundation Aid

20% → Stabilization Fund



Caps adjusted for inflation-1983

\$7.8 \$8.2 \$9.2 million

*Answering
by Brochure*

#4

Honorable Chairman Dwight Wrangham & Members of the Political Subdivision Committee:

My name is David Hynek, I am Chairman of the Mountrail County Board of Commissioners. I have held this office since 1997. My testimony is in support of House Bill #1274.

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. This huge increase in production in such a short period of time presents a number of things, two of which are:

- 1) tremendous increase in tax revenues and
- 2) enormous impact on the infrastructure and the citizens of our county

The bulk of the taxes paid by the oil and gas industry from oil production in Mountrail County goes to the State of North Dakota. That is as it should be; in fact Mountrail County is pleased and more than willing to help with flood control and fresh water projects in the eastern part of our state as well as pipelines for water, crude oil and gas and other needs in western North Dakota and points in between.

We also strongly believe that the amount of the 5% gross production tax revenue going back to oil and gas producing counties should 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 too as well as promoting and insuring that the oil industries needs are met so they can make a profit, continue to explore, generate revenue and pay taxes.

Mountrail County currently receives a maximum of \$3,070,000 for county needs. We hit the cap in November of 2008. **We will not receive one more penny of gross production tax money until September of 2009 under current law.** Does the impact end when the tax money stops? No it does not. We currently have more than 700 oil wells producing in Mountrail County. Between 20 and 26 new wells are drilled and completed every month. About 6 new wells are permitted every week. Each new well averages about 800 semi-truck loads of equipment and material just to complete. After that those wells need to be serviced on a daily basis. We have 55 townships in our County. We have producing wells in 49. Three others have permits issued.

Specific impact areas include:

1. Roads – we ground up 9 miles of pavement this summer destroyed by the oil industry.
2. Contractor fees for road maintenance and repairs in 2008 - \$452,912.

3. Crushing gravel in 2008 - \$89,800.
4. Re-process pavement in 2008 - \$94,600.
5. Dust control in 2008 - \$58,360.
6. Road maintenance E.O.G. haul road in 2007-2009 - \$185,799
7. 4 additional full-time road employees plus equipment - \$221,200 annually.
8. 2 additional full-time staff in Courthouse at annual cost of \$77,456 annually.
9. 3 additional full-time staff and equipment for Sheriff's Department - \$257,556 annually.
10. Road budget went from 1,055,929 in 2007 to \$5,513,941 in 2009.

Current and future needs for road re-building and re-surfacing:

1. \$3,690,000 – Overlay 9 miles of ground up pavement – 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. \$184,000 – Dust control on an annual basis on 46 miles of county and township roads.
5. \$500,000 – Budgeted for 2009 Township Road Assistance will become an annual budget item if money is available.

The above numbers are a conservative estimate, as you can see the needs are great. To put this impact on a more personal basis to some of you, we have two major county parks in Mountrail County, Van Hook and Parshall Bay, both on Lake Sakakawea. We lease 214 lots to private citizens who put homes or campers on them in Van Hook. These people come from all over the State of North Dakota including our local cities and the of cities of Bismarck, Bottineau, Burlington, Dickinson, Drake, Drayton, Edinburg, Fargo, Granville, Harvey, Kenmare, Mandan, Max, Minot, St. John, Surrey, Velva, Washburn Minot, and Williston. We also have many out-of-stators including Iowa, Montana, Wyoming, Arizona, Washington and South Dakota.

The county roads to each of these parks are paved, 9.2 miles to Parshall Bay and 2.2 to Van Hook. The oil industry has moved into these areas. There are currently 3 wells producing along and serviced by the Van Hook road and the Parshall Bay road with more permitted to be drilled. These paved county roads will not tolerate the oil traffic, there is a very good chance they will be ground-up and turned to an aggregate surface in 2 years. Guess who will be getting the phone calls from angry people from all across the State of North Dakota when they have to drive gravel roads with their pickups, boats, RV's and campers?

We don't want all the tax money, we don't want large reserves. All we want in oil country is to be treated right. **Please remove the cap. It is the right thing to do.**

Respectfully,

David J. Hynek, Chairman
Mountrail County Commissioners
9148 59th St NW
Ross, ND 58776
(701) 755-3372

#5

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, Records 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

Killdeer Public School**Gary A. Wilz, Superintendent**Email – gary.wilz@sendit.nodak.edu

Phone – 701-764-5877

Transportation Concerns –

- School bus repair bill has nearly doubled since 2006 – 2007
- Bus chassis wear out at 140,000 – 160,000 miles, problems starting at 90,000 or sooner (see photos)
- Hiring drivers nearly impossible – a quote from a potential driver... “I am not sure if I want to be responsible for all those children, and I certainly don’t want the responsibility for driving them with all the oil traffic.”
- Bus driver reports of vehicular traffic NOT stopping when the bus is stopped with stop arm extended and flashers on has increased from 1 – 2 incidents per year to 1 – 2 incidents per month.
- Maintenance time at major repair facilities has doubled as we are being “trumped” by the oil industry. Two buses were returned to service from maintenance in Bismarck the week of January 12 – 16.
- Availability of Number 1 diesel
- Per mile costs have risen from \$1.03/mile in 2003 – 2004 to \$1.87/mile as of January 2009
- 240 out of 376 students are transported by bus.
- Total bus mileage per day will approximate 825 miles.
- Total route mileage in 2007 – 2008 was slightly less than 110,000 miles on eight routes.
- Killdeer replaces one bus per year, last year we purchased two new buses
- A new “yellow” bus costs over \$70,000.00
- Killdeer School would put 200,000+ miles on a bus if it were feasible on our road networks...county roads not feasible, highway routes - this is feasible.

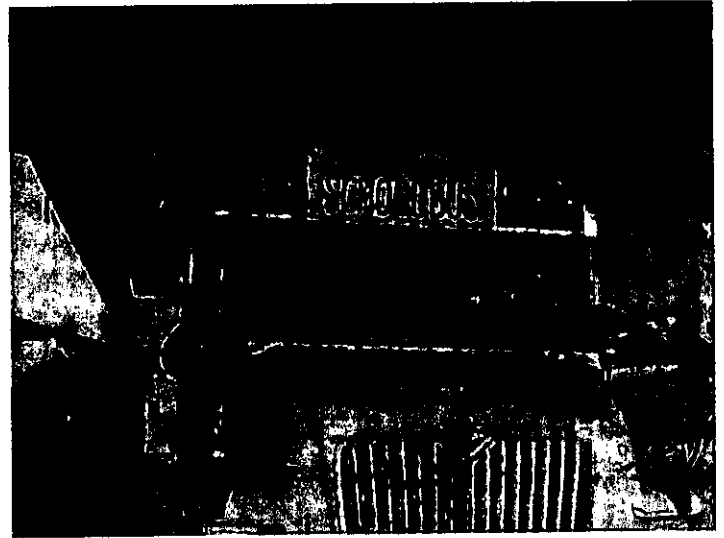
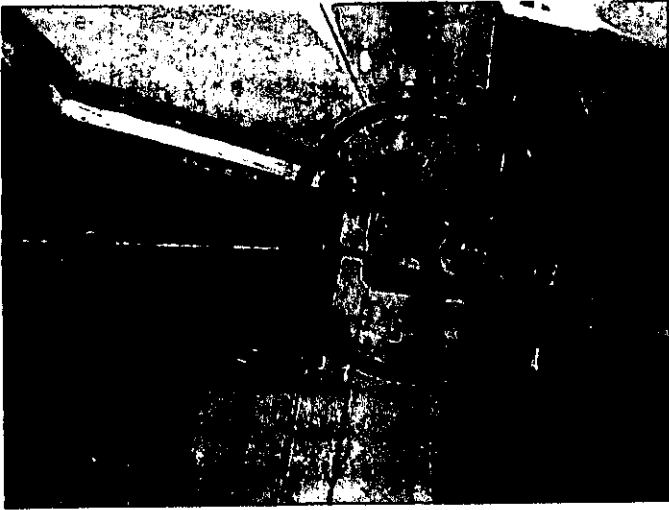
Additional Education Concerns –

- Special Education costs – transient families
- Open enrollments- Billings County, McKenzie County, Dodge, Halliday
- Impacts on class size – class sizes from 18 to 45 students – One teacher or two?
- Hiring impacts – advertised custodial position for 9 months, “people that are employable are employed”

Killdeer Public School Transportation Budget

Estimated and Spent Columns from 2005 - 2009

TRANSPORTATION 000-2700							
Obj #	Account Title	Estimated 05-06	Spent as of Jun 06	Estimated 06-07	Spent as of Jun 07	Estimated 07-08	Estimated 08-09
110	Salaries - Transportation Dir	\$3,375.00	\$3,374.00	\$3,475.00	\$3,474.97	\$3,475.00	\$3,474.97
120	Salaries - Bus Mechanic	\$14,000.00	\$15,167.00	\$15,000.00	\$16,399.61	\$16,000.00	\$21,202.81
121	Part Time Salary - Bus Driver	\$78,000.00	\$76,601.00	\$79,050.00	\$79,446.64	\$90,000.00	\$88,170.26
122	Sub Salary	\$3,600.00	\$5,128.00	\$5,000.00	\$3,720.24	\$5,000.00	\$5,027.42
210	Health Insurance	\$1,150.00	\$1,469.00	\$1,672.00	\$2,084.60	\$3,600.00	\$4,565.40
220	FICA	\$7,296.19	\$7,605.00	\$7,843.16	\$7,798.80	\$8,757.34	\$8,933.37
230	TFR & PERS	\$2,000.00	\$2,287.00	\$2,400.00	\$2,088.56	\$2,381.83	\$2,997.56
330	Other Professional Services					\$1,000.00	\$912.27
390	Physicals	\$2,500.00	\$2,274.00	\$2,500.00	\$328.00	\$2,000.00	\$1,338.25
431	2 Way Radio	\$1,200.00	\$631.00	\$1,000.00	\$460.72	\$1,000.00	\$0.00
432	Fire Exting. Service	\$175.00	\$144.00	\$175.00	\$230.85	\$250.00	\$171.10
519	Transportation - Family Type	\$4,000.00	\$3,683.00	\$4,000.00	\$3,895.04	\$4,900.00	\$5,537.40
520	Insurance	\$3,500.00	\$2,607.00	\$3,250.00	\$3,378.00	\$4,000.00	\$3,695.00
580	Travel	\$1,500.00	\$711.00	\$750.00	\$26.25	\$300.00	\$0.00
626	Gasoline	\$150.00	\$0.00	\$100.00	\$472.13	\$500.00	\$939.25
627	Diesel	\$50,000.00	\$56,626.00	\$70,000.00	\$54,161.10	\$70,000.00	\$62,100.48
671	Oil And Grease	\$2,000.00	\$740.00	\$2,000.00	\$878.90	\$1,400.00	\$519.45
672	Tires And Tubes	\$5,000.00	\$4,509.00	\$5,000.00	\$1,877.64	\$4,500.00	\$10,182.53
673	Repairs	\$16,000.00	\$20,608.00	\$22,000.00	\$39,105.94	\$30,000.00	\$39,572.59
732	Vehicle Replacement	\$90,000.00	\$83,040.00	\$47,000.00	\$47,605.00	\$48,350.00	\$115,000.00
TOTALS		\$285,446.19	\$287,204.00	\$272,215.16	\$267,432.89	\$297,414.16	\$307,690.11
							\$402,416.35



#7

To: Chairman Wrangham
Members of the Political Subdivision Committee

From: Christy L. Larsen
Dunn County Recorder/Clerk of Court

RE: HB1274

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 1274.

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 commissioner's 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 1274, 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.

Thank you Chairman & Committee Members.

I am Cliff Ferebee-Dunn Co. Commissioner.

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

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

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

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

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

Energy Development Impact Office: Statement of Goals

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

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

Bowman County Development Corporation



January 29, 2009

PO Box 1143
13-1/2 EAST DIVIDE
BOWMAN, ND 58623
701.523.5880
866.752.2691
FAX: 701.523.3322
bowcodev@ndsupernet.com
www.bowmand.com

Mr. Chairman and Committee Members:

My name is Ashley Alderson and I'm the Director of the Bowman County Development Corporation. I am here to testify on behalf of both the Development Corporation and the City of Bowman in support of HB 1274.

You have heard Bowman County and other oil producing counties present testimony explaining their needs for the oil and gas gross production tax cap removal, as the oil clearly impacts their roads, bridges and other infrastructure.

I also ask you to remember that the impact extends to our towns and cities as well.

The City of Bowman receives the maximum portion of the gross production tax available for our population. Those funds are a God-send as they struggle to provide essential services. This struggle extends from the exploration phase far into the production phase of oil development. For example, the city has to replace one major street being pounded by oil trucks. This 6 to 7 block construction cost will be at least \$1 million. The city also needs additional road enhancements on the outer limits of the city.

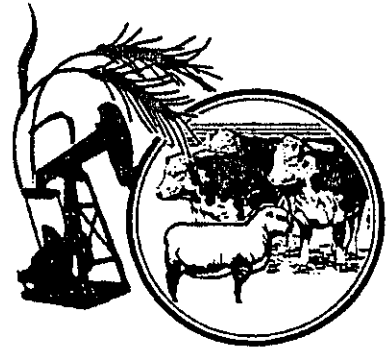
Each year since 2005, our city has reached the maximum funding allowed by this formula put into place in 1983, but with continued demands over the years, funding has become very tight. The city tax base is limited, and consequently the City Commission has taken the unpopular step to increase the general fund mill levy for 2009. I can tell you that our City Commission has taken lots of heat over this decision. (40% tax increase)

Bowman has maintained a stable population, thanks in most part to the oil production phase. With that in mind, we've seen a burden on our police department, equating to approximately \$98,000 annually along with burden on our ambulance services and fire department. We have a need for additional equipment, space to store the equipment and specialized training for employees.

One major problem I see in Economic Development is that our local businesses struggle to keep workforce, they cannot afford to pay the wages the oil field can pay. While we are fortunate to have jobs available in a difficult economic time, our city for example sees

Bowman • Gascoyne • Rhame • Scranton

Bowman County Development Corporation



the need to be competitive with salaries and benefits which equates to an additional \$100,000 annually.

We also have an issue with housing and housing infrastructure. The number of available housing units in Bowman can be counted on one hand and the city can not afford, nor does it want to take the risk of developing lots with water and sewer as some communities did in the 1980's.

The City and Development Corporation strive to enhance "quality of place" issues in order to encourage those families drawing oil-related salaries to make their home in Bowman. It is difficult to put a dollar amount on these projects, but striving to be a progressive community has it's price. We know other cities and towns that are in the beginning stages of oil development are just beginning to experience these needs, just as Bowman has over the years.

We support HB 1274, and hope that legislation will allow additional energy dollars to come back to the Bowman area, as well as to our neighbors in oil and gas producing counties.

Thank you for your time.

Respectfully submitted,

Ashley Alderson, Director
Bowman County Development Corporation

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#10

COUNTY OF BOWMAN
BOARD OF COUNTY COMMISSIONERS

104 First Street NW
Suite One

Bowman, ND 58623
Phone: 701-523-3130

◆.....◆

House Political Subdivisions Committee
Rep. Dwight Wrangham, 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.

◆.....◆
Kenneth Steiner, Chairman

Rick Braaten

Pine Abrahamson

Lynn Brackel

Bill Bowman

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 1274. 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

#10

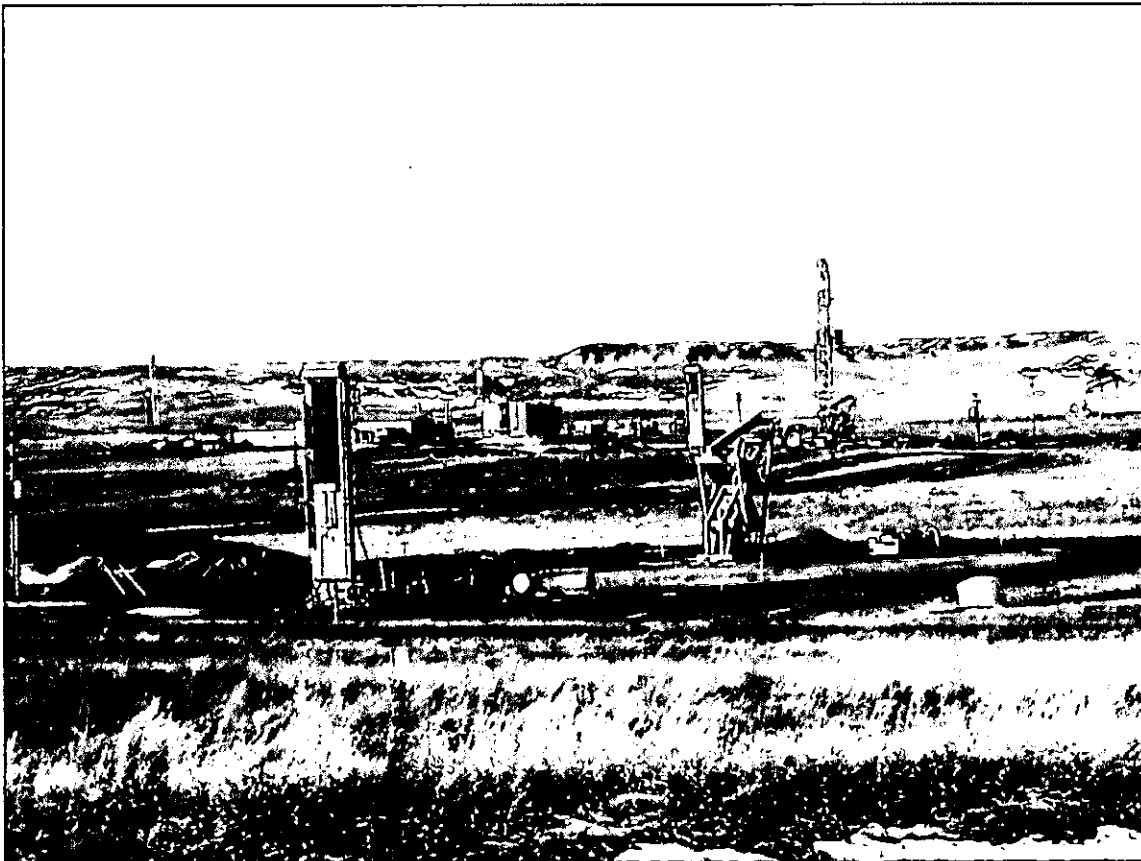
TESTIMONY FOR HOUSE BILL 1274

AMEND SECTION 57-51-15(2)

PREPARED FOR:

HOUSE POLITICAL SUBDIVISIONS COMMITTEE

REP. DWIGHT WRANGHAM, CHAIRMAN



PREPARED BY:

BOWMAN COUNTY COMMISSIONERS

OIL AND GAS IMPACTED COUNTY ROAD COST SURVEY

COUNTY ROAD INVENTORY

COUNTY
BOWMAN

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

MAINTENANCE COSTS and FREQUENCY

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

RECONSTRUCTION COSTS and FREQUENCY

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

NOTES (Enter item no. and comments below)

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

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

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

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

10 Ave. price for 2007

11 Average haul in Bowman County is 10 miles

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

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

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

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

18 Average per mile cost 2007

NON-IMPACTED COUNTY ROAD COST SURVEY

COUNTY
BOWMAN

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

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

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

NOTES (Enter item no. and comments below)

- 6 22 wide = 12,900 sy @ \$1.10 = \$14,000
- 7 15 days patching @ \$1600/day = \$24,000 and 100 ton cold mix @ \$80/ton = \$8,000 Total \$32,000/65 miles = \$500/mile
- 8 Blade cost of \$750/day - blade 12 miles/day = \$65/mile
- 9 50 ton per mile @ \$9.00 = \$450 - 2 Hr. blade @ \$75/Hr. = \$150 for Total of \$600/mile
- 10 Ave. price for 2007
- 11 Average haul in Bowman County is 10 miles
- 12 Recycle 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

Bowman County
Non-impacted verses Oil and Gas Impacted

Non-impacted Roads

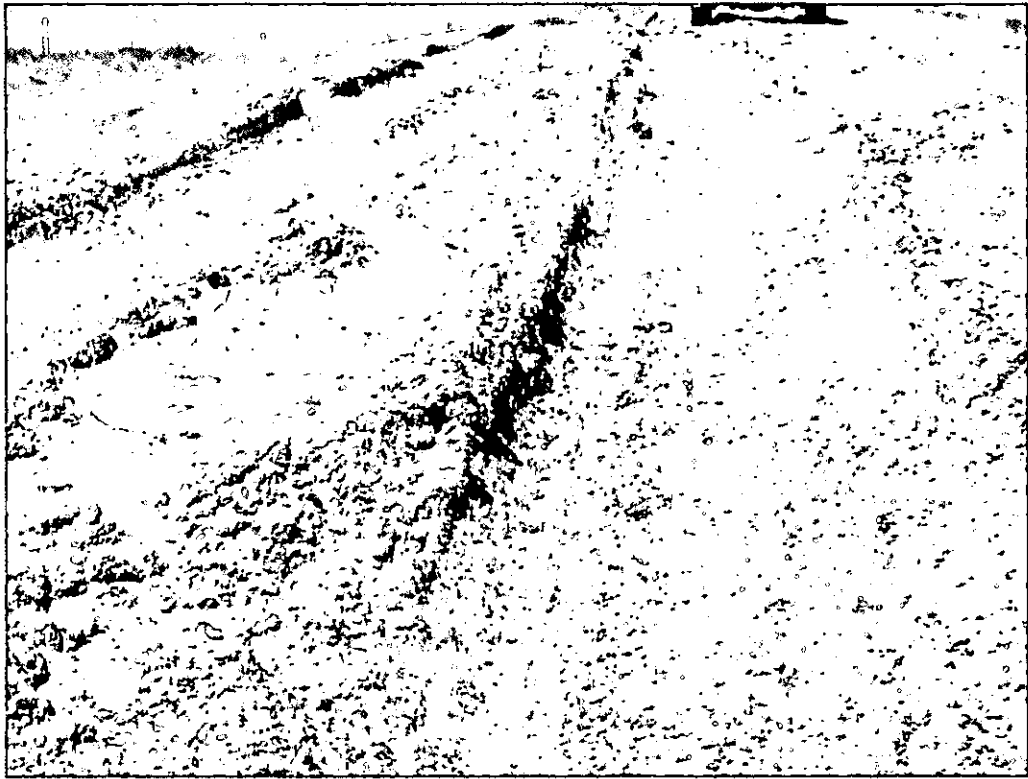
Item No.	Cost/mile	miles	Total
6	\$14,000	25	\$350,000
7	\$500	195	\$97,500
8	\$65	990	\$64,350
9	\$600	25	\$15,000
12	\$72,500	8	\$580,000
16	\$24,000	12	\$288,000

TOTAL			\$1,394,850
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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
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LOOP ROAD – SPRING



LOOP ROAD – SPRING



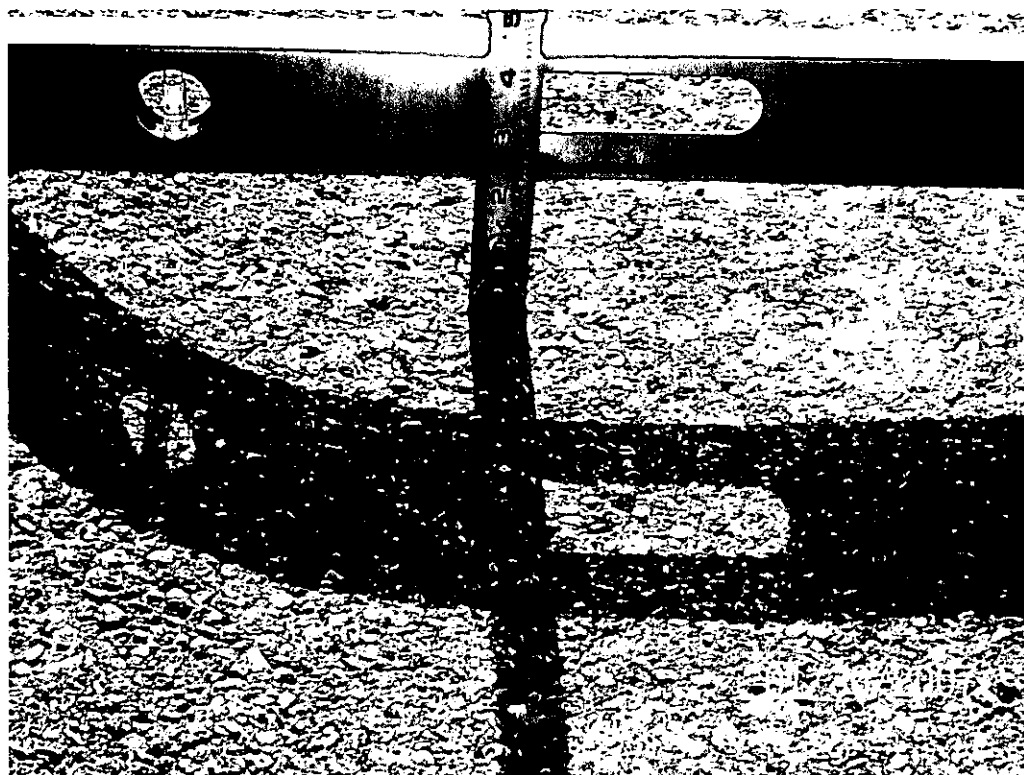
TOWNSHIP ROAD



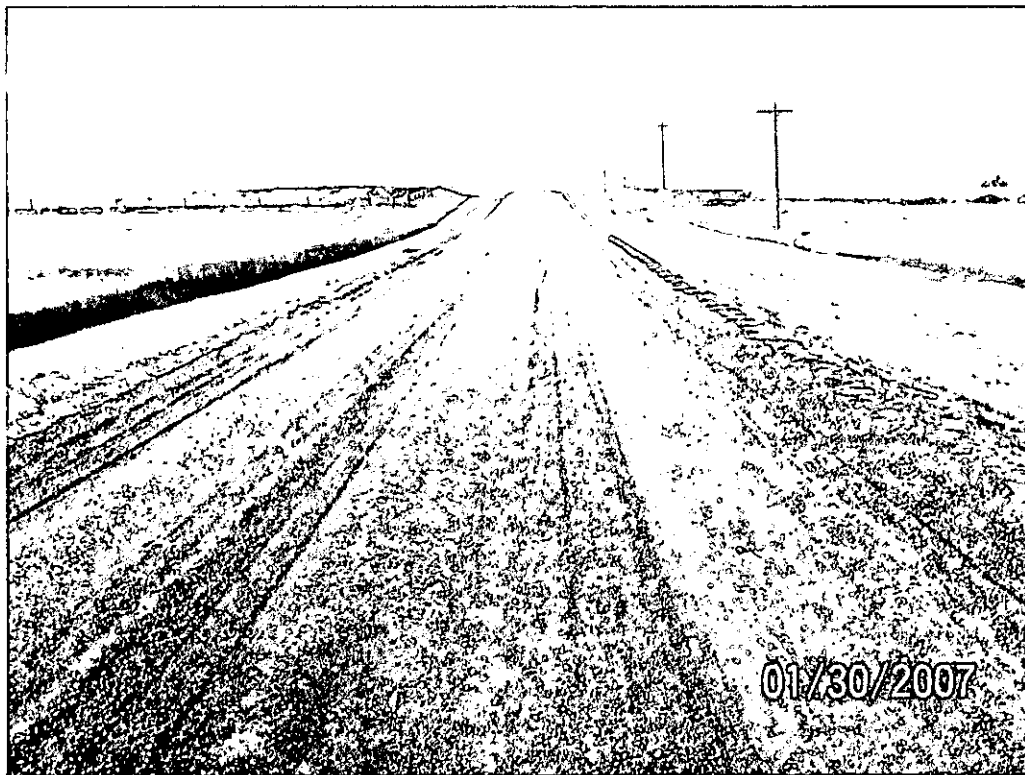
TOWNSHIP ROAD



RHAME ROAD



RHAME ROAD



GRIFFIN-RHAME CUT ACROSS



GRIFFIN-RHAME CUT ACROSS

