

2023 SENATE FINANCE AND TAXATION

SB 2162

2023 SENATE STANDING COMMITTEE MINUTES

Finance and Taxation Committee Fort Totten Room, State Capitol

SB 2162
1/16/2023

Relating to oil and gas gross production tax allocations to counties.

10:30 AM **Chairman Kannianen** called the meeting to order.

Senators Present: **Kannianen, Weber, Magrum, Patten, Rummel, Piepkorn**

Discussion Topics:

- Road levy requirement
- Local level investment
- State cost
- Road and bridge cost
- Property taxes
- History

10:29 AM **Senator Patten** introduced SB 2162

10:31 AM **Linda Svihovec, NDACo Research Analyst** in support of SB 2162. #13409

10:36 AM **Scott Ouradnik, County Commissioner from Slope County** in support. #14191

10:39 AM **Trudy Rudland, Mountrail County Commissioner** in support of SB 2162.
#13252 (Submitted by Stephanie Pappa)

10:41 AM **Geoff Simon, Western Dakota Energy Association** in support of 2162. #13418

10:43 AM **Chairman Kannianen** closed hearing.

10:44 AM **Senator Magrum** moved a DO PASS on SB 2162.

Senator Rummel seconded.

Senators	Vote
Senator Kannianen	Y
Senator Weber	Y
Senator Patten	Y
Senator Rummel	Y
Senator Piepkorn	Y
Senator Magrum	Y

Motion passed 6-0-0

10:45 AM **Senator Patten** will carry SB 2162.

10:46 AM Meeting adjourned.

Nathan Liesen, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2162: Finance and Taxation Committee (Sen. Kannianen, Chairman) recommends **DO PASS** (6 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). SB 2162 was placed on the Eleventh order on the calendar. This bill does not affect workforce development.

2023 HOUSE FINANCE AND TAXATION

SB 2162

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2162
3/8/2023

A bill relating to oil and gas gross production tax allocations to counties.
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Vice Chairman Hagert opened the hearing at 9:30AM.

Members present: Vice Chairman Hagert, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVille, and Representative Ista. **Members absent:** Chairman Headland, Representatives D. Anderson and Bosch.

Discussion Topics:

- Gross production tax
- Local control
- Road levy requirement for oil and gas counties

Senator Patten verbally introduced the bill in support.

Linda Svihovec, North Dakota Association of Counties, testified in support (#22950).

Trudy Ruland, Chair of the Mountrail County Board of Commissioners, testified in support (#22957).

Vice Chairman Hagert closed the hearing at 9:48AM.

Mary Brucker, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Finance and Taxation Committee
Room JW327E, State Capitol

SB 2162
3/8/2023

A bill relating to oil and gas gross production tax allocations to counties.

Vice Chairman Hagert opened the meeting at 10:05AM.

Members present: Vice Chairman Hagert, Representative Dockter, Representative Fisher, Representative Grueneich, Representative Hatlestad, Representative Motschenbacher, Representative Olson, Representative Steiner, Representative Toman, Representative Finley-DeVilleville, and Representative Ista. **Members absent:** Chairman Headland, Representative Anderson and Representative Bosch.

Discussion Topics:

- Committee vote

Representative Olson moved a Do Pass.

Representative Steiner seconded the motion.

Roll call vote:

Representatives	Vote
Representative Craig Headland	AB
Representative Jared Hagert	Y
Representative Dick Anderson	AB
Representative Glenn Bosch	AB
Representative Jason Dockter	Y
Representative Lisa Finley-DeVilleville	Y
Representative Jay Fisher	Y
Representative Jim Grueneich	Y
Representative Patrick Hatlestad	Y
Representative Zachary Ista	Y
Representative Mike Motschenbacher	Y
Representative Jeremy Olson	Y
Representative Vicky Steiner	Y
Representative Nathan Toman	Y

Motion carried 11-0-3

Representative Olson is the bill carrier.

Vice Chairman Hagert adjourned at 10:06AM.

Mary Brucker, Committee Clerk

REPORT OF STANDING COMMITTEE

SB 2162: Finance and Taxation Committee (Rep. Headland, Chairman) recommends **DO PASS** (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). SB 2162 was placed on the Fourteenth order on the calendar.

TESTIMONY

SB 2162

WAYNE OLSON
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**JOAN M
HOLLEKIM**
District #2
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TRUDY RULAND
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Mountrail County Commissioners

Mountrail County Courthouse
101 North Main Street - Box 69
Stanley, North Dakota 58784-0069
Tel. (701) 628-2145 Fax (701) 628-2276

January 11, 2023

SB # 2162 (1/16/2022 Hearing – 10:30 A.M.)

Dear Chair Kannianen and Honorable Members of the Finance and Taxation Committee:

The Mountrail County Commission is respectfully requesting you to support a **“DO PASS”** on Senate Bill #2162 relating to oil and gas gross production tax allocations to counties.

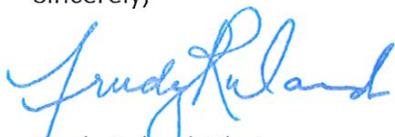
The structure of the oil and gas gross production tax was developed as a “in lieu of property tax” for the local political subdivisions to simplify the taxation requirements on the oil and gas industry. The counties, cities, townships and school districts, thus, have no authority to levy property tax on the industrial properties of the oil and gas industry within their boundaries.

Currently, oil-producing counties are the only political subdivision within the state that is required to levy a minimum of ten mills on its property owners in order to receive this “in lieu of property tax” allocation. Even the State receives its allocation of the oil and gas gross production tax without requirements.

The Mountrail County Commission is committed to the lowest rates of property tax for our residents and still meet the needs of all including the oil and gas industry. Please allow the county the autonomy to determine the lowest, appropriate property tax levy for our residents without the potential loss of our oil and gas gross production tax allocation.

Your consideration and support for a **“DO PASS”** on Senate Bill #2162 is greatly appreciated.

Sincerely,



Trudy Ruland, Chair
Mountrail County Board of Commissioners

E-mail:
District #2 & #4 Senate Representatives
ND Senate Finance and Taxation Standing Committee

Testimony Prepared for the
Senate Finance & Taxation Committee
Monday, January 16, 2023
By: Linda Svihovec, NDACo



RE: Senate Bill 2162 – 10 Road Mills for GPT

Chairman Kannianen and members of the Senate Finance & Tax Committee, thank you for the opportunity to address Senate Bill 2162 on behalf of North Dakota's counties.

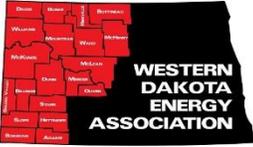
Several years ago, the legislature revised the oil and gas production tax allocation formula and included a provision for counties to levy at least ten mills for roads and bridges to receive funding through the allocation formula in tax years after 2012.

Statistics for oil and gas counties receiving gross production tax allocations for tax year 2021:

- Sixteen counties received oil and gas production tax allocations in December 2022
- Six of those counties levy over 10 mills for roads
- Road mills for the oil and gas counties range from 10 to 17.75 mills
- Taxable values for the oil and gas counties range from \$12.4M to \$390M
- Dollars levied for roads and bridges range from \$124K to \$6.6M

What is clear is that the 10-mill road levy requirement generates a wide variation in dollars for the oil and gas counties, regardless of budgetary needs. North Dakota counties are conscious of the rising costs of providing necessary services and levy taxes based on prioritized needs. This mandate prevents oil and gas counties from assessing other revenue sources and determining the property tax level needed for roads and bridges. In an environment where property taxes are closely scrutinized and understanding that gross production tax is in lieu of property tax, it does not seem appropriate to mandate a minimum level of tax at the local level.

The ND Association of Counties supports the elimination of the ten mill road levy requirement for oil and gas counties and requests a DO PASS recommendation on SB2162.



WESTERN DAKOTA ENERGY ASSOCIATION

EXECUTIVE COMMITTEE

January 16, 2023

Trudy Ruland
President
Mountrail County

Supt. Leslie Bieber
Vice President
Alexander PSD

Zach Gaaskjolen
City of Stanley

Keith Harris
Dickinson PSD

Supt. Tim Holte
Stanley PSD

Shannon Holter
City of Bowbells

Lyn James
City of Bowman

Nick Klemisch
Garrison PSD
Coal Conversion
Counties

David Montgomery
Williams County

Craig Pelton
Dunn County

John Phillips
Coal Conversion
Counties

Testimony of:

Geoff Simon, Lobbyist #144
in support of SB 2162
Senate Finance and Taxation Committee

Chairman Kannianen and Committee members:

On behalf of the city, county and school district members of the Western Dakota Energy Association (WDEA), we wish to express our strong support for Senate Bill 2162 to allow western counties to reduce or eliminate a 10-mill road tax levy that is now mandated by state law in order to receive their allocation of gross production tax revenue.

The original intent of this provision was apparently to guarantee "local effort" on the part of the counties that receive a share of oil tax revenue. However, many of our member counties advise their road and bridge budgets do not need the revenue generated by this mandatory property tax. Passage of this legislation would result in significant property tax reductions for many commercial and residential property owners in the oil-producing counties.

WDEA wishes to thank Senator Patten for introducing SB 2162 to eliminate this unnecessary property tax burden, and urges the committee's strong support.

As always, we appreciate the opportunity to offer testimony and would be happy to provide additional details upon request.

Thank you for your consideration.

Good morning committee members.

My name is Scott Ouradnik, I am a County Commissioner from Slope County, and I am here to show my support for this Bill.

As a Slope County Commissioner for the past 14 years, I feel it has been the Commission's responsibility to keep property taxes at the lowest level possible, while continuing to deliver the services that our constituents have come to expect.

Currently, the state and county taxes that are levied are right around 55 mills. Those categories include our general levy, water resources, health district, senior citizens, county agent, library, Veteran Services Officer, the State and finally our Road and Bridge levy.

Of the 55.05 mills levied, the Road and Bridge levy that is currently mandated by the state to receive our Gross Production Tax distribution accounts for 10 mills. As you can see, 10 mills being mandated by the state for Road and Bridge is a significant percentage of the total that we levy.

In fact, it is 18% of the total amount that Slope County levies it's citizens.

As a total levy reduction for all of Slope County, it would amount to between 5 and 8%. That's significant!

This bill provides you, our legislators, to provide immediate property tax relief at NO cost to the State. It will be a savings to the current property tax burden to tax payers in many counties.

In an era where Counties and the State are looking to reduce property taxes to it's constituents, I am here to urge you to pass this bill and help counties reduce property taxes.

Testimony Prepared for the
House Finance & Taxation Committee
March 8, 2023
By: Linda Svihovec, NDACo



RE: Senate Bill 2162 – 10 Road Mills for GPT

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March 8, 2023

SB # 2162 (1/16/2022 Hearing – 10:30 A.M.)

Dear Chair Headland and Honorable Members of the Finance and Taxation Committee:

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