

2009 HOUSE FINANCE AND TAXATION

HB 1275

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HB 1275**

House Finance and Taxation Committee

☐ Check here for Conference Committee

Hearing Date: **January 27, 2009**

Recorder Job Number: 7939

Committee Clerk Signature	<i>Jan Furdella</i>
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Minutes:

Chairman Belter opened the hearing of HB 1275.

Representative Kenton Onstad, District 4, introduced the bill. The energy impact fund has a basic purpose. We recognize that there are impacts created in other areas. The increase in applications and the request for dollars shows that we need to raise the level. In the spring of 2008, there was \$29 million in requests to the fund. The year before, there was about a \$23 million request to the fund. As you know, we have set aside only \$3 million each year. The difference is simply not acceptable. I understand the benefit to the state but it should not be at the expense of the residents in western North Dakota in their roads and other impacts there. We can't forget about the impact it has to fire districts and rural ambulance districts. This is a different situation than it was in the '80s. It would take 6 months to deal with the location of one rig. Today, one rig will completely accomplish their mission in about 30 days. You can add 1000 truckloads to set up that rig and take it down in a particular area. The roads were never built to hand that kind of traffic. The impact is real and we have to take a look at the fact that the rig count is currently about 70 compared to the '80s, it would be like having 350 rigs. It's real, it moves fast, and it is aggressive. The oil companies have been pretty good neighbors. They have helped with road development, the sheriff's department; but they ask

the question about the tax they pay to the State of ND and where is the State's responsibility?

Part of that responsibility is here in this impact aid to come back to those townships. I hope you will look favorably to increase the level for roads and other services that are provided.

Representative Shirley Meyer, District 36, testified in favor of the bill. **(Attachment 1)**

Chairman Belter: When the Governor put \$20 million in here, did he change the formula at all?

Representative Meyer: He left the formula the same. If you remove the caps, it amounts to \$26 million a biennium. This bill does change the formula. Where it is 33.33%, my bill changes it to 70% of the first 1% of the gross production tax and caps it at \$40 million.

Chairman Belter: Does the Governor's proposal of \$20 million include the existing six?

Representative Meyer: It would be a \$14 million raise but it caps it at \$20 million.

Representative Drovdal: The grant money is not divided by counties, it is divided by need.

When the formula was first put in place I believe the cap was not on it. What year did the cap go into play?

Representative Meyer: I don't know. The Land Department has done a wonderful job of allocating these funds. I was just trying to make the point with the \$20 million. It would be wonderful if they had more money so that more money could be given to each county. Even if it is just divided equally among the counties, it's not enough money. With the impact grants we hopefully could put on some newer fire equipment or build a fire hall which would take a substantial amount of money and maybe one county would get all of it. A lot of it addressed toward your new developing counties. There is going to be another county that hits in the east and they are going to suffer the same things that Mountrail and Dunn have been suffering. If

we have big enough fund of dollars in this impact fund, it will address some of those development impacts—and they are substantial. It is hot, hard, cold and dirty work. The

number one thing is it's dangerous. We do not have ambulances and fire districts in place. We are volunteers and we are all 70 years old. It's creating a huge impact. If we can get enough money in impact funds, it will address these developing counties. There is impact after the developing fields are gone and there are producing fields.

Representative Weiler: As we sift through the different scenarios in bills regarding money to the oil producing counties, the Governor's budget raises the cap to \$20 million?

Representative Skarphol's bill removes the caps? Your bill keeps the caps on but raises it to \$40 million? Are you aware of any other bills out there? In the bills we just discussed the money comes in over the course of the biennium to the counties. What about the money that is needed now? These counties need it now to fix what's going on. They don't want to wait a year or two years to get the money.

Representative Meyer: Representative Drovdal has a bill. There is going to be a new granting round in 2009. The impact fund is awarded every year. It's only \$3 million, but it awarded each year. That is what this impact if designed to do. It is so important that we keep money in it. My bill is by far the best. Simply, you are addressing the level of money that you want in that impact fund. I went to the counties and asked them to give me an amount they could live with. It was interesting because they all said \$40 million. That's \$20 million a year. If you look at the map and divided equally, it just doesn't cover the roads. In Mountrail County they are taking paved roads back to gravel. This is a substantial setback.

Chairman Belter: You mentioned this could impact a county in the east.

Representative Meyer: When you watch the trend of the Bakken, it's moving east. Ward could be a big player here very shortly.

Vicky Steiner, executive director of the ND Association of Oil and Gas Producing

Counties, testified in favor of the bill. **(Attachment 2)**. She distributed testimony in support of the bill from others:

Ward Koeser, mayor of the City of Williston (Attachment 3)

Brad Bekkedahl, finance commissioner, City of Williston (Attachment 4)

John Kautzman, auditor, City of Williston (Attachment 5)

Ron Ness, president of the ND Petroleum Council, testified in favor of the bill **(Attachment 6)**

Roger Sorenson, chief, Stanley Volunteer Fire Department, testified in favor of the bill. **(Attachment 7)**

Wayne Johnson testified in favor of the bill. I just want to say a couple of things to shore up what has already been said. All of my life I have lived in the area. We're always asked to be on a committee to get something going. Most of that has been as a volunteer. The hospital board, the fire district, no matter what—it's all for no pay. We're asked to make sure the roads in my township or whatever facet I'm working for, is kept up. This last summer we had an oil well go in on a township road. The neighbors called and said that road is impassable. Trucks, even when it was raining, continued to drive it. The ruts got so big that a truck went in to the ditch. They pay loader came down from the well and pulled the truck up and didn't bother to smooth out the tracks. The daughter of the farmer came through and went in to the ditch and came after the township because we were liable. From a standpoint of liability, where do we stand? Can I, as a township officer, close that road? The answer was no, but we still maintain the liability. I went to our State Attorney and he said "yes" if you go through this process: Come to me with a letter recommending and I'll take that to the sheriff, he will determine if the road is impassable or dangerous and he'll post signs thus removing us from

liability. The fire district is also worried about liability. If we don't have the funds to maintain at least our liability, then the grass root entities dissolves because no one wants to maintain that liability themselves. The liability is created by an industry that we want to see and we all love, but has caused a problem. If we don't have the funds to maintain our liability, we will dissolve. No one wants to be on a committee that has no ammunition to at least keep themselves from becoming liable. That's the issue I wanted to cover.

Jeff Engleson, director, Energy Development and Impact Office, ND State Land Department, testified **Neutral** on HB 1275. **(Attachment 8)**

Representative Pinkerton: Are there load limits on roads in these counties?

Sorenson: There are. But the roads were not built even for those. There is so much traffic. These roads were built for like a 2-ton farm truck.

Representative Meyer: What tends to happen when weight restrictions go on, trucks divert to township roads. Those roads were never designed for these heavy trucks. There are limits but they are not enforced. You can away with it a lot easier.

Representative Pinkerton: If you are township officer and see these trucks digging ruts, it must be breaking the law. Is that being enforced at all?

Sorenson: They have to go. Even if it is muddy, they will chain up and go. They work 24 hours a day regardless of the weather. They might not be overloaded but when the road bed is soaked up and wet, they just cut the road up. The farmer doesn't haul when it's wet. He waits until it dries up a little bit because he has to use that road in the future. The oilfield has to keep going. They can't just stop every time it rains. This is a 24/7 operation.

Johnson: We lose the gravel and we have to maintain that gravel base otherwise we get in to the base of the road and destroy it. That's why we need the money.

Chairman Belter closed the hearing of HB 1275.

2009 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1275

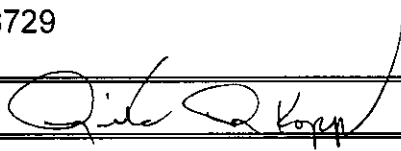
House Finance and Taxation Committee

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Hearing Date: February 4, 2009

Recorder Job Number: 8729

Committee Clerk Signature



Minutes:

Vice Chairman Drovdal: HB 1275 is Representative Meyer's bill to raise the impact grant money to \$40 million. I have a "do not pass" from Representative Grande and a second from Representative Brandenburg. Committee discussion?

Representative Weiler: We have already taken care of the impact grant fund so there is no reason for discussion.

Vice Chairman Drovdal: A voice roll call vote on a "do not pass" motion on HB 1275 resulted in 12 ayes, 1 nay, and 0 absent/not voting. Representative Drovdal will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/13/2009

Bill/Resolution No.: HB 1275

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

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

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

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

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

HB 1275 increases the percentage and the maximum amount of Oil and Gas Gross Production tax revenue that goes to the Impact Grant Fund from a maximum of \$6 million to \$40 million per biennium.

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

If enacted, HB 1275 is expected to increase impact grant fund revenues by \$34 million and decrease permanent oil tax trust fund revenues by \$34 million during the 2009-11 biennium. Since these impacts are both to "other funds" and cancel each other out, they are not shown above.

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

Date: 2/4/09

Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1275

House FINANCE AND TAXATION Committee

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Legislative Council Amendment Number _____

Action Taken ☐ Do Pass ☒ Do Not Pass ☐ Amended

Motion Made By Grande Seconded By Brandenburg

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

Total (Yes) 12 No 1

Absent 0

Floor Assignment Rep. Drovda

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

REPORT OF STANDING COMMITTEE

HB 1275: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (12 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB 1275 was placed on the Eleventh order on the calendar.

2009 TESTIMONY

HB 1275

Testimony 1
January 27, 2009

Testimony of Shirley Meyer

HB 1275

House Finance and Taxation Committee, Wes Belter Chairman

HB 1275 addresses the need for more impact grant dollars to cover the costs of the impacts associated with the explosion of activity in the oil and gas industry in the past few years.

The 5% oil and gas gross production tax is "in lieu of" property tax for the county. This means the counties may not tax the oil wells, equipment, or locations. NDSU did a study for the Association of Oil and Gas Producing Counties that shows in January 2008 the 16 oil and gas producing counties documented a range of increased costs of \$90.4 million a biennium. I have supplied a copy of this report for the committee.

The Energy Development Impact Office that awards grants to counties to cover impacts is funded by a portion of the 5% Oil and Gas Gross Production Tax. 6.67% of the total tax, not to exceed \$6.0 million a biennium is allocated to local subdivisions experiencing the negative impacts from oil activity. During fiscal year 2008, the EDIO made 265 grants totaling \$3.0 million to 241 local political subdivisions in western North Dakota. A total of 376 requests were received from 278 different subdivisions during 2008. The total amount of grants requested was \$29.1 million.

HB 1275 changes the formula to allow 70% of the first one percent of the gross value at the well of the oil and one-fifth of the tax on gas to

be allocated to the oil and gas impact grant fund up to a cap of \$40 million. Currently it is allocated at 33 1/3% and capped at 6 million a biennium.

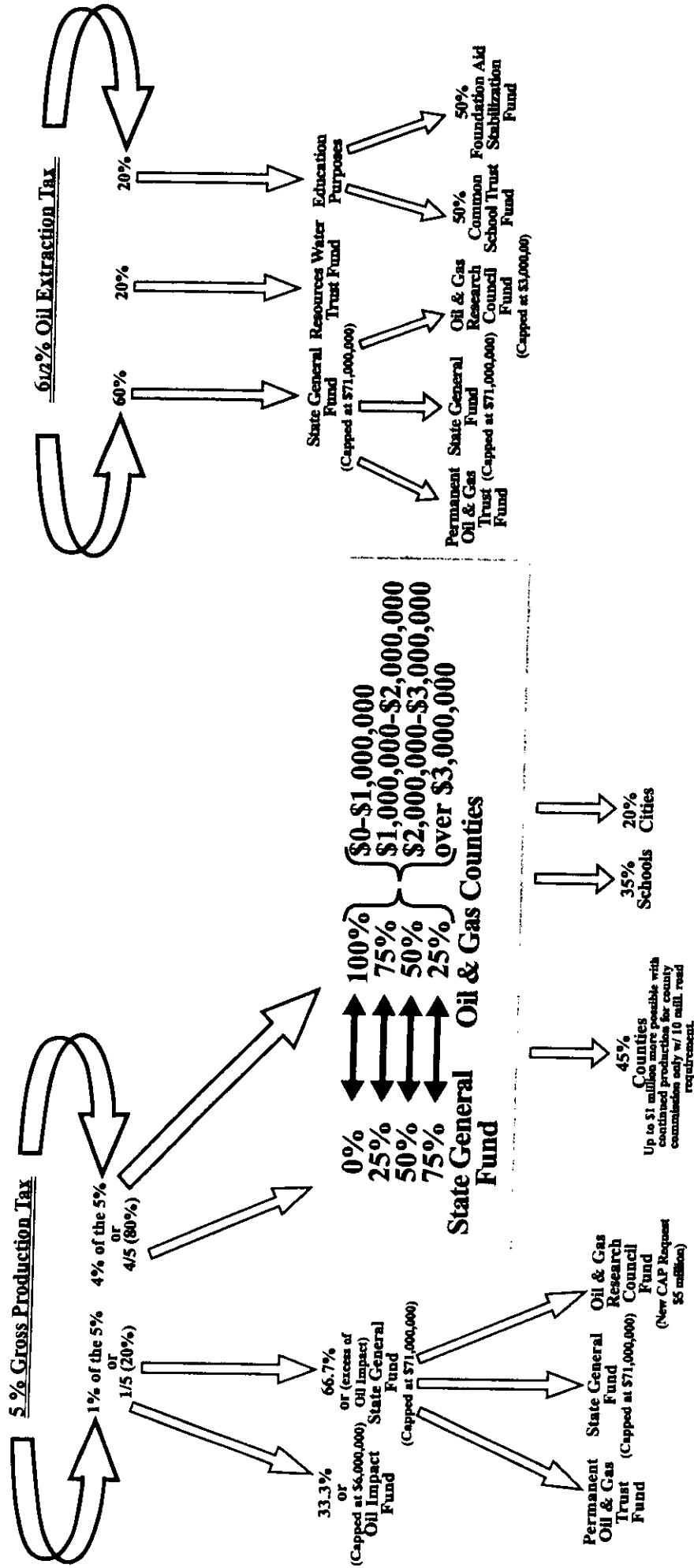
With the rapid rate of development in several of our counties, the need for increased funding is critical. Oftentimes these grants are awarded to fire protection and transportation-related projects; because these government services are directly impacted by the increased oil and gas activity in the state, but by and large, receive little or no funding from the taxes generated by that activity.

Weight restrictions on state and county roads often force oil trucks to drive on township roads that were never designed for heavy truck traffic. New development in the past two years has taken a heavy toll on township roads and county budgets.

Volunteer fire departments are responsible for protecting hundreds of workers and millions of dollars of equipment from fire, yet many of them are using equipment that is outdated.

Townships and fire departments do not receive any gross production tax revenues. The need for increased impact funding is necessary and essential to continue to provide services to the citizens of our oil and gas producing counties.

Please give your support to HB 1275



3.9 M	4.1 M	4.6 M - 1983
3,000 - 6,000	6,000 or Greater	
CAPS		
<i>Adjusted for Inflation</i>		
\$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.

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

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

Submitted by
Dean A. Bangsund
F. Larry Leistritz

July, 2008

Acknowledgments

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

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

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

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

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Introduction

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

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

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

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

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

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

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

Project Scope

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

Data Sources and Procedures

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

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

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

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

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

Results

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

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

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

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

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

Survey Response

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

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

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

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

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

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

^a Included janitorial, weed control, and job development.

Survey Results

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

^a Cost estimates do not include offsetting revenues. Increases in road costs were derived from the road cost questionnaires.

na—not applicable.

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

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

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

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

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

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

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

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

Cost Projections

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

General Offices

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

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

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

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

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

Road Departments

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

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

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

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

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

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

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

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

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

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

Maintenance Operations

- Asphalt Overlay (1.5 inch or less)
- Asphalt Chip Seal (labor, chips, oil)
- Asphalt Repair (cold mix, patching, crack sealing)
- Blading Gravel Roads (equipment, fuel, labor, repairs)
- Gravel Surface Repairs (spot graveling, 2 inch lift or less)

Reconstruction Operations

- Mine and Blend Rehab (milling, 0-2 inch asphalt, chip seal, loading, hauling, laying)
 - Asphalt Surface Treatment (3 inch or greater asphalt & chip seal, loading, hauling, laying)
 - Asphalt Overlay (milling, 2-3 inch overlay, loading, hauling, laying)
 - New Hot Bit Paving (3-5 inch new pavement)
 - Gravel Resurfacing (3-4 inch gravel, loading, hauling, laying, blading)
 - New Gravel Surfacing (4-6 inch gravel, loading, hauling, laying, blading)
 - Road Reconstruction (width improvement, preparation for surfacing, dirt work, culverts, erosion control, does not include surfacing)
-

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

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

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

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

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

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

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

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

na = not available.

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

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

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

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

^b Average for Bowman, Billings, Slope, and Stark Counties.

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

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

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

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

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

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

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

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

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

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

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

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

Summary of Cost Projections

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

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

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

Conclusions

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

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

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

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

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

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

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

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

APPENDIX

**General County Department Questionnaire and
Road/Highway Department Questionnaires**

Survey Goal

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

Survey Instructions

- (1) Please limit your assessment of the effects of oil and gas activity to the last 12 months. We are not concerned about effects that may have happened more than 1 year ago.
- (2) To the best of your ability, please consider all of your responses with respect to just the effects of increased activity in the petroleum industry. We recognize that the provision of public services and the costs to provide those services change over time, so again, try to only describe those changes that are a result of the additional business activity associated with oil and gas exploration and production in your county.
- (3) Please call Vicky Steiner (701-290-1339) if you have any questions.
- (4) Please complete the questionnaire by February 8, 2008.
- (5) Please return this form to your county Auditor's Office. The county auditor will collect the forms and mail them to NDSU for analysis.

Please fill in the following information.

County _____

Office or Department _____

Your name and Position _____

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

Yes

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

_____ added additional staff

_____ more hours for existing staff

_____ purchased more equipment

_____ outsourced some of the work load

_____ other measures (please specify _____)

No

Our office workload has not been affected by oil and gas activity.

Don't know

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

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

No Please skip to Question 4.

Don't Know

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

- ☐ increased wage rates for office personnel
- ☐ more hours for existing personnel
- ☐ hired additional part-time employees
- ☐ hired additional full-time employees
- ☐ had to incur increase in training and recruitment expenses due to higher than normal employee turnover or additional hiring
- ☐ purchase/lease/acquire additional equipment or upgrade existing equipment sooner than expected (please clarify _____)
- ☐ had to purchase more supplies and inputs than normal (e.g., fuel, electricity, paper, computer services, communications, etc.)
- ☐ costs went up because of an increased number of customers and/or servicing a larger population base and/or more applicants for our programs
- ☐ other reasons (please specify _____)
- ☐ don't know

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

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

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

Don't know

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

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

OIL AND GAS IMPACTED COUNTIES

COUNTY ROAD INVENTORY				TOTAL MILES		COUNTY
Item No.	Description	ASPHALT	GRAVEL	ASPHALT	GRAVEL	
1	COUNTY COLLECTORS (Federal Aid and others that serve as major collectors)					
2	MINOR COUNTY COLLECTORS (Most roads leading to the County and State Collectors)					
3	OTHER COUNTY ROADS (Secondary roads that are like township roads)					
MAINTENANCE COSTS and FREQUENCY						
		COST	FREQUENCY			MILES OF NEED NEXT 3 YEARS
5	ASPHALT OVERLAY (1-1/2" or less will be considered maintenance)	per mile	every years			
6	ASPHALT CHIP SEAL (Include oil, chips, equipment and labor to complete)	per mile	every years			
7	ASPHALT REPAIR (include cold mix, patching and crack sealing)	per mile	every years			
8	BLADING GRAVEL ROADS (Include equipment, labor, fuel and repairs)	per mile	per month			
9	GRAVEL SURFACING REPAIRS (spot graveling, 2" lift or less for maintenance)	per mile	every years			
10	GRAVEL CRUSHING (Include equipment, fuel, labor, testing and royalty)	per ton/CY	<Circle ton or CY			
11	GRAVEL HAULING AND LAYING (Based on average haul miles in County) (Include loading, hauling, laying and all other costs)	per ton/CY	<Circle ton or CY			
RECONSTRUCTION COSTS and FREQUENCY						
		COST	FREQUENCY			MILES OF NEED NEXT 3 YEARS
12	MINE AND BLEND REHAB. (Includes Milling, 0" to 2" Graveling, and Chip Seal)	per mile	every years			
13	ASPHALT SURFACE TREATMENT (Includes 3" or Thicker Graveling and Chip Seal)	per mile	every years			
14	ASPHALT OVERLAY (Includes milling and 2" to 3" overlay)	per mile	every years			
15	NEW HOT BIT. PAVING (Includes 3" to 5" for new pavement){ Specify thickness in notes)	per mile	every years			
16	GRAVEL RESURFACING (3" to 4"){Based on average haul miles in County) (Include loading, hauling, laying and all other costs)	per mile	every years			
17	NEW GRAVEL SURFACING (4" to 6" -Specify){Based on average haul miles in County)	per mile	every years			
18	ROAD RECONSTRUCTION(Needed to improve safety/widening to accommodate surfacing) (Cost for Dirt Work, Culverts, Erosion Control, etc., do not include surfacing)	per mile				

COUNTY ROAD INVENTORY

COUNTY

TOTAL MILES	
PHALT GRAVEL	

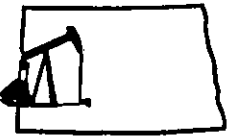
- 1 COUNTY COLLECTORS (Federal Aid and others that serve as major collectors)
- 2 MINOR COUNTY COLLECTORS (Most roads leading to the County and State Collectors)
- 3 OTHER COUNTY ROADS (Secondary roads that are like township roads)

MAINTENANCE COSTS and FREQUENCY

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

RECONSTRUCTION COSTS and FREQUENCY

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



North Dakota Association of Oil & Gas Producing Counties

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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

Ardean Kveum
Bottineau County

Supt. Steve Cascaden
Parshall PSD

Reinhard Hauck
Secretary/Treasurer
Manning

HB 1275

In support of additional oil impact funds

House Finance and Taxation Committee

Vicky Steiner

Executive Director

ND Association of Oil and Gas Producing Counties

January 27, 2009

Mr. Chairman and Members of House Finance and Taxation Committee,

My name is Vicky Steiner. I am the Executive Director for the North Dakota Association of Oil and Gas Producing Counties.

This Association supports HB 1275. This bill would bring needed impact dollars to the oil exploration counties prior to the flow of 5% production tax dollars to the county. We previously supported another bill, HB 1225 at a hearing on January 9 in front of this committee. Both these House bills address additional funding of energy impact which we continue to support. The study we have to document our impacts is attached to your testimony on HB 1225.

Thank you and I am happy to answer questions.

Vicky Steiner

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

Bill No. HB1275
Hearing Committee: H-FINTAX
Date: January 27, 2009

Honorable Chairman Belter and Committee Members,

My name is Ward Koeser, Mayor of the City of Williston, and I stand before you once more today to ask you to support HB1275, a bill to remove the caps on the Oil Impact Grant fund and place significant financial resources at the disposal of our local governmental units dealing with current infrastructure development issues.

In Williston, this most recent boom cycle in the oil industry has been a welcomed event to our citizens. But it has re-ignited concerns about past cycles of growth and debt burden to support the growth and development. We never could have survived financially through the events of the last cycle without the assistance of the Oil Impact Grant fund. While it was not enough to insulate us from the debt burden accumulated in trying to keep pace with the industry growth and demands, it was critical to our continued existence as a city.

We now stand in the position of needing to respond again to these demands for growth of this industry. We have exhausted our stock of developed residential, commercial, and industrial properties in the last five years, and have seen enormous development of property on the periphery of the city as well. In order to continue to address industry and worker concerns, we have significant infrastructure development issues again before us. By taking the caps off the Oil Impact Grant fund, we would at least have the ability to present our case for the assistance necessary to support the developments for the industry, which so critically supports the entire State revenue stream at this time.

One example I can cite at this time is the need for a new water transmission upgrade and storage facility to support city and rural growth west of Williston. This infrastructure that is needed to support already developed properties and future needed property development is estimated to be almost \$10 million. Our city has already expended \$30 million in water treatment plant and main transmission line improvements over the last six years, and we cannot afford to further burden our residents with water rate increases to support this new demand. Most of the cost of our current debt for water systems has been to support expanded water needs for this industry already. I hope this shows the needs in our region for increased funding to the Impact Grant program. Others here will speak to the issues of roads development and maintenance, issues we deal with as well.

I appreciate the opportunity to bring information to you on this critical issue, and ask you to support a "Do Pass" recommendation for HB 1275. Thank you for your attention to my testimony, and I would be happy to answer any questions at this time.

Bill No: HB1275

Hearing: House Finance and Tax Committee

Date: January 27, 2009

Honorable Chairman Belter and Committee Members,

I wish to express first my appreciation to the Chairman and Committee for reviewing this bill, and also my appreciation for allowing my written testimony to be submitted.

House bill number 1275 is an important piece of legislation, not only for the public in the seventeen Oil and Gas Producing Counties, but for the State of North Dakota as a whole. We have seen first hand the volatility of this industry and the violent cycles it can rapidly undergo by the WTC price of oil in the year 2008 having a high price of \$147.00 and a low price of \$33.00. Fortunately, we still have a viable industry working to develop this resource for the benefit of our Nation, State, and residents. But we have seen in the past how that can change as well, as this industry is very sensitive to price, regulation, taxation, and ultimately its return on investment. I don't think any of us in private business would feel any different on these issues.

I think you will hear other testimony today about the historical level of impact requests, the type of impacts requests submitted and the amount of requests granted on a year to year basis. This history is important to understanding that the level of funding available has never been enough to cover the impacts seen locally by this development, as well as the impacts left by the industries' absence when the economics to development are removed. This is the nature of our boom and bust cycles, and we have seen several before the initiation of this current cycle.

I think there are three things to seriously consider relative to the philosophy of this legislation:

First, the 1953 ND Legislative Session removed the ability of the Counties producing oil and gas to levy property tax on the industry to pay for the required infrastructure development that is necessary to produce the natural resource. With this Legislation, the state also agreed to pay the Counties a "tax in lieu of" payment from a State levied 5 % Gross Production Tax to compensate for the loss of local tax revenue to provide the infrastructure required by the industry and to pay for the negative impacts of its development. I would submit here that the amount of funding to the Counties has never been sufficient to fully cover the expenses of this industry's impacts. A large proportion of those impacts have been a burden to the local taxpayers, and the state has been the major beneficiary of the revenue stream with no direct responsibility to the local impact burdens. By the State Legislature removing the ability for the impacted Counties to tax the development, it is my belief that they also assumed the entire financial burden for its impacts.

Second, it is important to note that of the six programs funded from the 5% Gross Production Tax, three are state-wide funded programs, two are programs to fund the impacts to the local producing Counties, and one is a program to benefit industry research to promote development of the resource. The three state-wide funding programs are the State Water Resources Trust Fund, the Common Schools Trust Fund, and the State Aid Stabilization Fund. These programs have never had caps in place to limit the amount of revenue they collect. Their revenues continue to increase with the income stream to the State from the tax. The two programs to pay the Counties, the "tax in lieu of" payments and the impact fund, have had a cap imposed upon them, so that even though the impacts increase with development pressures, the amount of money the Counties receive has a maximum limit. Please remember that our impacts do not

"cap" appropriately as the revenue does. The burden of cost at that point has always and still does pass directly to our local tax base, not the State of North Dakota. It is important to note that the State of North Dakota does not impose any caps on their revenue from the industry, but the State does place caps on the revenue to the impacted counties.

Third, this industry is very cyclical by nature, and is prone to rapid expansion and rapid downturns. The expansion phases require reaction by our Counties, local communities, and school districts to cope with the influx of workers, families, and equipment. The impacts to our road systems are enormous and costly. Mountrail County recently destroyed a paved road worth over \$8 million to return it to gravel, as the industry had damaged the road to the point where Mountrail County did not have the funds to repair and rebuild to the standards necessary to take the impacts of this industry. They have now lost an improved surface road that was adequate for its farm to market loads due to lack of impact funding. This is just one example, small in that it is one of many, but large to the residents of Mountrail County. Accordingly, the impacts that remain from attempting to develop local infrastructure to house the workforce necessary during these expansion cycles have become the burden of the local taxpayers as well. The City of Williston, after the last boom/bust cycle of the late 1970's and the early 1980's, was left with a special assessment cost to land development of almost \$30 million. While we did receive some Energy Impact Grants to help pay for this debt, the majority of the debt burden fell to our local taxpayers, at one point amounting to almost 40% of our annual city budget expenditures. The local citizens passed a 1% city sales tax to pay this debt, again paying the cost of development with local revenue. While it could be said that the local elected officials should have never allowed the special assessment burden to grow that large, there was also tremendous pressure from the State of North Dakota to provide the infrastructure to not hinder the development of the resource, and the revenue stream it provided to the State.

I bring these three issues to your attention to promote the fact that it would be most appropriate to remove the caps on impact funding completely. I acknowledge that there will be times of high production and high prices where some counties receive a large amount of revenue with the caps removed, but this provides a fair source of funds for the immediate impacts, as well as the ability to reserve some funds to deal with the ongoing impacts of production after the development phase of the drilling and the negative impacts left after any "bust" cycle developments.

I did not mean to be this lengthy in my testimony, but felt that what I have conveyed here from a local and state perspective is important for your consideration and deliberations. As Past President of the ND Association of Oil and Gas Producing Counties and Finance Commissioner for the City of Williston, I welcome this initiative to provide more assistance. I support House Bill 1275, and request the Committee also support a **DO PASS** recommendation to the bill for its further consideration. This issue of revenue distribution is a laborious and difficult task that is placed before you. I appreciate your consideration of my testimony and would answer any questions you may have at this time.

Brad Bekkedahl

Brad Bekkedahl

Williston City Finance Commissioner

Past President, ND Association of Oil and Gas Producing Counties

drbekk@wil.midco.net

701-570-1879

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Bill 1275

House Finance and Tax

Dear Committee Members;

I John Kautzman Williston Auditor stand in front of you asking that you support HB 1275 which significantly increases funding to the Oil Impact Fund. I hope you will support this bill that in its original form asks for an increase to 70% of revenues to the oil and gas impact fund and a cap of 40 million. This increase will benefit all that are faced with oil demands exceeding current revenue streams. It would still provide the funding through the oil impact fund which requires all to present and defend their requests. This allows the energy impact director some ability to move funds to areas that may prove a greater impact need than others in oil country.

I would be happy to answer any questions you may have of me.

John Kautzman

Williston Auditor



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

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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. 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.

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 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. 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.



STANLEY VOLUNTEER FIRE DEPARTMENT

Box 851

Stanley, North Dakota 58784



To: Mountrail County Developers and Businesses,

This memo is to provide your business or company information concerning an equipment expansion being undertaken by the Stanley Rural Fire District. By making you aware of this project we hope to gain your financial support in this endeavor. We are looking for pledges from area business and residents to support these projects. We hope that you feel this equipment expansion will provide a service to you as well as this community in which you now play an active role.

With the recent increase in business and population, the Rural District feels there is a need for the purchase of two fire protection pumper units: 1) a rural high/low pressure pumper truck, and 2) expand its pumping capacity with a shared structure pumper unit with the City of Stanley.

The Rural Fire District first priority is its responsibility to the properties of the rural district. The Rural District intention is to replace a 1976 pumper unit with a comparable type pumper unit. The Rural Department is intending to replace this unit with a high/low pressure pumping system. This pumping system would provide a minimum 750 GPM structure fire capacity for rural structure and industrial type fires as well as pump and roll capability for rangeland fires. The rural boards first priority is its responsibility to the properties in the rural fire district. The intention is to also provide a foam pumping capacity with this unit. The rural board also feels this unit would be used closely with the department rescue unit for rescue calls within the district and surrounding mutual aid areas.

With allowable funding, the Rural Fire District intends to expand the rural fire fighting capability with the purchase of a 2nd structure pumper with 1000-1250 GPM capacity. This pumper unit would be purchased with a cooperative agreement with the Stanley City Fire Department. The city department is reviewing its need to replace a 1972, 750 GPM pumper unit and increase its pumping capacity to protect the expanding community. While the rural feels it also needs to increase its rural fire fighting capacity as the oil expansion increase the fire exposure in the rural area. This pumper would serve as a mutual unit used for structure/equipment fire in the rural area and the city of Stanley.

The City of Stanley and the Stanley Rural Fire District are separate entities. The rural fire district is funded through a mil assessment. The rural annual budget is approximately \$22,000 per year. Both entities are served by the Stanley volunteer firemen consisting of 25 firefighters. During the past two years this department has volunteered an average of 754 hours for training each year including hazmat and chemical hazards training and 841 hours for fire calls. In 2009 the Stanley Volunteer Fire Department will celebrate its 100 year Centennial.

As stated, with this letter we hope to make you aware of the department's expansions intentions and gain your financial support. We would encourage you to contact a member of the Rural Board or the Volunteer officers to discuss, in person or by phone, these projects. We would also welcome you to visit in person the Stanley Fire Department to view the facility and the existing equipment, and to learn more about our service to your business and the community.

We will be attempting to contact all the area business, companies, community organizations, and area individuals with an invitation to learn more about our department and assist in this expansion. If you have any questions, or would like to review this information, please contact one of the individuals listed below.

Sincerely,

Roger Sorenson
Rural District Fire Chief
701-629-1012

Brian Hollinger
Rural Secretary/Treasurer
701-629-0285

David Leith
Stanley Fire Depart. Chief
701-628-3187

Both the Rural Fire District and the Stanley City Fire Department requested additional funding through the North Dakota State Land Department oil impact grant program for these expansion purchases. An award of \$25,000 and \$10,000 was received leaving both projects significantly short of the need assistance to complete the purchases.

The following is an outline of the information which was submitted concerning the purchase of the **Rural Pumper Unit:**

The Stanley Rural Fire District is requesting financial assistance in the purchase of a pumper truck. This unit will be used to serve the 653 square miles of the Fire District. This unit will replace the existing 1976 high pressure rural unit. The following are the approximate cost estimates for the completion of the pumper and equipment:

F650 2 Ton Pumper Unit	\$116,000
Truck apparatus and pump system	120,000
1" Hose & reel	2,800
1¾ " 200 feet	480
2- 1½" Nozzles	300
Foam induction system	4,000
Digital High Band Radio	<u>2,300</u>
	\$245,880

The Rural District feels there is a need for this improvement at this time. Two primary justifications for the purchase at this time are: 1) the age of the existing unit and 2) the increased activity in the community with the rapidly expanding oil industry.

The primary calls for the Stanley Volunteer Fire Department are grass/brush fires and cropland fires. This unit is the first unit to respond to these fires and has seen an extensive amount of use over its 30 plus years of service. It also responds to all other rural calls as it has the pumping capacity to be used for structure fires. It appears that the existing motor may need to be overhauled or replaced. The high pressure pump system is not functioning and is being inspected to see if repair is cost feasible. The auxiliary pump is in working condition but the tank & pump plumbing will need repair.

The department also feels there may be an increase in the number of calls due to the increase in oil activity in the County. Because of the rapid growth in the Bakken Oil Field, the Stanley rural fire district has a tremendous amount of traffic and activity. The Stanley rural fire district consists of 653 square miles which is over 1/3 of the county. The fire district includes approximately 30 miles the BNSF rail line, 30 miles of US Highway #2 and 28 miles of ND State Highway #8. Also, the Enbridge pipeline and pumping station is located within the rural fire district. The rural fire district along with the volunteer department feel with the number of active drilling rigs, oil well sites, and the traffic traveling within this fire district, that this truck is needed to provide the necessary fire protection.

Testimony for HB 1275

**Stanley Rural Fire Department – consists 653 square miles, 2nd largest in state.
25 volunteer firemen service the district.**

Highways 2 & 8, Burlington Northern Railroad run through it.

City & Rural departments own their own equipment, except for the Rescue truck.

Our district has been dramatically impacted by the oil industry this past year & will be effected for many years to come.

The following are some of the examples of increased responsibility to our district.

- **100's of wells drilled already, with a potential of a well in each section in the next 2-3 years.**
- **100's of tanker trucks serving the wells, several truck roll-overs.**
- **100's of miles of pipeline being laid**
- **100's of miles of new transmission line being erected, 2 fire calls directly from this.**
- **2 gas plants in operation, with 1 started construction.**
- **Salt water disposal site with more proposed this year. Tioga district battled 2 fires at the site next to our district line.**
- **110 car crude oil load out facility planned 1 mile from city limits.**
- **The population in our district has doubled.**
- **305 man camp to be built.**
- **RV trailer parks full of campers.**
- **Hwy 2 & 8 intersection increase accidents, 400% increase in traffic.**
- **Enbridge tank farm just outside city limits, with a new one being built.**
- **Flood of trucks fueling & parking at local Cenex station, potential for disaster.**
- **Swaco mud plant to be built.**
- **Seismic crews working through out the district.**
- **Several new businesses in Stanley.**
- **Expanded temporary housing & trailer courts.**
- **138% increase in sales at local Cenex with 2 million gallon increase in diesel sales.**

We felt that our ability to handle all this increased risk was critically out dated. So we along with the City department decided to do a fund drive to raise money to replace a 1976 Rural Pumper & a 1972 City Pumper with 2 new Pumper units with increased pumping & water carrying capacities, along with foam capabilities each costing about \$260,000.00. We sent 97 letters out to oil companies & oil related companies for support & received a total of \$8800.00 so far. No oil producing company donated to the project, their indication was that they felt they were doing their share, by paying the oil production tax.

Financially our district receives \$22,000.00 in property tax funds & \$7281.00 from insurance premium distribution. We were awarded a \$10,000.00 Energy Impact grant toward a new truck.

In 2008 we had a net operating loss of \$11,683.00. We are currently paying off a \$10,000.00 loan at our local bank.

Pass out maps of Fire District & fund raising letter.

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

NEUTRAL ON HOUSE BILL NO. 1275

House Finance and Taxation Committee
January 27, 2009

PURPOSE

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

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

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

CURRENT PROGRAM

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

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

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

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

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

HISTORIC INFORMATION

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

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

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

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

Although the EDIO takes a neutral position on the proposed changes to NDCC 57-51-15(1) included in HB 1275, I would like to make a few of comments about this bill and how the proposed changes could impact the way that the EDIO oil impact grant program is administered:

- The amount of funding needed for this program is directly related to the amount of gross production taxes that flow to counties, cities and schools under NDCC 57-51-15(2). If the legislature provides more funding directly to these political subdivisions under NDCC 57-51-15(2), then there would be less need for grants for these entities from the oil impact grant fund. It is clear to me, as the EDIO Director, that there is a serious need for additional funding to address the impacts of oil and gas development in the state. The questions are, how much funding is needed and how will those funds go back to those areas that need them? .
- The EDIO has historically focused on "filling in the gaps" for those entities that receive no funding or inadequate funding under the gross production tax distribution formula. Raising the amount of funds available to \$40 million per biennium would change the nature of the program and would make the EDIO an integral part of financing transportation infrastructure in western North Dakota.

- The current budget for the EDIO is \$6.0 million per biennium. Of that amount, \$5,888,100 is used to provide grants to political subdivisions and \$111,900 is used to administer the program. At the present time, the Land Department dedicates about 25% of one FTE to perform the functions of the EDIO, although the actual time involved in administering the program is probably somewhat more than currently allocated. If the dollar amount allocated to this program increases substantially, there would be a need for at least one full-time FTE and additional operating funds to administer the program. The Land Departments budget bill (SB 2013), addresses this need by adding one FTE to the Land Department and an additional \$110,341 in expenses to administer the oil impact grant program. However, if the amount of grants provided under this program increases to \$40 million, \$222,241 in total operating costs will not be adequate to fund the operations of this program.

With those explanations, I would be happy to answer any questions you may have.

ENERGY DEVELOPMENT IMPACT OFFICE
Grant Requests/Awards By Political Subdivision and County
1999-01 Biennium Through Fiscal Year 2008
(all dollar amounts shown are in millions)

Breakdown By Political Subdivision Class

Class	1999-01 Biennium		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		Fiscal Year 2008	
	Requested	Awarded %	Requested	Awarded %	Requested	Awarded %	Requested	Awarded %	Requested	Awarded %
County	\$ 8,412	\$ 2,063 42.1%	\$ 8,929	\$ 1,978 39.0%	\$ 9,092	\$ 1,388 28.3%	\$ 44,353	\$ 1,191 24.0%	\$ 10,573	\$ 0,540 18.0%
School	1,317	0.248 5.1%	2,164	0.352 6.9%	3,394	0.376 7.7%	3,499	0.255 5.1%	0,902	0.093 3.1%
City	7,813	0.891 18.2%	7,942	0.868 17.1%	12,018	0.850 17.3%	12,508	0.674 13.6%	9,823	0.497 16.6%
Park District	0,120	0.003 0.1%	0,077	0.0% 0.0%	0,244	0.0% 0.0%	0,351	0.0% 0.0%	0,193	0.0% 0.0%
Airport Auth.	0,733	0.046 0.9%	0,249	0.029 0.6%	0,502	0.038 0.8%	0,337	0.042 0.8%	0,138	0.005 0.2%
Township	2,577	1,217 24.8%	2,559	1,271 25.0%	3,652	1,503 30.7%	8,117	2,239 45.0%	5,654	1,492 49.7%
Fire District	1,777	0.432 8.8%	2,141	0.577 11.4%	2,804	0.745 15.2%	3,616	0.570 11.5%	1,856	0.373 12.4%
TOTAL	\$ 22,749	\$ 4,900 100%	\$ 24,061	\$ 5,075 100%	\$ 31,706	\$ 4,900 100%	\$ 72,781	\$ 4,971 100%	\$ 29,139	\$ 3,000 100%

Breakdown By County

County	1999-01 Biennium		2001-03 Biennium		2003-05 Biennium		2005-07 Biennium		Fiscal Year 2008	
	Requested	Awarded %	Requested	Awarded %	Requested	Awarded %	Requested	Awarded %	Requested	Awarded %
Billings	\$ 1,404	\$ 0,030 0.6%	\$ -	0.0% 0.0%	\$ 0,081	\$ 0,005 0.1%	\$ 0,073	\$ 0,005 0.1%	\$ 0,007	\$ - 0.0%
Bottineau	0,891	0.399 8.1%	1,741	0.433 8.5%	1,365	0.491 10.0%	1,481	0.415 8.3%	0,838	0.164 5.5%
Bowman	5,759	1,000 20.4%	6,125	1,056 20.8%	7,004	0,610 12.4%	8,710	0,390 7.8%	5,012	0,133 4.4%
Burke	0,744	0.366 7.5%	0,837	0.396 7.8%	0,932	0.400 8.2%	1,683	0.493 9.9%	0,924	0.203 6.8%
Divide	0,586	0.306 6.2%	0,507	0.250 4.9%	0,610	0.296 6.0%	1,630	0.505 10.1%	3,259	0,228 7.6%
Dunn	1,066	0,192 3.9%	0,683	0,202 4.0%	0,753	0,234 4.8%	2,742	0,251 5.0%	5,044	0,440 14.7%
G. Valley	0,814	0.304 6.2%	0,716	0.278 5.5%	1,221	0.366 7.5%	1,789	0.370 7.4%	0,872	0.156 5.2%
Hettinger	-	0.0% 0.0%	-	0.0% 0.0%	0,005	0.0% 0.0%	-	0.0% 0.0%	-	0.0% 0.0%
McHenry	-	0.0% 0.0%	0,067	0.035 0.7%	0,070	0.050 1.0%	0,070	0.040 0.8%	0,030	- 0.0%
McKenzie	0,647	0.112 2.3%	1,513	0.201 4.0%	1,545	0.215 4.4%	3,141	0.184 3.7%	0,734	0.118 3.9%
McLean	0,024	0.015 0.3%	0,005	0.003 0.1%	0,010	0.007 0.1%	0,005	0.002 0.0%	0,003	0.001 0.0%
Mercer	0,274	0.018 0.4%	0,012	0.0% 0.0%	0,032	0.012 0.2%	0,035	0.009 0.2%	0,018	0.002 0.1%
Mountrail	0,756	0,370 7.5%	0,892	0,276 5.4%	1,143	0,295 6.0%	3,769	0,641 12.9%	4,390	0,796 26.5%
Renville	1,117	0.366 7.5%	1,694	0.398 7.8%	1,920	0.441 9.0%	1,676	0.402 8.1%	0,862	0.177 5.9%
Slope	0,754	0.171 3.5%	0,517	0.183 3.6%	0,646	0.151 3.1%	0,826	0.154 3.1%	0,364	0.073 2.4%
Stark	2,904	0.389 7.9%	2,618	0.432 8.5%	3,270	0.385 7.9%	4,272	0.239 4.8%	1,501	0.090 3.0%
Ward	0,107	0.046 0.9%	0,064	0.030 0.6%	0,185	0.048 1.0%	0,180	0.042 0.8%	0,092	0.025 0.8%
Williams	4,904	0,818 16.7%	6,072	0,904 17.8%	10,914	0,896 18.3%	40,700	0,831 16.7%	5,189	0,394 13.1%
TOTAL	\$ 22,749	\$ 4,900 100%	\$ 24,061	\$ 5,075 100%	\$ 31,706	\$ 4,900 100%	\$ 72,781	\$ 4,971 100%	\$ 29,139	\$ 3,000 100%

Fiscal Year 2002 Through Fiscal Year 2008

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

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