

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

3037

2007 HOUSE POLITICAL SUBDIVISIONS

HCR 3037

2007 HOUSE STANDING COMMITTEE MINUTES

Resolution No. HCR 3037

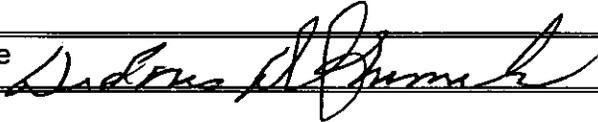
House Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: February 8, 2007

Recorder Job Number: 3106

Committee Clerk Signature



Minutes:

Chairman Herbel opened the hearing on HCR 3037.

Rep. Kempenich: I to decouple federal mineral payments.

Vicky Steiner: (see attached testimony #1). If you pass this I am not sure the feds will be able to do anything about it, but it is definitely worth a discussion on it.

Rep. Lee Kaldor Do they get paid on the basis of production of that county.

Vicky Steiner: Yes they do.

Rep. Lee Kaldor There should be a fiscal factor to the state if we were to decouple?

Vicky Steiner: Sounds like it would be very small.

Rep. Lee Kaldor If the feds send back to the state the mineral royalty and the state withholds half of it and distributes only half to the county; where does that half go?

Vicky Steiner: His only impacts the Federal PILT. The federal PILT dollars come straight to the county.

Opposition: None

Closed the hearing.

Chairman Herbel reopened the hearing.

Do Pass Motion Made By Rep. William Kretschmar Seconded by Rep. Pat Hatlestad

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House Political Subdivisions Committee
Resolution No. HCR 3037
Hearing Date: February 8, 2007

Vote: 11 Yes 0 No 3 Absent Carrier: Rep. Pat Hatlestad

Hearing closed.

Date: 2-8-07
Roll Call Vote #: 1

2007 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. HCR 3037

House Political Subdivisions Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken De Pass

Motion Made By Rep. Kretschmar Seconded By Rep. Hatlestad

Representatives	Yes	No	Representatives	Yes	No
Rep. Gil Herbel-Chairman	✓		Rep. Kari Conrad	✓	
Rep. Dwight Wrangham-V. Chair	✓		Rep. Chris Griffin	✓	
Rep. Donald Dietrich	✓		Rep. Lee Kaldor	✓	
Rep. Patrick Hatlestad	✓		Rep. Louis Pinkerton	—	
Rep. Nancy Johnson	✓		Rep. Steve Zaiser	—	
Rep. Lawrence Klemin	✓				
Rep. Kim Koppelman	—				
Rep. William Kretschmar	✓				
Rep. Vonnie Pietsch	—				

Total (Yes) 11 No 0

Absent 3

Floor Assignment Rep. Hatlestad

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HCR 3037: Political Subdivisions Committee (Rep. Herbel, Chairman) recommends DO PASS and BE PLACED ON THE CONSENT CALENDAR (11 YEAS, 0 NAYS, 3 ABSENT AND NOT VOTING). HCR 3037 was placed on the Tenth order on the calendar.

2007 SENATE POLITICAL SUBDIVISIONS

HCR 3037

2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. **HCR 3037**

Senate Political Subdivisions Committee

Check here for Conference Committee

Hearing Date: **March 16, 2007**

Recorder Job Number: **5186**

Committee Clerk Signature

Shirley Borg

Minutes:

Vice Chairman Olafson called the Senate Political Subdivisions to order. Four members present and one absent.

Vice Chairman Olafson opened the hearing on HCR 3037 a resolution urging Congress to decouple federal mineral royalty revenue payments from states to counties when calculating PILT payments.

Brad Bekkedahl, President of the North Dakota Association of Oil and Gas Producing Counties introduced and testified in support of HCR 3037. (Attachment #1)

Vice Chairman Olafson: Can you walk me through how the mineral royalty revenue works and how that is currently coupled to the PILT payment.

Brad Bekkedahl: What happens is that first you have Federal Lands that sit there that have federal royalty interest under them and those are nominated through a petition status for leasing and development. Once that happens they have a public action and that money I understand goes to the federal government but I understand the state of North Dakota gets a percentage of that back as well. The counties have never received a percentage of that, so the leases and bonus paid on the initial development go to the feds and states but not to the counties. Separate from that, once there is production on the land facilities, where there is

coal, oil or gas for mineral interest, those payments go to the federal government then fifty percent of the total is sent back to North Dakota and then the state sends fifty percent of that to the county of the mineral royalties. The secondary issue is the payment in lieu of taxes of which we have and there are nineteen counties that receive that. There are forty three counties that also receive the payment in lieu of taxes.

Vice Chairman Olafson: Where does that money come from for the PILT payments?

Brad Bekkedahl: It comes from the federal government but I can't tell you for sure where the federal government gets that pot of money. The dollar amounts are not insignificant. What we are seeking to do now that we have the federal mineral royalty and the PILT's, the legislation that exists at the federal level now says that you will get your payment in lieu taxes

like you always have and it will be this amount and you will get your federal mineral royalty. But if you also receive your federal mineral royalty, the feds then have a formula that goes back and says we are going to deduct a certain amount of this federal royalty that you got from you payments in lieu of taxes. That is what we are trying to decouple, we are trying to say, you have determined federally that the pay in lieu of taxes is appropriate at this level and you determine federally that you do this because of the federal mineral. Don't integrate those two and take one away from the other.

Vice Chairman Olafson: Can I assume that this comes up because at this time we have a much higher oil production and higher mineral royalty revenues, so we have had a reduction in PILT payments?

Brad Bekkedahl: That is essentially what is happening. Actually we got it because Montana asked us to participate with them. They have initiated this in their legislature and their association of organized counties has asked us, so we can bring two declarations to the federal delegations and say please decouple the interest.

No further testimony in support, opposed or neutral on HCR 3037.

Vice Chairman Olafson closed the hearing on HCR 3037.

Senator Warner moved a Do Pass on HCR 3037.

Senator Anderson seconded the motion.

Discussion:

Vice Chairman Olafson: As a courtesy, we will leave the vote open for Chairman Cook.

Vote: Yes 5 No 0

Carrier: **Senator Warner**

REPORT OF STANDING COMMITTEE (410)
March 19, 2007 8:41 a.m.

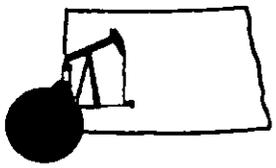
Module No: SR-51-5619
Carrier: Warner
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REPORT OF STANDING COMMITTEE

HCR 3037: Political Subdivisions Committee (Sen. Cook, Chairman) recommends DO PASS (5 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). HCR 3037 was placed on the Fourteenth order on the calendar.

2007 TESTIMONY

HCR 3037



North Dakota Association of Oil & Gas Producing Counties

①

EXECUTIVE COMMITTEE

Brad Bekkedahl
President
Williston

Anthony Duletski
Vice President
Bowman PSD

Diane Affeldt
Garrison

Roger Chinn
Past President
McKenzie County

Verdean Kveum
Bottineau County

Loren Mathson
South Heart PSD

Ken Radenz
Burke County

Wayne Stanley
Stanley PSD

Greg Sund
Dickinson

Reinhard Hauck
Secretary/Treasurer
Manning

Good morning, Mr. Chairman Herbel and Members of the Political Subdivisions committee. For the record my name is Vicky Steiner. I am the Executive Director of the North Dakota Association of Oil and Gas Producing Counties. This Association represents 16 oil and gas producing counties.

House Concurrent Resolution 3037 deals with the federal mineral royalty revenue (FMR) and how it is linked to the prior year payments of federal payments in lieu of taxes (PILT). It does not have a fiscal note. It does not impact state funding in any way.

PILT is paid directly to the counties by the federal government. This payment is in recognition that the federal government will share in the cost of fire protection and other services. The federal mineral royalty is paid to the state and the state sends a share to the counties. The following year, the state reports what was paid in federal mineral royalty and there is a reduction in the PILT payment based on a percentage of what was received the year before in federal mineral royalty. It doesn't make sense.

There are 43 counties that receive PILT payments from the federal government. There are 19 counties that received some type of federal mineral royalty in 2004.

The formula for determining how much each county receives in PILT is very complex and confusing.

For every dollar that the county received in FMR they deduct 50 cents off of every PILT dollar that they get and that depends at what level they fund the county's PILT payment. It can vary between 40-55%.

For example: if a county receives \$ 1 million in PILT and they also received \$10,000 in federal mineral revenue the year before, the federal government will deduct .50 for every dollar that was received in federal mineral revenue. This is a \$5,000 decrease in the \$1 million dollar PILT payment. The federal mineral revenue is given to counties for the impacts caused by development of federal minerals and the counties should not have their PILT payment decreased. The two payments should be paid in full.

This resolution would simply request that Congress decouple the FMR from the PILT payments received by the counties. Please give HCR 3037 a do pass.

VICKY STEINER - EXECUTIVE DIRECTOR

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Linda Svihovac - Permit Operator

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COUNTY	PAYMENT	TOTAL ACRES
ADAMS COUNTY	\$0	40
BARNES COUNTY	\$8,983	6,194
BENSON COUNTY	\$4,869	3,411
BILLINGS COUNTY	\$63,252	312,570
BOTTINEAU COUNTY	\$185	128
BOWMAN COUNTY	\$8,007	39,571
BURKE COUNTY	\$187	161
BURLEIGH COUNTY	\$20,725	14,290
CAVALIER COUNTY	\$1,965	1,355
DICKEY COUNTY	\$921	635
DIVIDE COUNTY	\$1,934	1,365
DUNN COUNTY	\$15,049	74,368
EDDY COUNTY	\$851	587
EMMONS COUNTY	\$45,692	31,506
GOLDEN VALLEY COUNTY	\$17,303	85,507
GRAND FORKS COUNTY	\$1,707	1,177
GRANT COUNTY	\$12,539	8,669
GRIGGS COUNTY	\$2,420	1,669
KIDDER COUNTY	\$3,133	2,160
LOGAN COUNTY	\$1,211	835
MCHENRY COUNTY	\$3,271	2,302
MCINTOSH COUNTY	\$663	457
MCKENZIE COUNTY	\$103,432	511,127
MCLEAN COUNTY	\$215,527	155,134
MERCER COUNTY	\$18,760	52,718
MORTON COUNTY	\$19,114	13,180
MOUNTRAIL COUNTY	\$71,100	60,063
NELSON COUNTY	\$0	27
OLIVER COUNTY	\$0	38
PIERCE COUNTY	\$4,963	3,422
RAMSEY COUNTY	\$534	372
RANSOM COUNTY	\$54,043	40,331
RENVILLE COUNTY	\$345	238
RICHLAND COUNTY	\$35,644	26,620
ROLETTE COUNTY	\$154	106
SARGENT COUNTY	\$2,461	1,697
SHERIDAN COUNTY	\$42,273	29,149

SIOUX COUNTY	\$44,235	30,800
SLOPE COUNTY	\$27,094	133,886
STARK COUNTY	\$902	4,455
STEELE COUNTY	\$197	136
STUTSMAN COUNTY	\$13,141	9,061
TOWNER COUNTY	\$0	14
WALSH COUNTY	\$673	464
WARD COUNTY	\$457	319
WELLS COUNTY	\$12,105	8,347
WILLIAMS COUNTY	\$64,408	49,110
TOTAL	946,429	1,719,771

North Dakota Association of Oil & Gas Producing Counties

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Loren Mathson
South Heart PSD

Ken Raderz
Burke County

Wayne Stanley
Stanley PSD

Greg Sund
Dickinson

Reinhard Hauck
Secretary/Treasurer
Manning

SUPPORT HCR 3037
Chairman Senator Dwight Cook
Senate Political Subdivisions Committee

Friday, March 16, 2007

Good morning, Mr. Chairman Cook and Members of the Political Subdivisions committee. For the record my name is Brad Bekkedahl. I am the President of the North Dakota Association of Oil and Gas Producing Counties. This Association represents 16 oil and gas producing counties.

House Concurrent Resolution 3037 deals with the federal mineral royalty revenue (FMR) and how it is linked to the prior year payments of federal payments in lieu of taxes (PILT). It does not have a fiscal note. It does not impact state funding in any way. In the overall picture, it would mean more dollars for North Dakota from the federal government.

PILT is paid directly to the counties by the federal government. This payment is in recognition that the federal government will share in the cost of local services such as fire protection. The federal mineral royalty is paid to the state and the state sends a share to the counties. Under current law, the federal government sends back 50% of the total collection from oil development on federal lands. Then the state sends 50% back to the oil or gas producing county. The following year, the state reports to the federal government what was paid in federal mineral royalty to each county and there is a reduction in that county's PILT payment based on a percentage of what was received the year before in federal mineral royalty.

There are 43 counties that receive PILT payments from the federal government. There are also 19 counties that received some type of federal mineral royalty in 2004.

The formula for determining how much each county receives in PILT is very complex and confusing. The bottom line is that when the subtraction is made against a county's PILT payment, the money that's subtracted from North Dakota goes back into the PILT pool and is distributed nation-wide.

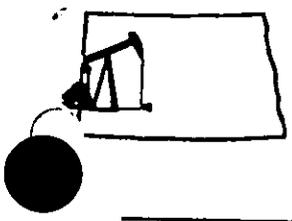
For every dollar that the county received in FMR they deduct approximately 50 cents off of every PILT dollar that they would get. This depends at what level they have funded the county's PILT payment. Historically, it has varied between 40-55%.

VICKY STEINER - EXECUTIVE DIRECTOR

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For example: if a county receives \$ 1 million in PILT and they also received \$10,000 in federal mineral revenue the year before, the federal government will deduct \$.50 for every dollar that was received in federal mineral revenue. This is a \$5,000 decrease in the \$1 million dollar PILT payment. The federal mineral revenue is given to counties for the impacts caused by development of federal minerals and the counties should not have their PILT payment decreased. The two payments should be paid in full. As eastern North Dakota counties get opportunities for gas development, it would be unfortunate to see their federal mineral royalties deducted from their current PILT payments.

Montana has a companion bill in their legislative session that will have a hearing in a Montana Senate committee shortly.

They are also concerned about the subtraction and re-distribution of royalty dollars nationwide.

This resolution would simply request that Congress decouple the FMR from the PILT payments received by the counties. Our North Dakota Oil and Gas Producing Counties is prepared to deliver and encourage this proposed change to our Federal delegation and ask for their support. Please give HCR 3037 a **DO PASS** recommendation.

VICKY STEINER - EXECUTIVE DIRECTOR

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