Legislative Assembly

North Dakota Senate

STATE CAPITOL
600 EAST BOULEVARD
BISMARCK, ND 58505-0360

Senator Brad Bekkedahl
District 1
P.O. Box 2443
Williston, ND 58802-2443
bbekkedahl@ndlegis.gov

COMMITTEES:
Appropriations (Chair)

March 17, 2025

Senate Bill 2323 Testimony
House Finance and Taxation Committee
Hon. Representative Craig Headland, Chairman

Chairman Headland and Committee Members,

Thank you, Mr. Chairman. For the record, I am Senator Brad Bekkedahl, from District 1 in Williston. For complete transparency, I have also been the elected Finance Commissioner for Williston since 1996, which has given me a great deal of information related to the topic of hub cities and hub cities debt situations. This bill seeks to provide a $20 million annual appropriation to the Energy Impact Fund for distribution to hub cities specifically to reduce the debt burdens that remain from infrastructure improvements necessary to accommodate the oil industry growth that we as a state have benefitted from so greatly in the last 15 years. I have with me today representation from all three hub cities, Dickinson, Minot, and Williston. They will be presenting the financial information relative to this bill request. As a bit of history, when the Bakken boom first started in the Williston area in 2007, we tried to start planning for the population growth the experts said we would see. No one predicted then what we would ultimately see. At that time, until the 2013 Legislative session, Williston was capped in Gross Production Tax (GPT) distributions from the state at $1.5 million/year. With the passage of hub city legislation in 2013, the GPT for Williams County cities was redistributed from Williston to all the smaller towns in the county and Williston, Dickinson, and Minot were granted a separate pool of revenue based on a static amount of dollars distributed by a formula based on the percentage of oil employment and other statistics to reflect impacts. There was also a 9% pool of dollars from the GPT distributed to the oil producing counties split appropriately. The major shift in funding that also occurred in this hub city bill was changing the percentage of GPT to counties from 45% of formula distribution to 60%, based on the assumption that they would have the highest dollar amount of impacts due to road needs for the industry to move and expand. Cities would get 20% and schools would get the rest. This is an oversimplification of the formula as it has had minor adjustments since 2013, but suffice to say, Counties were and are the largest recipients of GPT funding to local political subdivisions. What none of us fully realized at the time was that the three largest cities in the oil region would have to take on the most impacts of increased population and required infrastructure and operating costs to house the industry businesses and workforce. We should have listened to the debate in 1953 when the oil tax formula was first created. The discussion centered around whether counties and townships needed the majority of the tax distribution. To quote the last sentence in the report, "Hence a greater share of the tax should go to the local subdivisions during the early years of production." We didn't do this in 2013 and this is the reason we are here today. In the case of Williston, we had to build a new airport to accommodate the industry workforce flying in and out at a cost of $300 million, of which the city now carries a debt load of $110 million. We also were facing fines of $25,000/day from the EPA, forcing us to build a new mechanical wastewater treatment plant at a cost of $100 million. As you will see in testimony from all three cities, the Finance Directors all researched their current debt load and calculated the projects and even a percentage of the projects related to oil impacts. The premise for the evaluation of projects was that they could not put a project on the list that would not have occurred without the oil boom. It is not all the debt each city carries, only applicable debt necessary to accommodate the industry growth we have seen. And as you will see from further testimony, the GPT distributions are inadequate to fully pay off the debt, our increased operations and maintenance costs, and allow us to move forward with future infrastructure maintenance. The reason you see this request from the State to the Energy Impact Fund is the reluctance of the other political subdivisions to agree to a GPT formula re-distribution because of their continuing funding needs. The impact to the State with this funding is a reduction in revenue to the bottom bucket of the oil stream flow chart, which is the state Strategic Improvement Investment Fund (SIIF) of $40 million/biennium. To accommodate any impacts to the existing Operation Prairie Dog funding buckets in the stream, you will see in this bill a reduction in the SIIF bucket allocation of $80 million, from existing $400 million to $320 million. Long story short Mr. Chairman, we are seeking relief to these lingering debt impacts which with the amount of money distributed statewide from oil revenues to areas with no direct impacts, should be justified. Thank you for your time and consideration today. I respectfully request a Do Pass recommendation on SB 2323 and will stand for questions before others step up to offer further testimony. Please help us thrive, not just survive.

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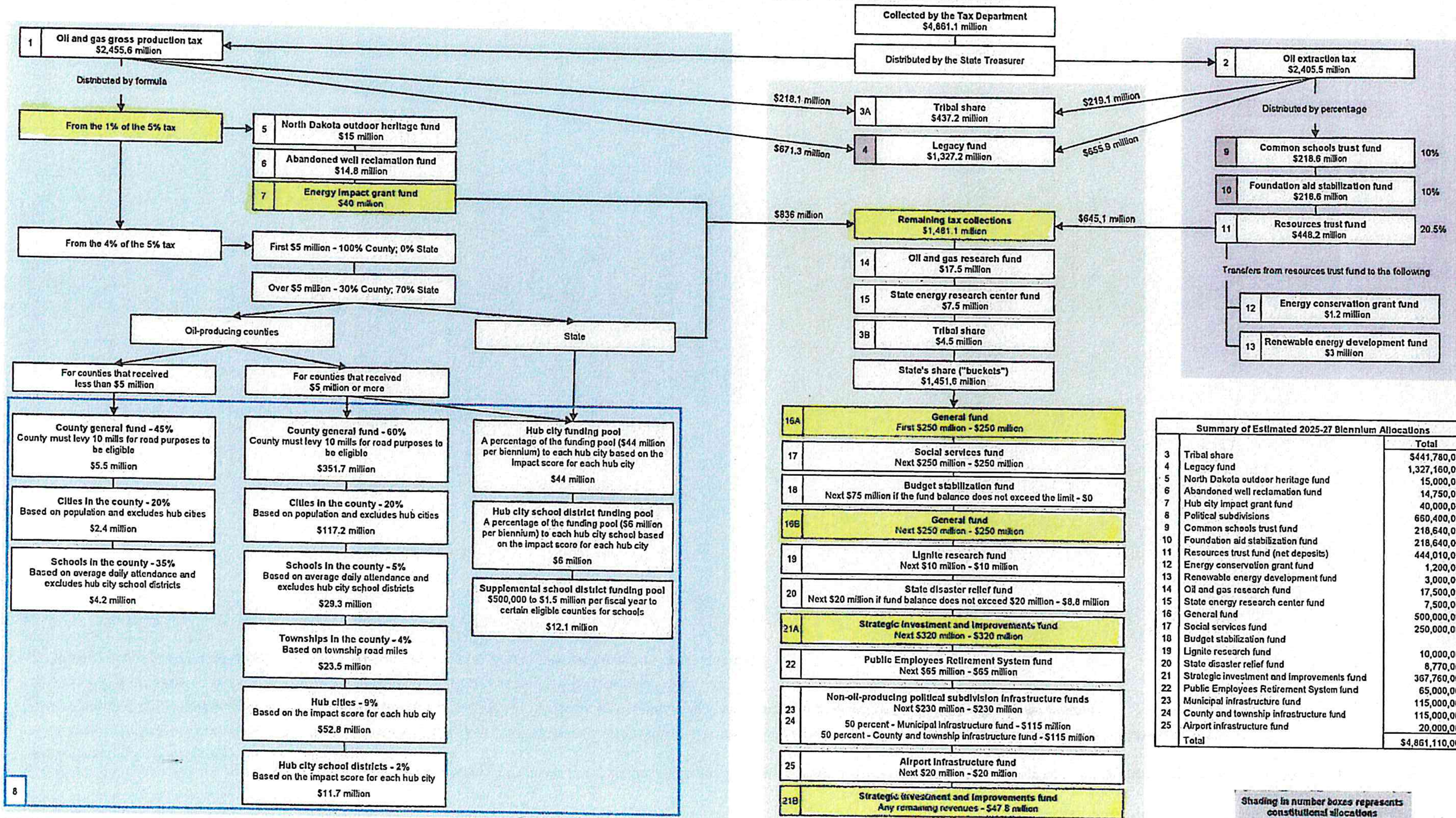
Prepared for Senator Bekkedahl

OIL AND GAS TAX REVENUE ALLOCATION FLOWCHART - NEW HUB CITY ALLOCATION SCENARIO

This memorandum provides information on the estimated allocation of oil and gas tax collections for a new hub city allocation based on a 2025-27 biennium scenario, which reflects oil prices decreasing from $62 per barrel (1st year) to $60 per barrel (2nd year) during the biennium and oil production decreasing from 1.15 to 1.1 million barrels per day during the biennium, the same as the Armstrong executive budget. The assumptions for the scenario are included on the second page.

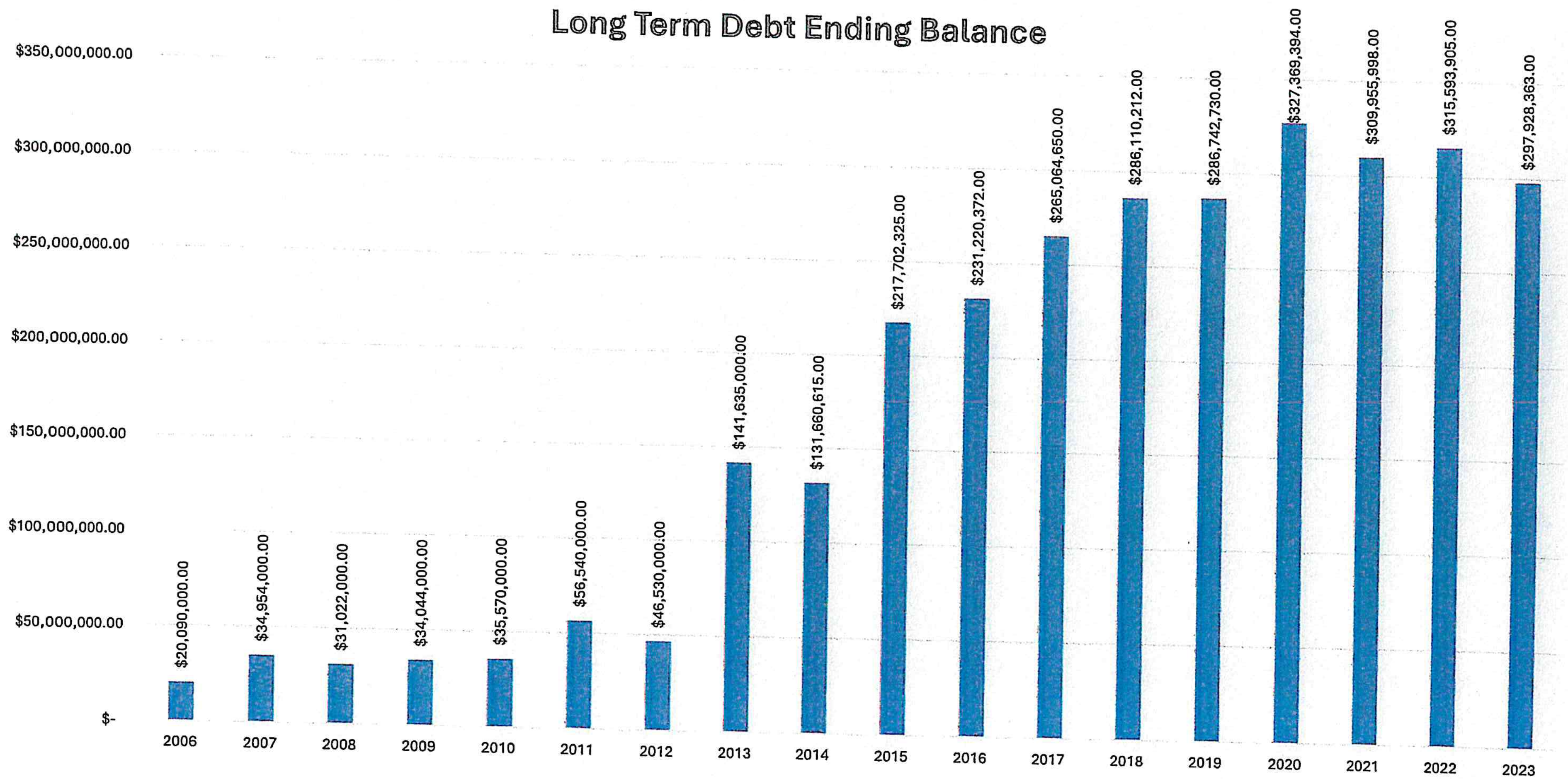
ESTIMATED 2025-27 BIENNIUM ALLOCATIONS - ALTERNATE SCENARIO



Summary of Estimated 2025-27 Biennium Allocations

		Total
3	Tribal share	$441,780,000
4	Legacy fund	1,327,160,000
5	North Dakota outdoor heritage fund	15,000,000
6	Abandoned well reclamation fund	14,750,000
7	Hub city impact grant fund	40,000,000
8	Political subdivisions	660,400,000
9	Common schools trust fund	218,640,000
10	Foundation aid stabilization fund	218,640,000
11	Resources trust fund (net deposits)	444,010,000
12	Energy conservation grant fund	1,200,000
13	Renewable energy development fund	3,000,000
14	Oil and gas research fund	17,500,000
15	State energy research center fund	7,500,000
16	General fund	500,000,000
17	Social services fund	250,000,000
18	Budget stabilization fund	0
19	Lignite research fund	10,000,000
20	State disaster relief fund	8,770,000
21	Strategic investment and improvements fund	367,760,000
22	Public Employees Retirement System fund	65,000,000
23	Municipal infrastructure fund	115,000,000
24	County and township infrastructure fund	115,000,000
25	Airport infrastructure fund	20,000,000
	Total	$4,861,110,000

NOTE: The amounts reflected in these schedules are estimates for August 2025 through July 2027 for illustration purposes only. The actual amounts allocated for the 2025-27 biennium may differ significantly from these amounts based on actual oil price and oil production.



*Ending Balance (excludes compensated absences, capital/ finance leases, net pension & OPEB liabilities, cost-shared debt with WAWSA, landfill closure)

CITY OF WILLISTON