

1707 North 9th Street
PO Box 5523

Bismarck, ND 58506-5523

Phone: (701) 328 – 2800

Fax: (701) 328 – 3650

energyimpact@nd.gov

Energy Infrastructure and Impact Office

www.nd.gov/energyimpact



Lance D. Gaebe, Commissioner

TESTIMONY OF

**Lance Gaebe, Director
Energy Infrastructure and Impact Office
North Dakota Department of Trust Lands**

**Government Finance Interim Committee
July 30, 2013**

Chairman Delzer, and members of the Government Finance Committee, I am Lance Gaebe, I work for the Board of University and School Lands (Land Board) as Land Commissioner and serve as the Director of the Energy Infrastructure and Impact Office within the Department of Trust Lands. The Department operates under the direction and authority of the Land Board which is comprised of the Governor, Secretary of State, Attorney General, State Treasurer and Superintendent of Public Instruction.

I am here today to provide an update of the grants and schedule for the consideration of grants from the Oil and Gas Development Impact Grant Fund Energy Impact office.

The Energy Infrastructure and Impact Office is responsible for administering the \$240 million grant program to assist cities, counties, emergency services and other political subdivisions realizing direct impacts to public infrastructure from oil and gas development. The office distributed \$125 million of the \$135 million allocated for energy impact grants in the previous biennium and \$8 million in the biennium prior to that. The office consists of me serving as a half time director, a grants administrator, Gerry Fisher and one additional FTE who is starting on August 1.

The Land Board makes the grant decisions, but is assisted in its review with guidelines and award recommendations established by an advisory group made up of local county commissioners, city officials, an emergency manager, a township officer, an energy industry representative and the director of the ND DOT. The Land Board has decided to implement specific grant round advisory groups involving local officials and leaders who are directly involved in the funding sectors.

The 2013 Legislative Assembly provided funding and direction to the EIIO SB 2013 (the Department's Appropriation Bill) and in HB 1358 which included specific program direction for the 2013-2015 biennium.

SB 2013 appropriated \$700,826 to the Energy Infrastructure and Impact Office (EIIO) for administrative costs including salaries. HB 1358 directs \$240 million to the Oil and Gas Impact Grant Fund with an appropriation of \$239.3 million available for the Land Board to provide as grants through the Energy Impact Office.

Of the \$239.3 million for grants, HB 1358 identified eight earmarked grant areas totaling \$103.5 of the oil and gas impact grants fund:

- 1) \$5 million to counties experiencing new oil and gas development.
- 2) \$60 million to airports
- 3) \$4 million to Higher Education
- 4) \$3 million for a dust control pilot, \$1 million to each of three counties
- 5) \$7 million for sheriff's departments
- 6) \$7 million for emergency medical services

- 7) \$3.5 million for fire protection districts
- 8) \$14 million to hub cities, \$2 million designated to Williston, \$7 million to Dickinson, and \$5 million to Minot. Hub cities are precluded from receiving any additional funds from the oil and gas impact grants fund.

SB 2013 allows that whatever portion of the \$5 million earmarked for emerging oil producing counties, to be used for other awards if there are unused funds on January 1, 2015.

SB 2013 suggests that the Board may award up to \$3 million additional of oil and gas impact dust control grants if the 3 county dust control pilot identified in HB 1358 is deemed successful.

HB 1358 removed the requirement that the Board provide 35% of Oil and Gas Impact Grant funds to hub cities.

HB 1358 also provided \$9.6 million in one-time funding from the Strategic Investment and Improvements Fund to the Attorney General's Office for grants to law enforcement agencies in oil-impacted counties or in counties impacted by energy activity. The grants will be made by the AG's Drug and Violent Crime Policy Board with the concurrence of the Land Board.

The Land Board has targeted an allocation of the \$239.3 million for the 2013-2015 biennium includes:

- Legislative earmarks are targeted at \$74.5 million in FY 14 and \$29 million in FY 15.
- \$12.5 million each year for K-12 schools.
- \$40 million for city infrastructure each fiscal year.
- \$2.5 million for fire services was added above the legislative earmark
- \$4 million above the legislative earmark was added in FY 15 for all emergency services
- \$4 million in each fiscal year for a general grant round.
- Contingency funds of \$10 million in FY 2014 and \$6.2 million in FY 2015 brings the total to \$239,299,174, as appropriated for grants.

The allocation considers the limit established in NDCC 15-01-02.6, providing that no more than 60% of the biennial appropriation is to be awarded in any one fiscal year. This chart reflects 60% of the \$239,299,174 appropriated for awards, or \$143,579,504 be awarded in FY 2014. Funds for counties experiencing new oil and gas development are considered during FY 2015.

The following grant schedule and funding targets were approved by the Board in May, shortly after the legislature adjourned:

ENERGY IMPACT GRANT SCHEDULE

		2013-2015 Biennium				
		2013-14 Fiscal Year (In Millions)		2014-15 Fiscal Year (In Millions)		
2013	June/July	Hub Cities	\$14 Awarded	Counties Emerging into Energy Sector \$5 Allocated		
	June/July	Dust Control	\$3 Awarded			
	April/July	Airports	\$25.6 Pledged	April/July	Airports	\$24 Allocated
	April/July	City Infrastructure	\$40 Awarded	April/July	City Infrastructure	\$9.175 Allocated
	April/July	City Infrastructure	\$30.825 Pledged	April/July	City Infrastructure	\$30.825 Pledged
2014	June/Aug	K-12 Schools	\$12.5 Allocated	June/July	K-12 Schools	\$12.5 Allocated
	Sept/Nov	Emergency Services & Response Assets & Training	\$20 Allocated	Sept/Nov	Emergency Services & Response Assets & Training	\$4 Allocated
	Dec/Jan	Higher Education	\$4 Allocated	General (all other political subdivisions) \$4 Allocated		
	Feb/Apr	General (all other political subdivisions)	\$4 Allocated			
	Feb/Apr	Airports (Remaining to be Awarded)	10.4 Allocated	Feb/Apr	Airports (Remaining to be Awarded)	10.4 Allocated
	Contingency	\$10.1		Contingency	\$6.2	
Total For Awards 2013/14 Fiscal Year			\$143.5735	Total For Awards 2014/15 Fiscal Year		\$95.7

2013-14 FISCAL YEAR TOTAL PROJECTED AWARDS = \$143.5735

2014-15 FISCAL YEAR PROJECTED AWARDS = \$95.7

TOTAL BIENNIAL APPROPRIATION = \$240

TOTAL BIENNIAL APPROPRIATION FOR AWARDS = \$239.3

Biennial Total Remaining To Be Awarded = \$239.3

*(In Millions)

Commitments for Fiscal Year 2014

Airport Grant Pledges

Within HB 1358, the 2013 Legislature allocated \$60 million for grants to airports impacted by oil and gas development. HB 1358 states that the EIO shall develop procedures and requirements necessary for distribution of grants which must include cost-share requirements. This is to include consideration of availability of local funds and to give priority to projects having been awarded or that are eligible to receive federal funding.

The EIO staff worked with North Dakota Aeronautics Commission to utilize existing policies and processes. Recommendations for grants to airports were approved by the Aeronautics Commission.

The Land Board has not awarded any funds to airports, but rather has only indicated its intent to award \$25,597,760 to airports, subject to matching funding. All airport projects anticipate federal or other sources of funds. Of the airports expected to be awarded grants, only 1% (\$219,112) is for

non-Federal Airports in New Town and Killdeer. The remaining grants would be provided to airports eligible for, and which have received commitments for federal funding. For the grants matched by federal funds, the distribution of money will be offered in proportion to the federal match.

POLITICAL SUB NAME	DESCRIPTION	AMOUNT REQUESTED	PLEGDED AMOUNT
Minot International Airport	Passenger Terminal , apron, road, equipment bldg, etc.	\$22,843,395	\$21,218,395
Dickinson Airport Authority	Apron Expansion, terminal improvements	\$2,178,289	\$453,652
Sloulin International Airport (Williston)	General Aviation Primary Guiding Documents	\$117,032	\$117,032
Bowman County Airport Authority	Construction of New Bowman Municipal Airport	\$875,000	\$875,000
Crosby Airport Authority	Apron / Lighting Rehabilitation	\$1,002,500	\$1,002,500
Kenmare Municipal Airport Authority	Rehabilitate Runway, Taxiway, Apron	\$185,819	\$185,819
Killdeer Municipal Airport	Runway Design	\$144,308	\$128,274
Mohall Airport Authority	Airport Fueling System	\$128,250	\$128,250
New Town Airport Authority	Runway Reconstruction	\$90,838	\$90,838
Stanley Municipal Airport Authority	Apron/Condensed Environment Assessment	\$198,000	\$198,000
Tioga Airport Authority	Airport Fueling System	\$120,000	\$120,000
Watford City Municipal Airport Authority	Apron Reconstruction Phase II	\$1,317,000	\$1,080,000
		Total Awards	\$25,597,760

Awards in Fiscal Year 2014

Hub City Infrastructure Awards:

The grant limit for hub cities was specified by the 2013 Legislature. The project and the amount was formally awarded by the Board last week at the first meeting of the biennium:

POLITICAL SUB NAME	SHORT DESCRIPTION	AMOUNT REQUESTED	LONG DESCRIPTION	Awarded Amount
CITY OF DICKINSON	WATER AND WASTEWATER INFRASTRUCTURE TO SUPPORT NEW HOUSING AND OTHER NEW DEVELOPMENT	\$59,900,000	West Lift station & Force main to serve West Ridge, Pinecrest, diesel refinery and the City of South Heart	\$7,000,000
CITY OF MINOT	NORTH SANITARY SEWER IMPROVEMENTS - #1 PRIORITY PROJECT	\$16,474,000	PROVIDE TRUNK SANITARY SEWER CAPACITY TO OVER 8,343 ACRES OF LAND SUPPORTING CONTINUED CITY GROWTH.	\$5,000,000
CITY OF WILLISTON	SEWER PLANT UPGRADE	\$25,000,000	SEWER PLANT UPGRADE	\$2,000,000
			Total Awards	\$14,000,000

Non-Hub City Infrastructure Awards:

During its June 27, 2013 meeting, the Land Board provided intent to award grants during the 2013-2015 biennium of \$70,825,010 to non-hub cities as listed below. As mentioned, statute limits the Board to award no more than 60% of the Oil and Gas Impact Grant funds in a single fiscal year, thus the Board chose to award \$39,666,162 for FY 2014. To assist communities in their continued planning, it offered a "commitment" of the intent to award \$31,158,848 during FY 2015. These amounts were identified in coordination with the cities and their engineers reflecting projected expenditures during the 2014 FY.

POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	2014 FISCAL YEAR RECOMMENDED AWARD	2015 FISCAL YEAR COMMITMENT	TOTAL 13-15 AMOUNT COMMITTED
CITY OF ALEXANDER	MCKENZIE	WASTEWATER INFRASTRUCTURE IMPROVEMENTS PROJECT	Water and sewer infrastructure resulting from energy-related growth, excludes road related costs	\$2,000,000	\$3,000,000	\$5,000,000
CITY OF BEACH	GOLDEN VALLEY	SANITARY SEWER REPLACEMENT, SEWAGE LAGOON & DRAINAGE DITCH CONSTRUCTION	New sewage lagoon construction	\$999,360	\$666,240	\$1,665,600
CITY OF BELFIELD	STARK	WATER TOWER, PUMP STATION, TRANSMISSION LINE AT LAGOON CONSTRUCTION	\$1.7478M for lagoon, \$2.480M for water tower, remaining for forcemain/booster station	\$2,874,852	\$1,916,568	\$4,791,420
CITY OF BOTTINEAU	BOTTINEAU	SANITARY SEWER EXTENSION	New trunk sewer line to support growth. Received FY 2013 award of \$154,017 for a total award of \$160,000 on this application	\$5,983	0	\$5,983
CITY OF BOTTINEAU	BOTTINEAU	WATER TRANSMISSION LINE EXTENSION	Water transmission extension to support new development and improve pressure	0	\$160,000	\$160,000
CITY OF BOWBELLS	BURKE	RECONSTRUCT SECONDARY WASTEWATER LAGOON CELL	Improvements to lagoon cell that is result of energy growth	\$350,400	0	\$350,400
CITY OF BURLINGTON	WARD	INFRASTRUCTURE IMPROVEMENTS	12" force main. Road replacement is not being funded	\$263,120	\$789,360	\$1,052,480
CITY OF CROSBY	DIVIDE	2013 WATER AND WASTEWATER INFRASTRUCTURE EXPANSION	Waste and sewer infrastructure resulting from energy-related growth	3,000,000	2,000,000	5,000,000
CITY OF GRENORA	WILLIAMS	EAST STREET WATER, SEWER & PAVING IMPROVEMENTS	Water & sewer supporting new growth. Individual service connections excluded	\$209,569	\$488,994	\$698,563
CITY OF GRENORA	WILLIAMS	HICKMAN STREET WATER, SEWER & PAVING PROJECT	Water & sewer supporting new growth. Individual service connections excluded	\$205,281	\$478,990	\$684,271
CITY OF KENMARE	WARD	INFRASTRUCTURE IMPROVEMENTS	City Lagoon Expansion	\$455,680	\$1,367,040	\$1,822,720
CITY OF KILLDEER	DUNN	2013 WATER & WASTEWATER TRUNK LINE EXTENSIONS AND IMPROVEMENTS	Funding of water and sewer extensions; Street replacement is excluded.	\$3,867,762	0	\$3,867,762
CITY OF MOHALL	RENVILLE	MAIN LAGOON LIFT STATION	New lift station costs	\$258,154	0	\$258,154
CITY OF NEW TOWN	MOUNTRAIL	WATER TREATMENT PLANT EXPANSION	Water Treatment Plant Expansion	\$481,055	\$9,140,037	\$9,621,092

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POLITICAL SUB NAME	COUNTY	SHORT DESCRIPTION	Award Is For	2014 FISCAL YEAR RECOMMENDED AWARD	2015 FISCAL YEAR COMMITMENT	TOTAL 13-15 AMOUNT COMMITTED
CITY OF NEW TOWN	MOUNTRAIL	WATER, SEWER, AND STREET IMPROVEMENTS	Underground mains (excludes service wye's, corp stops, service lines etc) and related admin/engineering costs	\$378,908	0	\$378,908
CITY OF PARSHALL	MOUNTRAIL	WASTEWATER TREATMENT FACILITY AND SYSTEM EXPANSION / STREET AND UTILITY IMPROVEMENTS	Phase I Wastewater Treatment Facility System Expansion	\$2,516,304	\$1,677,536	\$4,193,840
CITY OF POWERS LAKE	BURKE	INFRASTRUCTURE EXTENSION - WATER, SEWER, AND STREETS	Water & sewer to support new growth. Individual service connections excluded (wye's, service line, curb stop & box etc.)	\$35,463	\$319,171	\$354,634
CITY OF RAY	WILLIAMS	WATER TANK & WATER MAIN UPGRADE	.75MG Tank design/construction and water transmission main	\$424,328	\$3,818,952	\$4,243,280
CITY OF RAY	WILLIAMS	WASTEWATER SYSTEM IMPROVEMENTS – SEWER MAIN REPLACEMENT	Partial award for portion of the wastewater system improvements and sewer main replacement that will serve additional housing	148,400	1,335,960	1,484,400
CITY OF RICHARDTON	STARK	WATER AND SEWER IMPROVEMENTS 2012	Half of the lift station cost, 75% of the lagoon cost.	\$396,999	0	\$396,999
CITY OF SOUTH HEART	STARK	SOUTH HEART/DICKINSON/ DAKOTA PRAIRIE REFINERY PRESSURE SEWER MAIN PROJECT	Pressure Sewer Main Project Cost	\$2,112,344	0	\$2,112,344
CITY OF STANLEY	MOUNTRAIL	WATER, SEWER AND STREET IMPROVEMENTS	Water main extension and water / sewer portion of the frontage road	\$2,682,160	0	\$2,682,160
CITY OF TIOGA	WILLIAMS	WASTEWATER TREATMENT FACILITY & INFRASTRUCTURE IMPROVEMENTS	Water and sewer infrastructure resulting from energy-related growth, excludes road related costs	\$6,000,000	\$4,000,000	\$10,000,000
CITY OF WATFORD CITY	MCKENZIE	WATER, WASTEWATER, TRANSPORTATION, AND FACILITIES IMPROVEMENTS AND PLANNING	Water and sewer infrastructure resulting from energy-related growth, supporting population growth	\$10,000,000	0	\$10,000,000
				\$39,666,162	\$31,158,848	\$70,825,010

County Dust Suppression Grant Awards

On May 30, 2013, the Board committed three \$1 million grants to Bowman, Dunn, and Mountrail counties for a pilot project for dust control, the amounts were specified by the 2013 Legislature within HB 1358, along with a requirement for the counties to file a report with the EIO by January 1, 2014 describing the success or failure of various dust control products. The counties selected were identified in the legislative committee work. The grants were formally awarded from the oil and gas impact grant fund, at the Land Board's meeting July 25.

Sheriff and Law Enforcement Grants Round Update

The Land Board has worked in a cooperative effort with the Attorney General's office to evaluate grant requests for sheriff and law enforcement assistance. The Legislature designated \$7 million of the EIO funds to be awarded to Sheriffs in areas experiencing direct impacts from oil and gas development. Separately, the Legislature appropriated \$9.6 million to the AG's office to be used in part for grants to oil and gas development impacted Law Enforcement entities. The Drug and Violent Crime Policy Board is serving as the advisory committee to provide grant recommendations to the Land Board which is responsible for awarding grants from both of these funding sources.

Grant Recommendations for Emergency Requests - Sheriff's and Law Enforcement

Applications were received by the AG's Office Bureau of Criminal Investigation for oil impacted counties and law enforcement agencies that have critical issues needing to be addressed immediately. Five applications were received from sheriff's departments totaling \$509,400. Other criminal justice applicants submitted five applications for \$666,721. The Attorney General's Criminal Regulatory agency also identified the need for \$149,052 in funding for prosecutorial assistance to state's attorneys in oil impacted counties, which will be funded from the administrative portion of the money appropriated to the AG's Office.

The Land Board adopted the recommendations of the Attorney General's Office Bureau of Criminal Investigation and the EIO:

- 1) Granted awards from the Oil and Gas Impact Grant fund to the sheriff's offices totaling \$390,910;
- 2) Approved grants totaling \$978,721 to other criminal justice agencies from the \$9.6 million appropriated by the 2013 Legislature to the Attorney General for critical grants as follows:

Awards to Sheriff's Departments

Political Sub Name	City	County	Project	Award	Amount Requested	Long Description
Divide County SO	Crosby	Divide	Equipped Patrol Vehicle, Vests, Radio, In-car Video, (1) Scale for Truck Weighing, Rifles	\$54,184	\$74,201	Safety Issues--Equip new officers, replace inoperable vehicle, replace failing camera system, enforcement of overweight trucks.
Dunn County SO	Manning	Dunn	Housing allowance	\$13,500	\$13,500	Rent @\$2,000/month for 3 months for 1 current and 2 new Deputies (to be hired soon)

Political Sub Name	City	County	Project	Award Amount	Amount Requested	Long Description
McKenzie Co. SO	Watford City	McKenzie	Equipped Squad Vehicle, Equip. New Officers, Overtime, Vests, Radar	\$180,276	\$180,276	Equip two new Deputies and add a squad car, new radar needed due to heavy traffic on Highway 85, Vests are out of date, OT needed to answer amount of calls they are getting.
Stark County SO	Dickinson	Stark	Patrol Vehicle, Investigator Vehicle, Equipment & install for all vehicles (2), Overtime	\$138,450	\$185,700	Transport Vehicle is needed for mental health and prisoner transport. Need OT for these Deputies doing the transport & courtroom security. Deputies are sharing patrol cars due to vehicle breakdown. A second investigative detective has been approved for hiring but not filled yet. No funds to get this detective a vehicle.
Ward Co SO	Minot	Ward	Overtime (for 3 months)	\$4,500	\$55,723	OT is for Patrol Deputy and Narcotics Task Force Officers. Need funding for a Transport Officer so patrol officers will not be taken off the street.
Totals				\$390,910	\$509,400	

Recommendations - Other Criminal Justice

Political Sub Name	City	County	Project	Award Amount	Amount Requested	Long Description
Arnegard PD	Arnegard	McKenzie	Fully equipped vehicle, Breathalyzers, Tasers (2), Radar Gun, Radios, Office Equipment, Gun Locker.	\$82,600	\$430,600	Newly established Police Department-need help with equipment and transportation. Houses are for two officers. Will also needs some duty equipment for officers and office equipment. Also requesting one vehicle. They indicate they have no source of match funds. Requesting waiver.
Belfield PD	Belfield	Stark	K-9, Radio Base Station, Portable Radios, Vehicle Repeaters, Vehicle Radios, 2 Vehicles	\$101,770	\$101,770	Officer safety issues. Unable to communicate with dispatch due to location. Current transportation is unsafe and unable to transport or respond to calls.
New Town PD	New Town	Mountrail	K-9 & Patrol Vehicle	\$35,125	\$35,125	Closest K9 is 50 miles away. Need for drug investigations. Also need a patrol vehicle for K-9. Has LEAP grant for \$3,000 to go towards K-9 and City will cover cost of equipping the patrol vehicle (\$9,931.29). Priority #2

Political Sub Name	City	County	Project	Award Amout	Amount Requested	Long Description
New Town PD	New Town	Mountrail	Overtime	\$9,226	\$9,226	OT for Chief, Officers, and Records Clerk 24/7. Priority #3
AG's-Law Enforcement Policy Manual			Per HB 1358- development of a uniform law enforcement and custody manual.	\$750,000	\$750,000	1 year subscription for all law enforcement with sworn personnel to be purchased from the company Lexipol.
Totals				\$978,721	\$1,416,721	

Additional applications were accepted through last Friday, July 26 from the oil impacted counties and law enforcement agencies. Through August, the Drug and Violent Crime Policy Board will review all of the applications to again serve as the advisory committee to provide grant recommendations to the Land Board.

K-12 Schools Impact Grant Round and Advisory Committee

As I mentioned earlier, the Land Board allocated \$12.5 million of the oil and gas impact grant funds for each year of the 2013-2015 biennium for a K-12 schools' needs.

In June, the Board approved preliminary guidelines and an advisory committee of education leaders to assist in formulating recommendations for K-12 energy development impact grants for Board consideration. The committee includes:

Steve Holen, Watford City
 Marc Bluestone, New Town
 Ben Schaefer, Ray

Mike Ness, Hazen
 Gary Wilz, Killdeer
 Robert Marthaller, Dept of Public Instruction

Applications were accepted through July 16, 2013. A total of 42 applications were received requesting \$21,372,613 in grant funds. The applications represent \$30,508,613 of school projects.

The advisory committee has met yesterday to work on a recommendation for grants and priorities, and in August the Land Board will consider awards to eligible school districts.

Conclusion

The enhanced role of considering funding requests from energy development communities, counties, schools and airports has grown into a major responsibility for the Department staff and the Land Board. It is a task that is given careful attention, but one that continues to grow, as the needs and requests increase. Much credit must be extended to local volunteers who assist in an advisory capacity.

I appreciate the additional position that was approved by the Legislature and I look forward to working with this committee throughout the interim to explain the status of grants administered by the Energy Infrastructure and Impact Office and the Land Board.