

Commerce Commissioner Shane Goettle
Interim Energy Development and Transmission Committee
Sept. 16, 2010

Good morning. Thank you for this opportunity to provide you with a progress report on the state's current efforts to address western North Dakota infrastructure needs.

The growth in oil producing counties is having a positive effect on local economies but it is also posing challenges.

The good news is that city, county and state officials are working together to make progress on the immediate issues while developing thoughtful plans for permanent, long-term investments that will enhance the infrastructure of this region for years to come.

In the next few minutes I'll update you on the initiatives and progress being made on all of the key western North Dakota infrastructure issues including transportation, public safety, housing, water needs, pipeline capacity, direct funding and long-term planning.

Direct Funding

More than \$210 million in direct funding will go to oil and gas producing cities, counties and schools in the current biennium. That includes \$165 million in oil county revenues and \$50 million from royalties on federal lands in the public domain.

Transportation

The state implemented a record budget of \$1.35 billion statewide for transportation in 2009-2011, a 50 percent increase from the last biennium. This includes \$500 million for state and local roadways. In the 2010-2011 construction seasons, \$237 million is dedicated to the western part of the state including the Dickinson, Williston and Minot areas. For continued transportation improvements throughout North Dakota we need a dependable, multi-year federal transportation bill.

Major western North Dakota highway projects integrated in the state transportation improvement plan include:

- **US 85** - \$75 million to Super 2 HW 85 with passing lanes, intersection improvements & turning lanes, transitional to four-laning it from Williston to I-94.
- **ND 12** - \$34 million to provide major rehabilitation of the road.
- **ND 8** - \$21 million to re-grade and add a traffic signal at the intersection of US 2 and ND 8 at Stanley.
- **ND 23** - \$16.5 million for major upgrades, intersection improvements, passing and turning lanes, moving toward a super-two status, and designed to allow four-laning.
- **ND 22** - \$14 million for pavement upgrades

Public Safety

Additional safety measures have been implemented to improve road safety, including rumble strips, turning lanes, education efforts and enforcement campaigns. According to the North Dakota Highway Patrol these steps are proving effective and fatalities are down in oil and gas producing counties.

Fatalities for the 17 oil and gas producing counties are 56 percent lower than last year at this time, 21 fatalities compared to 46 at the same time last year.

Housing

More than 1,000 new units are in the pipeline in Williston alone, including about 848 new units permitted or under construction in 2010-11. This includes:

- 122 homes
- 169 apartment units
- 136 manufactured homes
- 30 extended stay hotel rooms
- 233 standard hotel rooms
- 158 crew quarters.
- And a new mobile home park with accommodations for more than 300 lots already committed.

A contractor in Dickinson has major expansion plans that include:

- 170 single family and duplex homes
- Up to 320 apartment units
- And 13 acres of commercial land to serve the community's long-range needs.

Other developers are in the early stages of developing approximately 250 more homes in the Dickinson area.

State and local officials are also working successfully to attract additional investors. Several are breaking ground on new housing projects including:

- **Granite Peak Development, LLC**, in partnership with the City of Williston and Bank of North Dakota is planning 159 single-family and twin homes are targeted for completion by Christmas; two apartment complexes with more than 100 units; and 850 new residential lots are being planned for next spring.
- **Leadership Circle, L.L.C.** has more than 130 single-family lots are in various stages of construction and sixteen nearing completion, with 32 targeted for completion by October. Six single-family homes are currently under construction with plans to start at least 10 more homes before October. A 5.5 acre lot is targeted for developing two apartment buildings with between 100 and 120 units.
- **Roers Development, Inc.**, a Fargo-based company with projects in Minot, Jamestown and Fargo, is planning a major five-year project in Dickinson, which will include about 85 single-family homes; about 85 twin-homes; up to 320 apartment units; and about 13 acres of commercial land for stores and services

Water Needs

The State Water Commission has approved 34 groundwater and 6 surface water permits to help meet industrial and municipal water needs in western North Dakota. Depots in Dodge, Ray, Tioga, Stanley, Watford City and elsewhere are providing the water necessary to address the long-term municipal water supply needs of the petroleum industry to enhance industry sustainability.

Pipeline Capacity

New pipeline capacity is helping to reduce wear and tear on state and county roads. In fact, pipeline and rail capacity in the state now exceeds production in both North Dakota and Montana, resulting in reduced discounts for producers of North Dakota petroleum and less stress on our infrastructure.

For example, the new Four Bears Pipeline scheduled to be completed late this year or early next year will be able to transport 60,000 barrels of oil per day, enough to take 300 trucks a day off ND 22 and ND 23 between New Town and Dickinson.

Other intra- and interstate pipelines and gathering systems throughout western North Dakota are reducing traffic on the roads.

Studies and Initiatives

To help cities and counties with their planning, Commerce is collaborating with the Oil and Gas Producing Counties and other state agencies on studies and initiatives to gather information about transportation, housing and workforce needs prior to the upcoming session.

- **Transportation:** The Oil & Gas Producing Counties Association, North Dakota Commerce Department and North Dakota Department of Transportation are collaborating on a county and township road study. We have retained the Upper Great Plains Transportation Institute to conduct the study. The study is compiling an assessment of current traffic counts on key county and township arteries. With assistance from the State Mineral Division, we are then projecting at least three different drilling and oil production scenarios from which we can further project traffic patterns from oil drilling and production over the next 10-20 years. This data will be used to quantify short-, intermediate- and long-term needs. Right now we are on track for a draft report by mid-November.
- **Housing:** The North Dakota Housing and Finance Agency, the North Dakota Department of Commerce and the Bank of North Dakota are providing 70 percent of the funding for a comprehensive housing assessment with six communities to identify opportunities and barriers to housing development in these communities. When completed, sometime in December, the final report will have examined the housing issues from the perspectives of employers, the communities and developers. The communities of Watford City, Williston, Tioga, Stanley, New Town and Parshall have joined this study.
- **Workforce:** The North Dakota Petroleum Council and the North Dakota Department of Commerce are conducting a workforce needs assessment to project the workforce and skill needs for the oil and natural gas industry and industry sub-sectors. Seventy-seven oil and gas employers were targeted for this survey. This survey also includes a series of questions designed to assess short and long term housing demand to feed into the housing study described above. Scheduled completion date is before the legislative session begins in January.

- **Technical Assistance:** This \$300,000 technical assistance matching grant program available through the North Dakota Department of Commerce will assist cities and counties in oil development areas to craft plans for water, sewer, zoning and other infrastructure needs connected with oil and gas development. To date, Commerce has received formal applications from McKenzie County, Adams County, Stark County, Parshall, Crosby, Stanley and Killdeer and interest from a number of other communities.

State Agencies Working To Help

Meanwhile, the state is working with cities and counties to provide the funding and technical support necessary to substantially boost their ability to meet both the immediate and long-range transportation, housing, and water needs of their communities.

This involves a wide variety of existing agencies and programs.

- The ND Public Finance Authority is providing assistance with bonds, up to \$10 million in at least two phases in a community to reduce risk.
- The Bank of North Dakota is providing Flex PACE loans; letters of credit to mitigate risk for necessary infrastructure in support of housing developments; access to credit with local lenders; and a variety of housing programs, including a \$10 million pool to purchase USDA Guaranteed Loans.
- The North Dakota Housing Finance Agency is providing a total of \$4.2 million in western North Dakota through a broad range of programs to provide financial assistance for low- and moderate-income housing.

Moving Forward

One of the most important points I want to make today involves the area of planning. North Dakota is investing significant sums of money to address infrastructure needs in this region. In doing so, it's essential that we not only make funds available but that we ensure the money is being used wisely and in a way that will provide meaningful long-term solutions.

As I've mentioned, several studies are advancing to fully assess needs. The challenge for lawmakers and local authorities will be to find consensus on how those needs will be presented and how funding will be administered and distributed.

Mr. Chairman and members of the Interim Energy Development and Transmission Committee thank you for allowing me the time to visit with you today. That concludes my testimony and I am happy to entertain any questions.