Legislative Assembly

North Dakota Senate

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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 their 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 oil related employment and a pool of dollars from the GPT distributed to oil counties. The major shift in funding that also occurred in this hub city bill was changing the percentage of GPT given to oil 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, which have a combined population of over 100,000 today, 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 most 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 $114 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 $120 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 current or future infrastructure maintenance. 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. This reduction in SIIF accommodates Governor Armstrong's OMB request to take the state share of oil tax from $460 million/biennium to $500 million/biennium as well as the $40 million allocation to the Energy Impact Fund for hub cities debt. Putting it in terms of state revenue another way, with the industry tax bringing in $8 million a day in revenue to the state, we are asking for 5 days of revenue out of 730 days in the biennium. And with the sunset to June 30, 2037, to help us pay 58% of the total oil related debt, we are asking for 30 days of oil tax receipts our of 4,272 days of collections to the state. 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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