

2013 SENATE APPROPRIATIONS

SB 2013

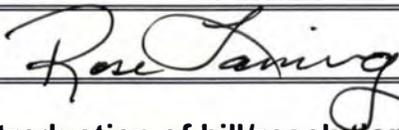
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2013
January 10, 2013
Job # 17083

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the commissioner of university and school lands; to provide for distributions from permanent funds;

Minutes:

Testimony attached # 1-14

Chairman Holmberg called the committee to order on SB 2013. All committee members were present.

Legislative Council - **Becky J. Keller**

OMB - **Joe Morrissette**

Lance Gaebe, Secretary for the Board of University and School Lands; and Commissioner for the Department of Trust Lands.

Testified in favor of SB 2013

Testimony attached # 1 -

(speaking from testimony)

(14:32)

Senator Warner said the school lands around home have the worst fencing of anyone and no one will put any money into fencing leased land. Do you provide fencing or are there any standards for any of the fencing?

Lance Gaebe: The fence is owned by the lessee and it would be his responsibility.

(17:55)

On discussing unclaimed property, **Senator Wanzek** said he checked missingmoney.com, checked it and found his name. It was a dividend from an insurance company of \$400 and he ultimately claimed it. He was confused why they couldn't find him when they were handing out a dividend check, but they surely found him when the premium was due.

Lance Gaebe: The holder of the company is supposed to take efforts to track you down, but sometimes it's just easier to hand over the whole amount and the debt as opposed to spending energy and time looking for you. Many times it's as simple as changing traditional rural route addresses to 911 addresses or there are deceased holdings or marriages changing names. They should look, but they don't look very hard.

(34:20)

Senator Warner: We had to open a pit on our property to deal with flooding. I was surprised with the number of state agencies that had to sign off on it - even on private land. Does your agency monitor that it's been done and makes certification? And also, how do you determine the value of aggregate on your land? There have been prices of about \$45/ton for rip rap quality rock. Do you do sampling of your own surface aggregate to determine the quality or is there a mechanism to determine that the state is getting a just return on its minerals?

Lance Gaebe: The permits that were required are necessitated by the federal agencies that would be reimbursing. If it was federal related, those require a review of the archaeological, historical and environmental impacts. To my knowledge, they are not required by any state statute or state language. In fact, to the contrary, there is essentially nobody administering any regulatory regimen over aggregate or fill. While we have Oil and Gas division monitoring and regulating that, we don't have anything similar in the case of aggregate. Even though we have only 30 some requests for aggregate, it's much more labor intensive on our behalf to administer that. If the aggregate is sourced for DOT as in a roadway or wetland, they would go through archaeological reviews. If the county or oil company buys it, they wouldn't be subject to permit requirements. We have a prospecting permit that allows for review and sampling of gravel. There is a lot of prospecting that happens where they take samples and when it's nominated for lease, we have a hearing and then an auction for the rights. It's done on a cubic yard basis for the production. It's usually done to a contractor. The rates have been wild swings and the values have gone up dramatically. We put in place in our lease for more active renewals that involve renegotiation of the rates rather than be locked in for a long time.

Chairman Holmberg asked if there was anyone in the room planning to testify against the bill. No one was testifying against the bill.

(38:40)

Ward Koeser, Mayor of Williston, ND

Testified in favor of SB 2013

Testimony attached # 2

Reading from testimony -

(43:17)

Curt Zimbelman, Mayor of Minot, ND

Testified in favor of SB 2013

Testimony attached # 3

Attached brochure # 4 - [Energy Impacts to Minot - 2013 North Dakota Legislature](#)

Reading from testimony -

(50:45)

Brent Sanford, Mayor of Watford City, ND

Testified in favor of SB 2013

Attached brochure # 5 [City of Watford City, Short Term Capital Improvements Plan](#)

Told of the impact the oil industry is having on the City of Watford City and spoke from the information in the brochure.

Watford City is truly Williston's little brother, and I would argue that we are closer to the epicenter than Williston. I'm speaking in support of SB 2013 specifically in support of **Lance Gaebe's** testimony, page 7 on the detail of the EIIO (Energy Infrastructure Impact Office). I am representing the EIIO as an advisory group member. I'm also representing the ND Oil and Gas Producing Counties organizations as a member city and a recipient of EIIO funds from the city of Watford City as its mayor.

I would like to thank you for what you provided in the last biennium of \$130 million. Speaking from a recipient and advisory group, it was well received, well spent and I feel the Impact Office is a great steward for the funds. I'd also like to help show the need for these funds in the next biennium.

On page 7 of Lance's testimony, you'll note that we were able to award \$124 M of the \$662M that were requested from the EIIO board and impact office. Specific items that were not able to be funded because we didn't have enough funds were schools, airports and new connecting streets. The group felt that the new streets to new developments were a part of the legislative intent but the dollars were too astronomical to even start, so you saw Tioga, Watford City, Parshall, Killdeer, Crosby, Stanley all receiving partial funding because we couldn't even jump in the streets. They argued that special assessments could handle those more so than a water tower or a lagoon. You can see at that time, there were 662 requests and we only did 124.

My worry this time in regard to Watford City, is the short term capital improvements plan (referring to the brochure). Our population is still officially 1,744. The post office had a public meeting. That was the worst public meeting I have ever seen in my life. They were estimating handling mail for 6-7,000 people. And that's not including the man camps that are 5 miles and out. We have yet to have zoning in our county yet, so we don't have a good head count. But anywhere from 6,000 to 10,000 to 12,000 people are using Watford City for their hub at this time. We're not speaking of percentage growth. It's 5 to 10 times growth that we're working with.

This impact office grant that we received last time, you'll note on page 7 you'll note there were \$89M of public sewer, water, etc projects. Watford City received \$16M. We are finishing up most of those projects now. Just to give you an idea of how long it takes to spend that money to engineer it, plan it, bid it, get the work done in three months of construction time. A lot of that work is getting done now. We've got infrastructure extended 3 miles to the east, 2 miles to the north, 4 miles to the south of Watford City. We've got developments that are in process for literally hundreds of 24-plex and 42-plex apartment buildings. Housing developments that have 1000 plus population type with single family homes. It's not really worth listing all the amount of desired development that is going to be built on these developments around town, but this capital improvement plan is what is estimated by our engineering firm at \$193,866,000. The first item is water system improvements. The waste water improvement necessity is \$40,659,000. This is trunk lines and lagoon expansion. The existing transportation system approved - these are city streets that have been destroyed from 10X more people driving through town than have been there before, and all the truck traffic. For us as a planning commission or city council, it's unfathomable how we're supposed to come up with \$118M to actually start building the grid in a 7-10,000 population town. Without these connecting streets, these developments

will go slower; they will not be connected adequately. The town won't grow in the right fashion. I would urge you to consider some of the funds that are being created with the massive oil production in the west. The numbers you saw in the news this morning, the 10.8% on average of \$75 oil are astronomical. You're looking at nearly a billion dollars of tax generated in McKenzie County - over \$3B in a biennium of just gross production extraction tax in a four county area. The impact in the four county area is staggering. I will leave you with this - the locals of Watford City would probably rather the town stay the size it always was. To do this right, to allow the energy employees to live close to their job, Watford City is going to have to build to put down 10-20,000 people. Stick built homes and apartments for permanent production employees. I look at Lynn Helms graphs of 7800 long term production oil field employees in our county and think they will all have to live in and around Watford City. Those pumpers, pipe-line techs, salt water disposal employees don't live in the hub cities, they don't live in Minot, Williston, Dickinson and drive 100 miles to these jobs. They figure out how to live 20 minutes from their jobs. We are shooting to put those people in place and our needs are \$192M out of a pot that is around \$100M roughly for the local jurisdiction. I would urge your support and thank you for your time.

57:45)

Senator Robinson: Given the pace of change and growth and activity in western ND, do you and other communities in oil country, do strategic planning for a larger picture? I was at a meeting recently with the hospital association talking about 12 communities in western ND that are engaged in major capital improvements through their facilities. The concern we have is that we want to be supportive, but there needs to be some planning in place. Are there any discussions or planning in terms of looking at the big picture for the long term benefit for the entire region?

Brent Sanford: The answer I would give you is the camaraderie and togetherness has been increasing the three sessions that I've been involved. There's more cooperation than ever. One negative aspect of this grant fund is you have to compete against other towns to get these grants verses a direct allocation. When you consider the production formula increases later on in the session, there's no fighting over that. Then you can plan and bond and use that. Our town is too small to do general obligation bonding for any of this. We look for solutions. We can use the revenue bonds. There's a ton of planning that is done individually. There is cohesiveness among the group.

Senator Robinson: I'm thinking in terms of medical facilities and airports. If we can partner and all be better off and be able to build better and smarter. I know it can't be easier in the environment you folks are operating in.

Brent Sanford: I'd just like to highlight the Western Area Water Supply Project. That was an unbelievable cooperation from Crosby down to Watford City over to Stanley with Williston benevolently turning over their water treatment plant for the advantage of the entire NW part of the state. We've recently opened up the tap and the water quality change is incredible. So we're all open to that. It's coming at such a pace that the money is so overwhelming that we're really looking for assistance and help. One thing I have to mention is the amount of skin in the game that are cities are putting in to. Like Minot, we've increased utilities 50% for water, sewer, and garbage. The property taxes went up 15% in the city. The local residents are feeling the pinch. They feel like they are putting in skin in

the game. We spend our impact grants and our gross production tax distribution on matches for these programs and on increased staffing. We've got to upgrade city hall. Another thing about planning for the whole group is that some communities are not as forward thinking and would choose to stay smaller. In Watford City, we're trying to be progressive, trying to take advantage and do the right thing for the entire region in the state. We hope we're not being looked upon as not being whiners and gripers, but that we're coming forward positively, thankfully for the last time, and consider more funding this time.

Senator Robinson - Do you have access to city planners in the smaller cities?

Brent Sanford: Yes. Watford City hired our first city planner two years ago and met with **Gov. Dalrymple** and **Ron Rauschenberger** with planner **Curt Moen**. They were so impressed. He's an Arnegard native. He did city planning and then went to work for developers doing large developments in Las Vegas. It's unreal to have this man **Curt Moen** working for you.

(1:03:19)

Shawn Kessel, City Administrator, Dickinson, ND
(representing **Dennis Johnson, Mayor of Dickinson, ND**)
Testified in favor of SB 2013.
Testimony attached # 6

1:08:44)

Larry Taborsky, Chairman of Aeronautics Commission
Testified in favor of SB 2013
Testimony attached # 7.

(1:10:44)

Dan Brosz, Chairman, Executive Committee, ND Assoc. of Oil and Gas Producing Counties
Testified in favor of SB 2013
Testimony attached # 8.

(1:12:00)

Tim Thorsen, President, Airport Association of ND (AAND)
Testified in favor of SB 2013
Testimony attached # 9.
Attached brochure # 10 [Investing in North Dakota's Aviation Future](#)

Chairman Holmberg adjourned the hearing.

Additional testimony in favor of SB 2013 -

#11 - Testimony of **Kayla Pulvermacher, North Dakota Education Association**

#12 - **Denise Brew, Dunn County Emergency Manager/911 Coordinator with Killdeer**
Daryl Dukart, Dunn County Commissioner

#13 - **NDSU - Upper Great Plains Transportation Institute**

#14 - **Tax Relief Programs - 2009-11 through 2013-15 Bienniums 13.9496.01000**

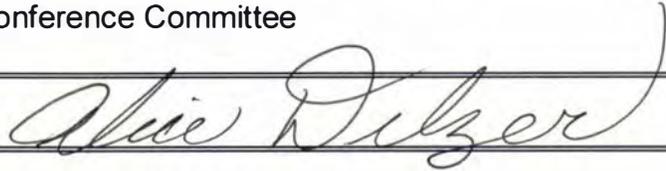
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2013 - Subcommittee Hearing
01-23-2013
Job # 17617

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Subcommittee Hearing for the Department of Trust Lands.

Minutes:

See attached testimony #1

The Subcommittee Hearing was called to order by Senator Krebsbach at 3:00 pm on Wednesday, January 23, 2013 in regards to SB 2013. **Members of the subcommittee are: Senator Krebsbach, Chairman; Senator Holmberg and Senator Warner.** All subcommittee members were present. Becky J. Keller, Legislative Council and Joe Morrissette, OMB were also present.

Senator Krebsbach: Stated that they will hear about the changes that people want in changes in the bill and she is waiting for Senator Wanzek to come down with an amendment. She asked Lance if there were ever any requests.

Senator Holmberg: asked Becky if she keeps a running track of these suggestions or changes or can you? He was told she will do that. He stated a running total is very helpful.

Lance Gaebe, Commissioner for the Department of Trust Lands: the testimony (which was presented in the SB 2013 before the whole committee) largely revolved around more funds if possible, I did prepare a one page list of my request of changes the 3 additional FTE's and things that were not included in the governor's budget,

Senator Krebsbach: Was that the unclaimed property auditor and investment assistant and the land management specialist? She was told that's correct.

Senator Holmberg: Was there an aviation amendment?

Senator Krebsbach: The recommendation that I had from Mr. Taborsky was that the airport grant monies run through the Aeronautics Commission.

(Mr. Larry Taborsky is Chairman of Aeronautics Commission.)

Lance Gaebe: He did reference that in his testimony. We have talked to Mr. Taborsky and his staff about using their processes and their scoring mechanisms for evaluating the grants

and validating the applications for grants but that the Land Board would be the resulting entity that would authorize or approve those grants. We would work in partnership with the Aeronautics Commission is the conversations we've had. He did reference in his testimony that perhaps they would be the distributing entity

Senator Krebsbach: Is that something we would have to spell out in the bill or would you work that through your own department?

Lance Gaebe: I think we could work it through our department we would certainly look to their expertise and leadership just like we've done on some of the transportation grants with having the folks in the Department of Transportation (DOT) assist in reviewing applications that are specialized in their area, we would do the same thing with the Aeronautics Commission, using their expertise. There is some value in having one entity that taps into the Oil and Gas Impact Grant Fund as opposed to two and also having the five elected officials that sit on the Land Board be the final authorizing entity that would award those grants. (4.25)

Senator Krebsbach: I am just looking through the testimony and not seeing any individual request. Are you aware of other things that need to be looked at?

Lance Gaebe: I don't think so. The thing that doesn't appear in the bill because it's already in century code on the Oil Impact Grants I want to remind you that there is a provision of the \$150M that's appropriated in the bill that there exists in statute that 35% of those funds would go to the hub cities and 65% to non-hub cities. It doesn't show up in SB 2013 but would be how the money is allocated. Sometimes it's forgotten because it's not repeated in the bill like it was last session.

Senator Krebsbach: Just because it's not repeated is that exactly what would happen?

Lance Gaebe: It's in 57-62-05, Paragraph 5 in the century code is how the distributions occur.

Senator Krebsbach: Is there more on that particular issue then at this time. Perhaps we will hear from some of the things involved as to what they would like to see if they want that changed it would have to be changed in statute.

Lance Gaebe: That's why I bring it up. The reason I referenced it is because the airport portion would not be subject to that. You'll find that chapter in Section 7 the provision for the \$60M for airports, and Section 8 the \$4M for higher ed grants would not be subject to that limitation of 35% and 65% on line 25 of page 3 (of the bill). Only the base of 150 would be subject to that 35/65.

Senator Wanzek (07.28) presented Testimony attached # 1, Proposed Amendment and he explained his amendment. I was approached by both of our two major industries in the state, agriculture and oil, and they would like to deal with the problem out west regarding dust. It is a significant problem. Cattle are coming down with respiratory type problems. I've talked with farmers who have friends that farm out there where they say with the dust situation in some situations it gets so bad that you go 2 to 3 to 400 yards into the field from

the road and there yield monitor basically says zero until they get past where the dust is impacted, and then it goes up to the 40-50 bushel range, It is a serious problem. What they suggested we consider using the Oil Impact Fund to allow \$15M to be utilized in grant forms to political subdivisions in trying to address the impact from dust within their local area. I'm not an expert on how they are going to do it. I hear from a number of different people, there's different products, different ideas and different efforts that are being done that this would help in their funding or financing with that. The amendment does increase the funding from the oil revenues into the Impact Fund of \$15M I wasn't certain whether there is enough money now to address that so we did add the appropriation and I feel that's up to you guys to discuss and up to our whole Appropriations Committee as a whole to discuss but I wanted to make sure there was the funding for that. I can forward these to you for now.

Senator Krebsbach: (10.04) You are looking for \$15M additional money in this bill for dust suppression, is that it?

Senator Wanzek: Yes. The amendments add \$15M more to the Oil Impact Fund. Currently it's at \$214M this would make it \$229M.

Senator Krebsbach: You say it's at \$214M. I am looking at the executive budget and it's calling for \$221,500,000 on the green sheet. They discussed the green sheet. That's other funds.

Joe Morrissette: In the bill itself, Line 19 - energy impact. That's the total of other funds.

Senator Holmberg: This would add \$15M to that and your position was that you would rather add the money than just mandate that \$15M of the \$214M be spent on dust suppression.

Senator Wanzek: We had discussed that at length with the people that asked me to forward this idea. I know of the \$214M there is \$60M that comes out of there for the Aeronautics Commission. I don't want to hinder other oil impact issues so I thought we should forward it this way and have the discussion. I think they would still appreciate, if we do not appropriate the additional dollars to authorize that \$15M out of this fund can be used for that purpose. I am hearing the dust issue is becoming a huge problem.

Senator Holmberg: (12.57) Right now there is \$215M in that grant loan item, of that we have given a legislative directive, \$60M for airports, \$4M for Higher Education impacted by oil and gas, I wonder what schools those are and the rest is up to your agency to distribute.

Lance Gaebe: Yes and the \$60M and the \$4M would be one time and they expire at the end of the biennium and the remaining \$150M would be anticipated to be on-going and when you say my agency we distribute but the staff in concert with an Energy Impact Advisory Committee makes the recommendations to the Land Board which actually does the awarding.

Senator Holmberg: Does the issue of dust suppression fall outside of what the Land Board could recommend using the money for?

Lance Gaebe: It falls within the preview. We had a number of requests for dust suppression projects from counties and townships. I don't recall if we funded any of them. Maybe a few of the townships that were associated with other re-graveling projects. Large part because the recommendation of the Advisory Board and conclusion of the Land Board was to focus on longer term solutions associated with either permanent housing, infrastructure related activities or safety, and we have a lot of requests for on-going type needs, like salaries for EMT's or city workers or dust suppression and those are the kinds of things that will be recurring expenses and we try to direct the grants towards thing that would work for a long time, like infrastructure, training, fire trucks that will continue to work and dust suppression didn't fit into those categories. (15.15)

Senator Krebsbach: We will be considering everything brought before the committee so Senator Wanzek your request will be scrutinized and discussed. Senator Wanzek stated he appreciated that and will try to work with the committee as much as he could.

Dan Wogsland, ND Grain Growers Association (16.53) testified in favor of the proposed amendment and stated this is a huge top priority and a critical need in western ND.

Senator Warner:(18.34) Is there any objective data, extension done anything or experiment stations done anything that we have a quad viable number?

Dan Wogsland: I am not aware I know NDSU has taken some looks at this. I couldn't sight specifically a study that's been conducted but I can tell you from visiting with people from the western part of the state. He gave an example from an Epping that lost his hay crop. ND Grain Growers Association was proud to be a part of the advisory council which was a part of a study done in western ND, talking about the various dust suppression methods. They are very expensive but it's also expensive to lose the type of crops and type of hay land and other things out in that region. (19.57)

Senator Warner: If we could find some resource perhaps on this issue but also on the cattle side it would be useful in the committee making it's determination.

Brady Pelton, ND Association of Oil and Gas Producing Counties:(20.34) stated his Association is in support of the proposed amendment. One thing I will add to Mr. Wogsland commentary is that we appreciate the \$15M amendment made on top of the base line of \$150M. The committee is well aware of the need out in the west.

Senator Holmberg: Is your ardor for the dust suppression less if we just mandated that it come out of \$150M?

Brady Pelton: The \$15M is an appropriate number for dust suppression as Mr. Wogsland commented. It fits out pretty well in terms of covering the major counties that are affected by dust control.

Senator Krebsbach: I believe your remarks are quite clear. You wanted it in addition to. He agreed.

Shane Goettle, City of Minot: I am glad the question was clarified regarding the 35% and what portion of this would be applied against because I calculate the numbers about \$52 ½ M would be allocated toward the hub cities and then the Land Board would determine among those hub cities the allocation. I want to point out that the mayor of Minot stated the city of Minot was seeking at least \$15M out of those funds to assist with oil impact in the city of Minot.(23.23) He was asked if that was mostly airport. No, that is separate discussion. Both the \$60M and Minot had identified potential application for \$25M for their new terminal and associated projects.

Senator Holmberg: It's a very crowded airport. Minot is looking to remain on the same grounds and do a new terminal whereas Williston is looking at a new airport.

Shane Goettle: The Minot project consists of a brand new terminal as well as parking and expansion of the apron. The runways are sufficient so this is just getting more space to put passengers and planes, to move them through the process. I also represent the Airport Association of ND and they are in fully supportive of the \$60M and also the involvement of the Aeronautics Commission in some way in the allocation of those funds.

Senator Holmberg: Just a comment, Grand Forks did a new terminal and immediately found they did not have enough parking. : (Question directed to Mr. Gaebe) (25.11) You had asked for 10 employees and you got 6 ¼ and are they prioritized? If this committee would look at the FTEs in the governor's budget, and looked at the three positions you'd like to have, is there any of them you would like us to consider to substitute for the 6 ¼ that the governor so generously gave. He was told no. are these three that are listed at the bottom, are they in an order of priority?

Lance Gaebe: I have unclaimed property the first one, the assistant to investment director and then land management specialist. The second one I would prioritize. There is another bill on the House side which will allow us to hire, contract auditors for some of the unclaimed property responsibility, to hire accounting firms, if you will. Similarly we do hire some retired natural resource specialists to help us with some of the land management responsibilities and so we can continue to perform with those roles, but I do have some concern as we have exceeded the \$2.3B is to have two sets of eyes looking at the investment activity.

Senator Krebsbach: We will meet again next week. We are recessed.

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2013 Subcommittee
02-20-2013
Job # 19270

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Subcommittee hearing to provide an appropriation for defraying the expenses of the commissioner of university and school lands.

Minutes:

See attached testimony

Chairman Krebsbach called the subcommittee hearing to order on Wednesday, February 20, 2013 at 2:30 pm . Members present: Holmberg and Warner. Joe Morrissette from OMB and Becky J. Keller from Legislative Council were present.

Chairman Krebsbach: I have one question : on the match for the airports, can local and federal funds be used?

Lance Gaebe Land Commissioner: The Land Board is encouraged to have matching funds. It doesn't say if federal or local in page 3, line 22. I interpret it as being either or a combination of funds. I think it's pretty permissive on how the land board would interpret it. It would be encouraged that they be local, funds other than state dollars for this particular grant. One thing, about this section, we've already coordinated with the aeronautics director on how we would anticipate procuring this grants using their formulas and their scoring, their prioritization points; trying to create a whole new system on how these would be awarded. We would work hand in hand with their existing plans on how these grants are considered by the landlord. I was contacted for amendments to specify to a federal source, but I don't know if it is already drafted or not.

Joe Morrissette I do have amendments here. Testimony attached # 1 - Proposed Amendments to Senate Bill No. 2013. The intent in the executive budget was that local funds be used to match federal funds. It isn't clearly laid out in this section. It just says there should be consideration given to the availability of federal/ local funds. The amendments I have here, that we would ask that you consider, would just require that the grants be used on projects where federal funds are available.

Senator Holmberg is that language not to conform to what I understood our congressional delegation had lined up that the money was going to be used for oil country airports.

Joe Morrissette The section does say that is for airports impacted by oil and gas development. That wouldn't be changed by these amendments, it would just clarify that it should be for those that are eligible for federal funds.

Senator Holmberg what airports are eligible for the federal money?

Lance Gaebe: I do have a list of western airports: Dickinson, Minot, Williston, Bowman, Crosby, Parshall, Stanley, Towner, and Watford City. In the list, prepared by the Aeronautics commission planer, Killdeer and New Town would not be eligible.

Chairman Krebsbach I have a problem with limited strictly to the federal, in view of the federal funds they have now limited their amount of money going to an airport to no more than 20M. I read that in someone's testimony. Did anyone present the amendments? Should we take a look at them at this time? Is there any desire to adopt this amendment to limit the amount of matching funds to be strictly federal grants?
Proposed Testimony attached # 1.

Senator Warner I have a problem with context here, my understanding of the amendment is more like a triage thing. It is that an airport project should be to the level of approval by the federal government and that it doesn't really have to do with a federal match. (9.20)

Joe Morrisette That is correct, this ensures that the funds are used to maximize the available federal funds.

Senator Holmberg moved the amendment. 2nd by Senator Warner.

Chairman Krebsbach Voice vote, all in favor. Motion carried.

Senator Holmberg - your mayor talked about section 9 in the bill. It might refer to the Energy Impact brochure.

Chairman Krebsbach He mentioned the dollar amount they were hoping to see out of this particular \$60,000 grant that the state is providing; that a certain amount be designated to the 3 major cities as it was in the last bill.

Lance It is not printed in the bill but that is part of section 57-51 of CC, the amount that is allocated for the oil and gas impact grants. The Energy Impact Office director shall recommend that at least 35% of those funds be made available to the 3 largest cities in the oil and gas impact counties. It is not in the bill because it is already in the law.

Shane Goettle, Minot section 9 has to do with a hub city concept. Hub city defined as those cities where 2% of their employment is in the mining sector. There are 3 hub cities in western North Dakota : Minot, Dickinson and Williston. Each had an appropriation, Minot's last biennium was about \$500,000. He was urging you to continue with that concept. In HB 1358 that whole thing will be substantially changed if the bill prevails. Hub cities would get much more than what they received under the current biennium.

Shane two different things, first the hub cities concept for the direct appropriation of the \$500,000; the second thing out of the impact fund, currently in code is the 35% for grants to be received from the hub cities. This bill doesn't change that at all. The 35% remains in code. If nothing else changes 35% of the 150M would go to the hub cities. The 60M for

airports would not be part of the 35%. Of the governor's proposal, minus 60M for the airports, you take 35% of the hundred and fifty some millions that remains about 52 ½ M would be available to the hub cities to apply for impacts.

Chairman Krebsbach There is a 15M request for dust suppression to be added to this bill. Senator Bowman explained the problems that go along with dust suppression.

Senator Bowman From past experiences, dust is a major problem. Because of the amount of truck traffic on gravel roads, people are getting sick, the cattle won't eat. As the oil field has moved north, the problem is getting worse. I went to Belfield, you could hardly see the city because of all the dust from all the oil wells being built around it. We have tried 3 different products for dust control, some work for a while others don't, with others the roads gets so hard, you can't fix them. I am looking at a product made in Kansas that you blend with water, may be a good product to experiment with. I am looking for a reference in Texas to find out if it is worth bringing up.

Chairman Krebsbach we are going to have to do a bit more visiting on this issue. We need to make a determination as to whether we want to insert some funding for this. If so, if we want to put any strings attached to it (i.e. a proven system) it seems as though we need to have some control over the amount of money utilized for this.

Senator Holmberg Would you mind if we took the 15M out of the grant line item, none seemed to like that idea. Is there anything precluding the money that is in that fund right now to be utilized for dust suppression: or would that committee want to spend their money on proven things rather than this which appears to have some problems

Lance Gaebe: there is nothing in law that, as I understand it that would preclude putting in dollars for that kind of activity. They have tried to put the grants towards ongoing and permanent types of projects (infrastructure that lasts several years, decades). Dust control is of a fleeting nature.

Chairman Krebsbach that doesn't fall into your guidelines to fund, so we either have to direct you to do it or dedicate dollars for it. 21.91)

Lance You can do that with legislative intent or otherwise, guidelines are not in stone, more of a direction they have chosen to go with longer term projects with more permanent results.

Senator Warner. I think North Dakota Department of Transportation (DOT) continues experimental programs on experimental pavements, aggregates. They would have better expertise in establishing guidelines in experimental conditions when you would have something to measure it against. I think that is the best way to go. Encourage them to do some experimentation on dust control and suppression and do it with the DOT budget.

Chairman Krebsbach I have problems with the amendment we drafted, because I know Minot is looking for a sizeable amount of that money and it would eliminate them being able to access probably five million dollars because of the new limitation that federal has put on granting for airports.

Joe Morrissette I don't know about that limitation. The amendment we drafted would just say that the grant funds should be distributed for projects that have been awarded federal funding. There is nothing in the bill or the amendment that would require it to be a one to one match.

Chairman Krebsbach adjourned.

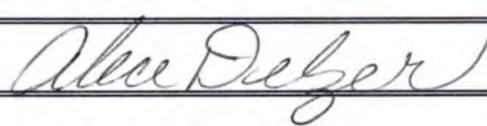
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2013
02-21-2013
Job # 19371

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for the Department of Trust Lands (Do Pass as Amended)

Minutes:

You may make reference to "attached testimony."

Vice Chairman Grindberg: called the committee to order on Thursday, February 21, 2013. All committee members were present except Senator Mathern.

Becky J. Keller-Legislative Council
Sheila Peterson -OMB

Senator Krebsbach: The amendment to the bill 2013, # 13.8163.01003 Testimony attached # 1. She explained the amendments. (0:02-3:58)

Senator Krebsbach: Moved the Amendment # 13.8163.01003.

Senator Robinson: Second

Senator Wanzek: I am trying to understand this. Now we are doing a pilot project?

Senator Krebsbach: Yes. It will be available on a grant basis with application that will be established by the land department.

Senator Wanzek: So the actual pilot projects are paid out of something other than the state?

Senator Krebsbach: They are coming out of the \$10 million but they are designated for those three counties.

Vice Chairman Grindberg: All in favor, motion carries.

Senator Krebsbach: Gave the dollar amounts for the bills. The FTE's is an increase of 6.25 FTE's. One was a grants administrator position, one was an account budget specialist, the other was for 4.25 FTE positions for land and mineral management. That covers the bill.

Senator Krebsbach: Moved a Do pass as Amended.

Senator Kilzer: Second

Senator Carlisle: They have enough equipment?

Senator Krebsbach: I don't recall any special requests for that.

Senator Robinson: The dust situation is beyond words. The magnitude of this budget reflects the magnitude of the activity. I think the committee made a good faith effort and it is important we return these dollars. We had a debate about the money. As long as we have trucks, we will have dust. When they put the lines in, it is a long process but it needs to be done.

Vice Chairman Bowman: What I see happening with this, is we are going to be looking at three or four different products. With all of the truck traffic, what product is lasting the longest? Once we get that information available, we can put a request in for the other counties. They can apply for the grants. If we get the right product it is more valuable to do it this way.

Senator O'Connell: For committee's information the county I work for uses these products already. It lasts the whole season.

Senator Wanzek: Isn't there a well pumping 5,000 barrels a day in McKenzie County.

Vice Chairman Grindberg: We will take the roll on a Do Pass as Amended on SB 2013.

A Roll Call vote was taken. Yea: 12; Nay: 0; Absent: 1.

Vice Chairman Grindberg: The emergency clause is on. Senator Krebsbach will carry the bill.

The hearing was closed on SB 2013.

2/22/13
TD

PROPOSED AMENDMENTS TO SENATE BILL NO. 2013

Page 1, line 5, remove "and"

Page 1, line 5, after "date" insert "; and to declare an emergency"

Page 1, replace line 15 with:

"Salaries and wages	\$4,145,824	\$1,173,727	\$5,319,551"
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Page 1, replace line 19 with:

"Energy infrastructure and impact office	0	224,000,000	224,000,000"
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Page 1, replace line 21 with:

"Total special funds	\$105,455,189	\$126,055,775	\$231,510,964"
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Page 2, after line 8, insert:

"Energy impact grants - dust control		0	10,000,000"
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Page 2, replace lines 11 and 12 with:

"Total all funds		\$65,010,000	\$74,065,550
Less estimated income		<u>35,010,000</u>	<u>74,065,550"</u>

Page 3, line 21, replace "may develop" with "shall adopt"

Page 3, line 22, replace "may" with "must"

Page 3, line 23, replace "based on" with ". Cost-share requirements must consider"

Page 3, line 23, remove "federal and"

Page 3, line 23, after the period insert "Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding."

Page 4, after line 2, insert:

"SECTION 9. PILOT PROJECT - DUST CONTROL. The energy infrastructure and impact office line item in section 1 of this Act includes \$3,000,000 for grants of \$1,000,000 each to three counties in oil-impacted areas for a pilot project for dust control for the period beginning with the effective date of this Act and ending June 30, 2015. The county commission from each county shall file a report with the department of trust lands by August 1, 2013, regarding any product used to control dust and the success or failure of the product in controlling dust. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for distribution of grants under this section. Grants distributed pursuant to this section are not to be considered in making grant recommendations under section 57-62-05.

SECTION 10. OIL AND GAS IMPACT GRANT DISTRIBUTION FOR DUST CONTROL - CONTINGENCY. The energy infrastructure and impact office line item in

section 1 of this Act includes \$7,000,000 for grants to counties in oil-impacted areas for dust control for the period beginning with the effective date of this Act and ending June 30, 2015. If the pilot project for dust control included in section 9 of this Act identifies products that are successful in controlling dust, the energy infrastructure and impact office may provide grants to other counties in oil-impacted areas for dust control. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for distribution of grants under this section. Grants distributed pursuant to this section are not to be considered in making grant recommendations under section 57-62-05."

Page 4, line 16, replace "fourteen" with "twenty-four"

Page 5, line 18, replace "10" with "12"

Page 5, line 20, replace "9" with "11"

Page 5, after line 21, insert:

"SECTION 16. EMERGENCY. The sum of \$10,000,000 included in the energy infrastructure and impact office line item in section 1 of this Act and sections 9 and 10 of this Act are declared to be an emergency measure."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$5,312,873	\$6,678	\$5,319,551
Operating expenses	1,925,863		1,925,863
Capital assets	65,550		65,550
Energy infrastructure and impact office	214,000,000	10,000,000	224,000,000
Contingencies	<u>200,000</u>		<u>200,000</u>
Total all funds	\$221,504,286	\$10,006,678	\$231,510,964
Less estimated income	<u>221,504,286</u>	<u>10,006,678</u>	<u>231,510,964</u>
General fund	\$0	\$0	\$0
FTE	31.00	0.00	31.00

Department No. 226 - Department of Trust Lands - Detail of Senate Changes

	Corrects Executive Compensation Package¹	Increases Funding for Energy Impact Grants²	Total Senate Changes
Salaries and wages	\$6,678		\$6,678
Operating expenses			
Capital assets			
Energy infrastructure and impact office		10,000,000	10,000,000
Contingencies			
Total all funds	\$6,678	\$10,000,000	\$10,006,678
Less estimated income	<u>6,678</u>	<u>10,000,000</u>	<u>10,006,678</u>
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

²Funding is added to the Energy Infrastructure and Impact Office line item for a pilot project in Bowman, Dunn, and Mountrail Counties and for additional grants for dust control.

This amendment also:

- Adds a section as an emergency to provide for a pilot project for dust control in Bowman, Dunn, and Mountrail Counties.
- Adds a section for a grant program for dust control if the pilot project identifies products that are successful in controlling dust.
- Amends Section 7 of the bill relating to oil impact grants to airports.
- Increases the allocation of oil and gas tax revenue to the oil and gas impact grant fund to \$224 million. The executive budget recommendation increased the allocation from \$100 million to \$214 million.

Date: 2-21-13

Roll Call Vote # 1

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2013

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number 13.8163.0100.3

Action Taken _____

Motion Made By Krebsbach Seconded By Robinson

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg			Senator Tim Mathern		
Co-Vice Chairman Bill Bowman			Senator David O'Connell		
Co-Vice Chair Tony Grindberg			Senator Larry Robinson		
Senator Ralph Kilzer			Senator John Warner		
Senator Karen Krebsbach					
Senator Robert Erbele					
Senator Terry Wanzek					
Senator Ron Carlisle					
Senator Gary Lee					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

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

*Voice Vote
carried*

Date: 2-21-13

Roll Call Vote # 2

2013 SENATE STANDING COMMITTEE
ROLL CALL VOTES

BILL/RESOLUTION NO. 2013

Senate Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Krebsbach Seconded By Kilzer

Senators	Yes	No	Senator	Yes	No
Chariman Ray Holmberg	✓		Senator Tim Mathern	A	
Co-Vice Chairman Bill Bowman	✓		Senator David O'Connell	✓	
Co-Vice Chair Tony Grindberg	✓		Senator Larry Robinson	✓	
Senator Ralph Kilzer	✓		Senator John Warner	✓	
Senator Karen Krebsbach	✓				
Senator Robert Erbele	✓				
Senator Terry Wanzek	✓				
Senator Ron Carlisle	✓				
Senator Gary Lee	✓				

Total (Yes) 12 No 0

Absent 1

Floor Assignment Krebsbach

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

REPORT OF STANDING COMMITTEE

SB 2013: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (12 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). SB 2013 was placed on the Sixth order on the calendar.

Page 1, line 5, remove "and"

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Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - Senate Action

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Department No. 226 - Department of Trust Lands - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Increases Funding for Energy Impact Grants ²	Total Senate Changes
Salaries and wages	\$6,678		\$6,678
Operating expenses			
Capital assets			
Energy infrastructure and impact office		10,000,000	10,000,000
Contingencies			
Total all funds	\$6,678	\$10,000,000	\$10,006,678
Less estimated income	6,678	10,000,000	10,006,678
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

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2013 HOUSE APPROPRIATIONS

SB 2013

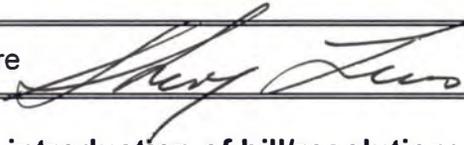
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2013
March 19, 2013
Recording Job# 20121

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the commissioner of university and school lands; to provide for distributions from permanent funds; to amend and reenact subsection 1 of section 57-51-15 and section 57-62-04 of the North Dakota Century Code, relating to oil and gas gross production taxes and the energy infrastructure and impact office; to provide an effective date; and to provide an expiration date.

Minutes:

Chairman Thoreson: Opened the hearing on SB2013. All members were present.

Lance Gaebe, Commissioner, ND Department of Trust Lands: See testimony attachment 1.

3:41

Chairman Thoreson: How much is unclaimed property holding right now?

Lance Gaebe: It's part of the common schools trust fund; it's in the \$34 million range and that's been established since 1975 as part of the Uniform Unclaimed Property Act. The interest income benefits the common schools trust fund.

6:39

Vice Chairman Brandenburg: I notice Ellendale is in there with an asterisk behind it; does Ellendale get money out of this?

Lance Gaebe: Ellendale is listed as one of the beneficiaries in the constitution, but since that state owned college no longer exists, a legislative action in the early 80's described how that distribution now takes place. It's equally split between the beneficiaries listed under that asterisk.

7:48

Representative Sanford: On the common schools trust fund; what is the balance in there that's producing this kind of income and what's the projection for that balance over the next biennium?

Lance Gaebe: I don't have the balance for each of the funds; I have them collectively in the line graph on page 3.

Lance Gaebe continued with his testimony.

12:24

Representative Glassheim: What accounts for the difference between your projection of the balance of \$709 million and the governor's project of \$1.35 billion?

Lance Gaebe: They're the same. The \$1.35 billion at the end of the 2013-2015 biennium; and the \$709 million is in the current biennium.

Lance Gaebe continued with his testimony.

13:56

Representative Sanford: I'm assuming that means not taking any money out of that \$709 million; you're just projecting it straight forward?

Lance Gaebe: That's correct. That's based on the executive budget. The executive budget had appropriated \$204 million out of that; \$200 million for a school construction loan and \$4 million for a UAV program.

Vice Chairman Brandenburg: That number isn't the number that's in my mind. It would be nice to have a breakdown of what you have provided to us so we can compare that; so that we can get a true number to work with.

Lance Gaebe: We could have that information to you by this afternoon.

Representative Glassheim: How much is being put into the legacy fund from that \$300 million overflow? What was the rationale for that?

Lance Gaebe: It's around \$85 million that's coming from the tax source. About 25% of that of oil and gas taxes are going to the legacy fund; and on the royalty side we're generating around \$5 million monthly.

Representative Glassheim: So \$90 million monthly is being generated?

Lance Gaebe: Yes. Twenty-five percent of that number is \$22 million.

Representative Glassheim: So a total for the biennium would be in the \$300-\$400 million range?

Lance Gaebe: No. Last month we started carving out 25% of the revenue stream; so it would be whatever remains of this biennium. There aren't any bills that change formula going forward. The trigger says that the unobligated balance of the strategic investment and improvements fund exceeds \$300 million; so there is an obligated balance.

Representative Glassheim: What was the reasoning behind that?

Lance Gaebe: I don't know specifically. It was in the legislative action in HB1451. I think at the time the revenue forecast had at about \$300 million; it wasn't anticipated that we would reach this trigger.

Representative Kempenich: If we don't change anything in the stabilization fund there's going to be over \$1 billion in that fund in 2015.

Lance Gaebe continued with his testimony.

21:44

Chairman Thoreson: How many are you defending right now?

Lance Gaebe: There are three major ones involving the assets under the navigable rivers and the ordinary high water mark. There are probably 3 or 4 additional ones that are specific to a tract or specific to a parcel.

Chairman Thoreson: Is that through the attorney general's office that's not outside counsel?

Lance Gaebe: It's a combination. One of them was the attorney general's representation; he retired in October but continues to serve as a special assistant attorney general.

Vice Chairman Brandenburg: Is that the core land above the tick line? Is that the discussion with that?

Lance Gaebe: No. The land I'm talking about is under the bed of the navigable river. So under Lake Sakakawea and Lake Oahe; it's the bed of the original river before inundation. We use historical photos to determine where that river lies before we fill it up.

Chairman Thoreson: Where are we at with the litigation process on that?

Lance Gaebe: The district court of Williams County found for the state 2 months ago a lawsuit where two of the parties merged. There are a number of questions regarding manmade structures and inundation by the lake. The court at the district level has found that the state was not egregious in its actions by leasing up to the ordinary high water mark.

Representative Kempenich: How many acres are we talking about?

Lance Gaebe: Under the bed of the river itself it's hundreds of thousands of acres. The real dispute is regarding the shore zone; meaning the band of assets between the ordinary high water mark and the water's edge, or where the water might be today. It does involve in excess of \$100 million in bonuses that we are holding as part of the SIIF; but it's in an assigned fund balance, it won't be spent, transferred, it isn't available for appropriations.

Chairman Thoreson: So you're just holding on to that money until this is resolved?

Lance Gaebe: Correct. The legislation about the creation of the fund specifically acknowledges that legal actions are under way and authorizes the land board to withhold that from being transferred.

Representative Kempenich: So that's set off to the side?

Lance Gaebe: Right. It's about \$110 million that is set off to the side in case the lawsuits go the wrong way.

Representative Kempenich: We're basing that from statehood?

Lance Gaebe: Yes. It's under the equal footings doctrine. All states when they entered the union were given that asset so they were on the same par as the original 13 colonies. All states were given that asset to manage it, define what the ordinary high water mark is; some states declare that they don't have navigable rivers. Wyoming, for example, decided that they didn't have rivers that navigable at statehood.

Vice Chairman Brandenburg: Do you have adequate funding for these lawsuits? Do we need to prepare ourselves for a larger lawsuit?

Lance Gaebe: Many of these are related to the minerals on the river. We have continuing appropriation authority for the expenses to maintain the assets. We use the SIIF dollars for continuing appropriation. Our legal issues have grown dramatically; not just because of the river issue; but, because of very old transactions, different retention policies, etc.

Chairman Thoreson: In the private sector you find a lot of cases where the state gets involved in those minerals.

Lance Gaebe: Every day something comes up.

Vice Chairman Brandenburg: I just wanted to make sure there was adequate funding to take care of those issues.

Lance Gaebe: In the river issues there is because we have the continuing authority. There was in the attorney general's budget another FTE that was going to be assigned specifically to us. We share an attorney now with the mineral resources division. That was removed from the attorney general's budget.

Lance Gaebe continued with his testimony.

35:22

Chairman Thoreson: How much of the not so good stuff?

Lance Gaebe: We've leased minerals in Burleigh County, Emmons County and Grant County. We could see additional owner's activity if there's new formations; we have some acreage left but not a great deal.

39:21

Chairman Thoreson: So it's your thought that there's still something out there being unfound or uncollected?

Lance Gaebe: Unquestionably.

Representative Kempenich: What do you do if you do find discrepancies on the state side? Do you contact or do anything with the other royalty holders that are involved in that?

Lance Gaebe: When there are discrepancies or disputes with royalty owners, generally the royalty is held in suspense by the operating company; so we wouldn't receive it and neither would the other royalty owner in that dispute.

43:27

Chairman Thoreson: What kind of things do you do to make sure there's rightful stewardship?

Lance Gaebe: We have a reclamation plan for all of our rights of way involving the grass mix, the preservation of top soil. The implementation of that plan was another FTE that you approved. We put one of the FTE's that you approved for the department as a land management specialist specifically to work on the reclamation inspections. Part of our role is inspecting post activities.

Representative Kempenich: When you came up with your rules; did you use guidelines like they have in the mines? How did you generate rules that you do have in place on the reclamation?

Lance Gaebe: There is some crossover. Our rules are not administrative rules they are basically policies of the board and experience of our staff. Our surface director has 32 plus years of experience in soils, botany and range management.

Vice Chairman Brandenburg: On the gravel applications, is gravel going out on the roads and leasing out gravel pits; things like that? Is it becoming an income source?

Lance Gaebe: It certainly is. It's all the construction activities. The last auction we had there were 6 interested parties and we bid up to \$6.00/yard was the bid for gravel in Mountrail County.

Vice Chairman Brandenburg: That's going out to different projects or going to roads for the counties, townships or combination of all?

Lance Gaebe: It's a combination of all. We have specific leasing agreements with counties. We've reached out to counties in the oil patch on identifying tracks that had gravel potential so that they might prospect them and find out if the aggregate was decent. We have both county and private contractors to replace gravel on county roads and also for aggregate for construction of the state highways, fill material for state highways and gravel pads for rig pads.

Vice Chairman Brandenburg: Is that across the whole state?

Lance Gaebe: We have activity across the whole state. The increase I'm describing is largely McKenzie, Mountrail, and Williams counties.

Representative Kempenich: Most of these contractors don't submit a bid unless they have an aggregate source lined up.

50:22

Chairman Thoreson: Is that currently being done other places or is this a new use of that?

Lance Gaebe: It's both. I don't know if it's being used in the state for gravel; but it's a proven technology that is used for excavation work.

Lance Gaebe continued with his testimony.

53:37

Chairman Thoreson: There are entities or business on that site who have long since changed their name. How long has some of that money been lying around there?

Lance Gaebe: Since 1975.

Chairman Thoreson: How would something with the name of ND Agricultural College be in there because that name was changed in the 1950's?

Lance Gaebe: If they could show documentation that they have changed their name or if it's a case somebody has changed their own name or legal heir.

Chairman Thoreson: You just have to have some type of proof.

Lance Gaebe: Utility bills, marriage licenses, death certificates, estate distributions are all things that we'll look at to ensure that the rightful owner is getting the property.

Chairman Thoreson: Are there people who are not the rightful owners who contact you trying to get money?

Lance Gaebe: It happens. Probably more frustrating are people that have generic names to prove that they are the correct ones.

Representative Kempenich: Do you wind up with any mineral acres in the unclaimed property?

Lance Gaebe: We don't have unclaimed minerals; but we could have royalty distributions that they go to an unfound person.

Lance Gaebe continued with his testimony.

1:01:46

Chairman Thoreson: The pie chart award amounts by function. Is that corresponding to the requests?

Lance Gaebe: I have a breakdown of that; but, not in my presentation.

Chairman Thoreson: If you have a breakdown we'd like to be able to see it.

Lance Gaebe: We'll get that to you.

Vice Chairman Brandenburg: How many dollars were given to the townships for the \$260,000.00?

Lance Gaebe: It was \$4.5 million for biennium was for the townships.

Vice Chairman Brandenburg: Did that go to all the townships in the 17 oil producing counties?

Lance Gaebe: No. We had 2 township rounds. The first one was a larger focus on the safety needs and specific projects where there was a real public safety concern. The second round we added about 150 applications from townships; over 30 of those received more substantial grants of the \$2.5 million that was award; for very public safety oriented things. The remainder of the \$2.5 million was divided to the other applicants; they each received \$2,600.00. There are a number of townships in the western counties that didn't apply.

Representative Sanford: Could you comment on the recreation and education grants; the nature of those?

Lance Gaebe: The recreation grant was a specific one for a baseball field that was located on the wrong side of highway 85 in Watford City. It was funds to move that to the kid side of town and not the truck route. The education side we did 2 pieces. One was \$5 million that was set aside for temporary classrooms and we did a pilot program for modular childcare grants.

Representative Guggisberg: Is any of that for roads?

Lance Gaebe: Very little of that; probably none is for roads.

Representative Guggisberg: Are there any kind of plans going on? Can we identify the needs before we start making these grants?

Lance Gaebe: A part of that other \$3.9 million is a \$300,000.00 grant that was provided to the southwest reap zone and the Association of Oil and Gas Producing Counties. That matched a \$1.5 million HUD grant for planning. There are 20 different communities using that for planning grants.

Representative Guggisberg: Is there something in the state that we have planning?

Lance Gaebe: There is a planning initiative in the department of commerce's budget in the current biennium; I don't know the amount. My understanding is that it was set up in the executive budget to do what you described.

Representative Sanford: In the area of the public works, when a developer comes in and works with the city with a grant. How does calculate out in terms of the developers responsibility?

Lance Gaebe: Every city is different in how aggressively they ask the developers to be active in that role. The grants we provide are only to the political subdivision. Some cities are much more aggressive about requiring the developer to put in the dollars for infrastructure than others.

Representative Glassheim: In the impact grants you gave out about \$125 million in this biennium?

Lance Gaebe: Correct; \$124 million. You awarded \$130 million; but \$5 million went directly to the department of public instruction for rapidly growing school districts.

Representative Glassheim: It was specifically appropriated for that amount?

Lance Gaebe: That's correct.

Representative Glassheim: How much are we planning for 2013-2015?

Lance Gaebe: This budget has \$260 million in; \$150 million is continuing, \$64 million is one-time, and the Senate added an additional \$10 million to that, \$10 million was for dust control.

Representative Glassheim: Can you distinguish between these grants and the approach of HB1358? Are we duplicating? Are they doing something different from what you're doing?

Lance Gaebe: There is some duplication because the grant program I'm talking about is also in HB1358 for \$150 million as it was passed out of the House. What's in this bill that's not in HB1358 is the \$74 million of one-time money; \$60 million for airports, \$4 million for higher education and \$10 million for dust.

Representative Glassheim: But the \$150 million is the same \$150 million?

Lance Gaebe: That's correct; with one caveat. Existing law in the century code says that 35% of that amount shall go to the hub cities; and HB1358 removes that allocation.

Chairman Thoreson: HB1358 may have some new requirements.

Lance Gaebe: That's correct.

Representative Glassheim: The \$64 million; that the \$60 million for airports and \$4 million for universities?

Lance Gaebe: That's correct.

Representative Kempenich: The \$10 million is in DOT's budget then; because it doesn't show up here. Did that get amended into your budget also?

Chairman Thoreson: It's in sections 9 and 10 of the amendments. They added 2 sections dealing with the dust control. Correct?

Lance Gaebe: Correct.

Lance Gaebe continued with his testimony.

Chairman Thoreson: Recessed the hearing.

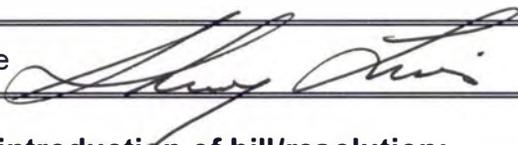
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2013
March 19, 2013
Recording Job# 20157

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the commissioner of university and school lands; to provide for distributions from permanent funds; to amend and reenact subsection 1 of section 57-51-15 and section 57-62-04 of the North Dakota Century Code, relating to oil and gas gross production taxes and the energy infrastructure and impact office; to provide an effective date; and to provide an expiration date.

Minutes:

Chairman Thoreson: Reopened the hearing.

Lance Gaebe continued with his testimony.

09:25

Representative Kempenich: Do you have any people that are close to retirement? Could you put together something that shows where you're at with that?

Lance Gaebe: I can provide you with a status. We have a number of employees that are eligible to retire and some have passed it. Probably 1/3 of the department is within 3 to 5 years of being able to retire; not that they will, but, they can.

Vice Chairman Brandenburg: What are we going to do when this downsizes and we have to find a way to deal with that?

Lance Gaebe: As soon as you get the needs taken care of in one city, they continue to grow. I don't think we're going to be over the energy impact any time soon. I don't see a down trend for 20 or 30 years.

18:27

Representative Glassheim: For 2-8 years we're not going to see declining revenues for your department. Is that your understanding?

Lance Gaebe: I think we are going to see increasing revenues.

23:40

Vice Chairman Brandenburg: Is there other land that hasn't been leased that could be leased? Are we at the point of saturation where the leases could be in the future?

Lance Gaebe: There is some. In Williams County about 500 acres remain. There's not a lot of land in the fairway of Williams, Mountrail, McKenzie and Dunn counties.

Lance Gaebe continued with his testimony.

25:19

Vice Chairman Brandenburg: How did the Senate come up with \$10 million for dust control?

Lance Gaebe: I think the Senate suggested \$15 million by the some folks from the agriculture and petroleum industries and \$10 million was the figure that was arrived at.

Lance Gaebe continued with his testimony.

29:40

Representative Kempnich: For the common schools trust fund; have you done any projections?

Lance Gaebe: Referenced page 3 of testimony.

35:17

Representative Glassheim: Is your 6% modest risk and pretty realistic?

Lance Gaebe: That's based on the investment return; it's modest risk. We've done much better than that in the past year.

36:20

Representative Glassheim: That's even with the downturn of 1-3 years?

Lance Gaebe: The revenue stream we're talking about are the royalties, pasture rents, income from easements, rights of way and gravel leases. The 6% is just the investment return.

David Waind, City Manager, City of Minot: See testimony attachments 2 and 3.

47:00

Representative Guggisberg: You said there's a 22% increase in utility costs. Does that mean you raised the rates 22%?

David Waind: Yes.

Representative Guggisberg: That's because the rates have increased?

David Waind: Trying to handle the capital investment that we're making and the only source that we have to go to is the utility fund. That's one of things we would get if impact

funds are approved. It would go towards helping us pay for some of those water and sewer lines and not require the utility to pick them up.

Representative Guggisberg: So there hasn't been any other rate increases or increase in property taxes?

David Waind: Property taxes went up about 10% last year. Our average pay without the additional staff went up 12%. We had to do that because we've had an extremely time holding on to the employees that we have and trying to attract new employees.

Vice Chairman Brandenburg: What are you looking for out of the \$60 million for the airport and for the oil impact fund?

David Waind: Our goal would be to get a minimum of \$15 million out of the oil impact fund; the funding for infrastructure. Out of the \$60 million we're looking for \$25 million. If we don't get the \$25 million, we won't be able to get our airport terminal built in a timely manner. As it is, if we get the funding, the earliest we'll have that project completed will be late in 2015.

Representative Kempenich: Have you annexed some of this land or is it just under your control?

David Waind: It's under our master plan at looking at future growth areas. Some has been annexed; but, there's a lot that has not been annexed.

Andy Solsvig, Airport Director, Minot International Airport: See testimony attachment 4.

54:45

Vice Chairman Brandenburg: You said you're looking for \$25 million for the airport. Looking back at the pie chart, \$25 million would come from the state, \$25 million from the city, \$20 million from FAA funding and \$15 million from 2012 FAA funding; so \$85 million is for that project.

Andy Solsvig: That's correct. \$20 million of the FAA funding is a cap that is now placed based on a rule of airport improvement project funding; so we can't exceed that cap of \$20 million for terminal projects. We were able to receive some funding in 2012 for some other associated projects.

Representative Glassheim: The Minot share you'll bond for that and pay it off over 20 years?

Andy Solsvig: That's correct. We plan on issuing revenue bonds or PFC bonds so that we can match that.

Matthew Remyse, Manager, Dickinson Theodore Roosevelt Regional Airport: See testimony attachment 5.

1:00:01

Representative Kempenich: What would you do in the next 2 years if you received a portion of it?

Matthew Remyse: In the next 2 years, the energy impact would help us with the projects identified for getting airline service in; we'd have to expand our commercial ramp, modify our terminal parking; we're looking at a cost of \$730,000.00 for that.

Vice Chairman Brandenburg: How much of this money is Dickinson looking for?

Matthew Remyse: This year we're looking at \$2.5 million and that would be for a general aviation ramp. Next year we're looking projects that we can possibly move forward; however, we need to get through our environmental process first.

Brady Pelton, Deputy Executive Director, ND Association of Oil and Gas Producing Counties: See testimony attachment 6.

1:09:22

Representative Kempenich: The last session or session before we had some products through DOT. How did that ever turn out?

Brady Pelton: You're correct in saying that there was previous research done on this; I believe it was done by LTAP through DOT. Results from that concluded that several products worked on the dust control issue. It was also discovered that every in county in western North Dakota is a little bit different in terms of the material used on county roads.

1:12:21

Representative Glassheim: If you estimate \$1.2 billion worth of project; assuming locals take half, you're at \$600 million which is $\frac{1}{4}$ of what is being appropriated. Are we 4 sessions behind?

Brady Pelton: I echo your concern on whether or not this is enough money. Contractors are a bit tied up; but, we're seeing a lot of out of state contractors come in and alleviating the strain on our in-house contractors in the state. With ongoing and rising costs of construction and infrastructure projects, I understand your concern in making sure this is a base number.

Representative Sanford: Looking at the list of communities that had the assessments done, there's a significant range of cost. What would be a differential between these?

Brady Pelton: I think that one of the major differences between these communities may be age of the infrastructure and work that has been previously done on those. In many of these cities, in the heart of the oil patch, have taken substantial steps towards beefing up their infrastructure to make it acceptable for use.

Vice Chairman Brandenburg: Is everybody being covered?

Brady Pelton: There are about 125 communities that were invited to take part in this infrastructure assessment. We went into the infrastructure portion of this project with the understanding that many of our local leaders; especially in the bigger towns, would be less likely to return their impact survey. We did our best to cover the gaps.

1:19:22-1:20:28

Todd Krandt, Kelsch Law Firm, on behalf of ND Petroleum Council: Testified in support of SB2013 and specifically sections 9 and 10 of the bill.

ReAzza Zeez, Upper Great Plains Transportation Institute on Campus of NDSU: See testimony attachment 7.

1:28:53

Representative Kempenich: You're suggesting \$400 million but if you go up to the 2013-2017 over a 4 year period; you're talking \$548 million. We've been talking a longer term but when you talk about what's available and what's today; the numbers don't add up. How do these numbers work together?

ReAzza Zeez: The numbers on page 3 are a 5 year period and the pie chart talks about the next 3 years. We are playing catch up for a number of these projects. The enplanement numbers are adding another safety concern to this effort. Based upon information we have in regards to wells being drilled; these numbers are based upon what the consultants are looking at and the analysis of that.

Representative Kempenich: The problem is that these curves are never sustainable. I know that you mentioned that this would level off at a higher level; it's just how fast does this all happen.

ReAzza Zeez: This is the first time in many years that the aviation part of transportation has been brought before the policy makers of the state. The Institution has been reporting for a number of years on the surface transportation end of it.

Representative Glassheim: On the top slide you have \$548 million for the needs for 2013-2017; on the bottom slide you have \$400 million needs for just 2 of the years, which leaves for the remaining 2 only \$148 million.

ReAzza Zeez: The top figure is for 5 years and the bottom figure is for 3 years. It would be much easier to take the total number and divide it by 5. The first 3 years the demands are significantly higher at this point.

Representative Glassheim: So it would be right to say if you did the \$400 million for the first 3 years then it be \$148 million for the last 2 years of the 5 year period.

ReAzza Zeez: Yes.

Tad Torgerson, Vice President Finance and Administration, Dickinson State University: See testimony attachment 8.

Vice Chairman Brandenburg: Recessed the hearing.

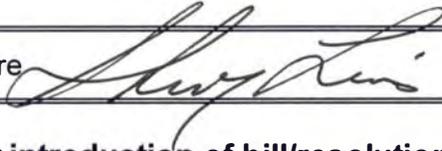
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2013
March 19, 2013
Recording Job# 20157

Conference Committee

Committee Clerk Signature



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Minutes:

Chairman Thoreson: Reopened the hearing on SB2013.

Larry Taborsky, Director, ND Aeronautics Commission: See testimony attachment 9.

Tim Thorsen, President, Airport Association of North Dakota: Referenced his testimony from SB2006 and testimony attachment 10.

10:57

Representative Kempenich: When you build a runway, what is the weight that you build it to? With Dickinson I wanted to get into a little more detail of why we couldn't take the existing runway and fix it; instead of building a new runway on it.

Tim Thorsen: Every airport has a category; it is driven by airplane size. Our airplane size is built around an Airbus A321 and a MD83 size.

Representative Kempenich: I was wondering what Dickinson is doing.

Tim Thorsen: When they get into their details; they may find it's less expense to build a runway that's parallel to it; and make the old runway the taxi way. I'm sure the engineer will give them all the options and present their authority with those things and they'll make decisions on what's most cost effective.

13:45-15:05

Dan Wogslund, Executive Director, ND Grain Growers Association: Testified in support of SB2013; particularly in support of sections 9 and 10.

15:06

Representative Kempenich: Have they put together an economic model of the dust control?

Dan Wogsland: From the Schwinn Study, the Schwinn Study studied various dust suppression methods; but didn't go out into the field. From reports in the Belfield area, by their yield monitors in a field of corn last year, they felt they lost about \$5,000.00 every half mile.

17:18-18:44

Richard Schlosser, Farmers Union: Testified in support of SB2013; particularly in support of sections 9 and 10 of the bill.

Ward Koester, Mayor, City of Williston: Testimony see attachment 11. This was dropped off and he did not testify in person.

Chairman Thoreson: Closed the hearing.

Chairman Thoreson: Opened the discussion.

20:38

Vice Chairman Brandenburg: Are you looking at just the part that affects the strategic fund?

Lance Gaebe: Testimony see attachment 12. Yes. The only bills listed here and the only part that we described in the summary was the portion that impacted or transferred money out of our appropriated funds for the strategic investment improvements fund.

22:19

Vice Chairman Brandenburg: Is there any money coming into this fund this biennium?

Lance Gaebe: A lot. This is the one that is averaging \$90 million coming into the fund; but, now 25% of that \$90 million is being diverted to the legacy fund.

Vice Chairman Brandenburg: That's every month.

Lance Gaebe: Yes.

Representative Kempenich: The projection of the SIIF fund for the next biennium is the \$1.4 billion?

Lance Gaebe: Yes. The \$1.4 billion is considering all things the same as part of the executive budget. All the changes in HB1358 will have impact on the revenue stream to the SIIF fund.

Representative Kempenich: That's not reflected in this document.

Lance Gaebe: I don't know if it's reflected in any new revenue forecast.

Becky Keller, Fiscal Analyst, ND Legislative Council: We did hand out a book where we had done the trust fund analysis as of crossover. This fund is included in there; it does show all the separate bills that affect the revenue, and then the bills that will be coming out as an expenditure also.

Lance Gaebe continued with attachment 12.

26:20

Vice Chairman Brandenburg: Would you see that would bring more people back to North Dakota to work that pad?

Lance Gaebe: They will drill where there's a sure thing. They've proven with the Bakken what works.

Chairman Thoreson: Closed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB 2013
March 26, 2013
Job 20516

Conference Committee

Committee Clerk Signature



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Minutes:

You may make reference to "attached testimony."

Chairman Thoreson called the committee to order and a quorum was declared. He opened the discussion on SB 2013.

03:30

Lance Gaebe, Commissioner, ND Department of Trust Lands: Presented Attachment 1.

06:40

Chairman Thoreson: What are the other three FTEs in Soils and Natural Resources (2-b-i) doing right now?

Gaebe: We have one noxious weed specialist, one that does rights of way, one does reclamation work, improvements. We also have several retired employees that work for us on a part-time non-FTE basis.

Chairman Thoreson: They've retired from your agency?

Gaebe: No, they could be NRCS, F&W, extension, etc. They live around the state, so they live nearby where these assets are.

Vice Chairman Brandenburg: How much land do we have that's not for grazing?

Gaebe: We manage 700,000 acres of surface ground, and all the original grant land is for grazing and metal purposes only. There is some that is farmable, but that would be reacquired land; the vast majority is for grazing or pasture. Resumed presentation 09:30.

14:08

Representative Kempenich: Where would the grants administrator (2-c) fall into place?

Gaeb: That would be Jerry; it would be for an office assistant. We're getting a pretty large workload.

Vice Chairman Brandenburg: We don't know if this impact will level off, go down, go higher. But someday when this does go down, do you have a plan to deal with these FTEs?

Gaeb: One of the extra documents you requested after our hearing was the retirement schedule. To my dismay, once we aggregate those numbers, it's realized that half of our staff reaches retirement potential by 2018. If we do have some contraction, it would be through attrition. We do our best to hold onto the folks we have, because of the skill sets they have are in high demand right now. As an entirely special funded agency, there is always the strong recognition that any dollar we don't spend on administration gets distributed to the beneficiaries, and that is the focus of the board and the department. Going forward, we may have additional demand for right of way work, because there is going to be a lot more effort to bring in pipelines. Resumed testimony minute 20:18.

27:20

Vice Chairman Brandenburg: Explain why it takes \$10 million for dust control (3-a-iv).

Gaeb: It ends up being a big number because of miles and gravel. It's as high as \$1,400 per mile to do this treatment, to spray on this product and keep it in place. It's not a convenience issue, but a safety one; on calm days, which are rare but do happen, the dust is hanging so heavy you aren't able to see. There have been some pilot projects funded by the oil and gas research council and petroleum council; we haven't found the solution yet.

Representative Kempenich: Do we have a moratorium on using production water?

Gaeb: I don't know. I don't think it can be used because of the microminerals and the metals in it.

Vice Chairman Brandenburg: It just seems like a large number.

Gaeb: \$3 million is for that pilot project; after that, the money is available for grants to counties. Think about it in the context of all the western counties.

Representative Guggisberg: You said that there was a study dealing with crop yields; what was the percentage that the crops went down?

Gaeb: I don't think there's been a study, I think those were anecdotal comments.

Representative Sanford: When you're doing the pilot in these three counties, what would you use?

Gaebel: I really don't know, this was suggested by some folks as an amendment for the Senate to add. I don't know what sort of objective criteria we'd establish to see what's working. It might be something managed locally.

Representative Kempenich: It is quite an operation, it's more complicated than just spraying it on.

Gaebel: We did have a number of requests for this type of funding. We have some counties that don't spend anything on dust suppression, they are spending their resources on long term projects or repairs; other counties spend millions on dust suppression. We need to learn a lot about it, so we'll spend time with folks already doing this, before we start a larger scale project.

37:25

Chairman Thoreson: I know the Senate Finance & Tax committee had started some work with 1358, were you present for that?

Gaebel: I was not. I'm not sure what is the latest on that. There is \$150M in 1358 as the House passed it. It's the same funding mechanism, it's not additive.

Representative Kempenich: If HB 1358 did get defeated, you still have some policy in in the land department that is current language from last session, correct?

Gaebel: That's correct. There is Century Code reference to describe the energy infrastructure and impact office and how it operates. 1358 does change the statutory policy language by removing that 35% carve-off for large cities.

Representative Glassheim: If both bills pass as they are, you'll have \$150M or \$300M?

Gaebel: It's really the same section of law. It sets up the calculation of the amount that comes from the gross production tax.

Allen Knudson, Legislative Council: It would not be \$300M. The question would be, is it the \$224M in SB 2013, or the \$150M in SB 1358? The interpretation is up to the code reviser. If they are not in conflict, they can work together; but if they are in conflict, which I believe you would consider these, then the last one passed would be the one to take effect.

Representative Kempenich: We didn't talk much about the \$4 million (3-a-iii). It's in the impact fund, but how would you move that out? Is there enough permissive language?

Gaebel: There is policy language indicating the \$60M (3-a-ii) it will be for oil and gas development impact airports, but always the bottom line is you have given land board the authority to make those grants. How they do it, the processes, procedures, mechanisms, scoring, is remarkably flexible. In the context of the two bills, historically, they've always highlighted when there were two different ways of modifying the same section of law, and made sure they came together. The \$150M (3 in attachment) is considered ongoing, the other \$64M is temporary; I don't remember where the \$10M for dust was classified.

Vice Chairman Brandenburg: Am I understanding correctly that the last bill passed would be the appropriations bill, whether it's the land department or aeronautics or 1358?

Knudson: Yes. We flag all those bills where there are conflicts, so hopefully they can all pass correctly. We watch for that. In SB 2013, it is a temporary increase up to \$224M, then they maybe would not be in conflict so they both could pass. The code reviser would need to speak to that, if you would consider those in conflict or not.

Representative Sanford: When awards are made to school districts, are you looking at the potential impact on the equity side? Historically, facilities have been built locally, and in our funding formula we've tried to feature equity more prominently.

Gaebbe: It was not. Of the \$130M that was appropriated, \$5M was directly distributed by the DPI for rapidly growing school districts. I suspect that they incorporated it into that distribution, but I don't know. The land board also awarded \$5M to several school districts specifically for cost-share for temporary classrooms. We actively avoided any kind of ongoing operational type of grants at all levels. Regarding the aeronautics budget, there would be no conflict that I'm aware of; it is different sections of law referenced in each bill.

Chairman Thoreson: Anything further? Thank you. He closed the discussion.

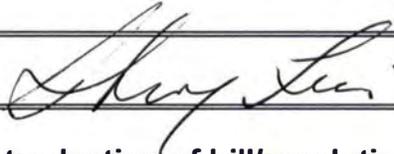
2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Government Operations Division
Medora Room, State Capitol

SB2013
April 9, 2013
Recording Job# 21006

Conference Committee

Committee Clerk Signature



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Minutes:

Chairman Thoreson: Opened the discussion on SB2013. All members were present.

Becky Keller, Fiscal Analyst, ND Legislative Council: Explained attachments 1 and 2.

Vice Chairman Brandenburg: Looking at the single sheet HB1358 takes \$150,000.00 out for the non-oil counties. Then I look at the changes of HB1358 for the counties and I'm trying to find the differential is of that \$150,000.00 change.

Becky Keller: The political subdivisions in the upper categories are only those that are receiving actual oil and gas tax distributions. It will not include any of the appropriations to the non-producing.

Vice Chairman Brandenburg: The catch is one time funding.

Becky Keller: Correct.

Representative Kempenich: The Senate raised the impact fund amount to how much?

Becky Keller: In current law it's at \$100 million, the executive budget had it at \$214 million; and now it's up to \$250 million.

Representative Kempenich: The proposed budget only had it at \$150 million. I was wondering what the rationale is for what the Senate did? Is that \$114 million plus another \$140 million?

Becky Keller: I'm not sure what the rationale is. I know there are several bills out there now that are pulling money from impact grants. I don't know if they're just trying to get a handle on all of it.

Representative Guggisberg: I see they put \$50 million into oil producing county infrastructure enhancement fund. Is that a new fund?

Becky Keller: Yes.

Representative Hawken: This morning when we voted on the loan money for the hospitals and clinics which used to be part of the \$200 million that used to be for schools; where's that money?

Representative Kempenich: That's in the SIIF fund.

Representative Hawken: Is it part of this? Is it included in any total? If we were looking for an actual total of bills, is that anyplace where we can see it?

Becky Keller: Are you asking if there's anywhere you can see what's all coming out?

Representative Hawken: Do we just have to wait until the end and hope that it will come out fine?

Becky Keller: We have done an analysis of the SIIF fund. We did it at crossover and we will do it again at conference. There you will see all the funding that is going into the SIIF and then coming back out for all the different projects. I'm not sure that we would do an analysis of the oil and gas impact; but we can put something together that says all the money that's being added for oil and gas impact and what it's being earmarked for.

Chairman Thoreson: Do you have anything tracking these through OMB?

Sheila Peterson, Fiscal Analyst, ND Office of Management and Budget: We don't have anything formal. I think we have an idea where things are; but legislative council is probably more formal.

Vice Chairman Brandenburg: See attachment 3.

Lance Gaebe, Commissioner, ND Trust Lands: The \$50,000.00 is a stab in dark. I have no idea if this is what it's going to take.

Chairman Thoreson: This is the version of the bill that came out of the Senate?

Lance Gaebe: Correct.

Chairman Thoreson: There was no appropriation in that?

Lance Gaebe: That's correct.

Chairman Thoreson: You said a shot in the dark is \$50,000.00?

Lance Gaebe: I don't know. I don't have any means of using any of my staff to do this; so I would look to a contractor of some sort or a temporary employee.

Vice Chairman Brandenburg: I visited with Representative Porter who is very much in support of this bill. He confirmed that they're thinking around \$50,000.00. We want this land back.

Chairman Thoreson: The land is now Corp land?

Vice Chairman Brandenburg: Correct. In South Dakota they've gotten the land back above the water line. There's a lot of economic development, mineral rights and many things that could come back to the state. I would make a motion to a \$50,000.00 appropriation here for this study.

Chairman Thoreson: As much as the \$50,000.00 that's necessary.

Vice Chairman Brandenburg: It could say up to \$50,000.00.

Representative Kempenich: How does this dovetail with what we have going on now?

Lance Gaebe: It doesn't dovetail very well at all. The lawsuit you're thinking of is the ordinary high watermark of the navigable portion of the river. Where there are reservoirs like Oahe and Scott Wheel; we've delineated the river as it existed before those reservoirs. So the minerals that we've leased are in the original channel where Lost Wood was; so the water's edge of the reservoirs we don't work on. The delineation that we did of the ordinary high watermark just west of the Highway 85 bridge in Williston to Montana was in the neighborhood of \$250,000.00 to do that survey. Once you get into the surveying, it will be expensive. For the flood implementation program that you approved during the special session you provided \$110,000.00 appropriation for administration and I hired a temporary employee to help with that.

Vice Chairman Brandenburg: I think we should have some language that if it went over the \$50,000.00 that it could come to the budget section and get approval for that cost.

Chairman Thoreson: Is that something you would need with authority?

Lance Gaebe: The board doesn't have any means of spending these dollars unless you or the budget section approves that. We've hired some consultants to do work and unfortunately when you hire professional services; it involves an RFP and procurement process. My two options would be to hire a temporary employee or to find a contractor. If we could forego the formal RFP process; that would help us save money.

Chairman Thoreson: Is there a mechanism to do so? If the legislature puts that forward is that an option?

Sheila Peterson: You could certainly structure this as a temporary employee. If it were a contract and over \$25,000.00 you would need to bid it. Our procurement office very actively works with agencies in getting those contracts pulled together, out for bid and opening bids.

Vice Chairman Brandenburg: I would like to further amend that if it does go \$50,000.00, that they would go to the budget section to get approval for that additional cost.

Representative Kempenich: That would be out of the emergency fund?

Chairman Thoreson: Where would be the source of the dollars?

Becky Keller: We could add language that it's from the SIIF if funds are available.

Vice Chairman Brandenburg: I think since we're starting with the SIIF that it would stay with the SIIF fund.

Representative Kempenich: This really isn't a general fund issue.

Representative Kempenich: Seconded the motion.

Representative Kempenich: What it should say is up to a top amount. I think we should say up to \$250,000.00. That will get you through the next two years.

Lance Gaebe: I don't know, I'm guessing.

Chairman Thoreson: If you have something you can get to us by the time we take this down the hall, we can bring it back here to fix.

Representative Glassheim: If you say that, they have to not spend \$250,000.00 out of SIIF. I can see going to \$75,000.00 or \$80,000.00 maybe even \$100,000.00.

Vice Chairman Brandenburg: Let's go to \$100,000.00 so everyone is happy.

Voice vote made and carried.

Representative Kempenich: What we've been discussing that this issue has been studied and what we should do is ratchet this back down and leave the \$3 million as a grant process. Who did the last study we did on this?

Lance Gaebe: Oil and gas research council.

Representative Kempenich: I think the oil and gas research council and the oil impact advisory board should pick out some of the top 3 or 4 products that they've identified and use them a little more extensively on a little larger scale.

Vice Chairman Brandenburg: What dollar amount do you want?

Representative Kempenich: I was thinking \$3 million. I'd also like to have the health department and the oil and gas research council identify what kind of production water can be used for dust control.

Vice Chairman Brandenburg: You made a motion to go from \$10 million to \$3 million.

Representative Hawken: Seconded the motion.

Representative Hawken: I understand dust is a problem. Prior to the boom the roads were dusty then too. Who paid for that to happen at that point?

Representative Kempenich: Nobody. Right now there are some counties who are using water. I don't know if they're using any of these products or not.

Representative Sanford: Are you saying the dust control worked but you couldn't stand to be outside?

Representative Kempenich: Yes.

Representative Hawken: We're looking at putting \$3 million into what has been done.

Becky Keller: You have \$3 million in a pilot project and \$7 million in contingency funding if the pilot project works. If you're dropping it down from \$10 million to \$3 million, are we keeping the pilot project and getting rid of the contingency?

Representative Kempenich: We're getting rid of the contingency.

Becky Keller: You mentioned the health department and industrial commission concerning something on water.

Representative Kempenich: Production water.

Chairman Thoreson: Production water is water recovered from the well?

Representative Kempenich: Yes. It's not fracking water.

Chairman Thoreson: Is it defined anywhere?

Becky Keller: In the pilot project the department of lands can develop the grant procedures and the requirements necessary. Do we need add all this to the language?

Representative Kempenich: Put legislative intent on that bottom part if you don't want to put it in the bil.

Becky Keller: We can put it in the bill; but, I was wondering if you were just giving them direction.

Representative Kempenich: Yes, put it in the bill.

Lance Gaebe: I'm fine with your reasoning. The only thing I want to add is that if you want to include this with the health department we may need to provide dollars. With the grant program we can only spend money with political subdivisions.

Representative Kempenich: I mentioned that advisory board; and I thought that was where it would run through. Isn't that how this is going to run through also?

Lance Gaebe: It says of the \$3 million; \$1 million to each of the 3 counties impacted. In the amendments that the Senate drafted; it said the statement of purpose for the amendments is specifically listed: Bowman, Mountrail and Dunn counties. But it doesn't say that in the bill. Yes we would use the advisory committee with that.

Representative Kempenich: I think we have to look at all avenues. I think cost becomes an issue with some of this. Some of these are highly traveled roads but there isn't a lot of population on them.

Representative Guggisberg: I was wondering how you would determine which products you would try?

Representative Kempenich: I think that's the whole issue.

Chairman Thoreson: I went to a demonstration in Williams county where a section of road was tested.

Representative Guggisberg: With this amendment we can try it out; but the counties will determine if it's important enough for them to spend the money on it. What are we doing with the production water now?

Representative Kempenich: Putting it down disposal wells. That's a big business now also. They're looking at adding over 400 disposal wells in the next year. Not all production water would be suitable. I think heavy metals come into play.

Chairman Thoreson: Do they have a checklist of which ones?

Representative Kempenich: I'm assuming the oil and gas research council probably has that information.

Representative Hawken: We wouldn't be the only one.

Chairman Thoreson: The one I was at the people came out of Texas. Their product was being used in Texas, Oklahoma, New Mexico and Australia. There are a lot of different products.

Representative Kempenich: The reason the contingency money is there is if they identify something that's useful; the counties don't have to experiment, they can just do it.

Voice vote made and carried.

Vice Chairman Brandenburg: Made a motion to adjust the compensation package.

Representative Sanford: Seconded the motion.

Voice vote made and carried.

Representative Kempenich: Made a motion for a "Do Pass as Amended".

Representative Sanford: Seconded the motion.

Representative Kempenich: Carried the bill.

Chairman Thoreson: Closed the discussion.

2013 HOUSE STANDING COMMITTEE MINUTES

House Appropriations Committee Roughrider Room, State Capitol

SB 2013
4/11/13
Job #21114

Conference Committee

Committee Clerk Signature

Mary Brucher

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to provide an appropriation for defraying the expenses of the commissioner of university and school lands; to provide for distributions from permanent funds; to amend and reenact subsection 1 of section 57-51-15 and section 57-62-04 of the North Dakota Century Code, relating to oil and gas gross production taxes and the energy infrastructure and impact office; to provide an effective date; to provide an expiration date; and to declare an emergency.

Minutes:

Attached amendments 13.8163.02001

Amendment .02001 was distributed.

Rep. Kempenich: Went over amendment .02001. See attached amendment.
Ended at 05:40.

Rep. Brandenburg: Over the last few biennium we've been working on corps land and dealing with whether its agriculture or mineral rights interest or Indians rights or wildlife, or tourism. The senate passed a bill to bring in a study with the corps land and they amended it to do something with it. They began working with the governor's office to develop a plan to bring this land back. There is \$50,000 that can be used to do that right now. We will need \$70,000 and approval of a budget section for this to have a reporting process to show our progress. We are looking at a serious plan to get this land back. South Dakota has done it. There is an economic impact we can bring back to the state.

07:25

Rep. Kempenich: Resumed explanation of amendment.

Chairman Delzer: What is the \$200,000 on contingencies?

Rep. Kempenich: It is temporary salaries, special funds; #7 on the green sheet.

Rep. Skarphol: How many of the dollar amounts on the green sheet come out of SIIF instead of general fund? That makes them special.

Chairman Delzer: This doesn't look right either, it says \$100,000. Oh it adds \$100,000 to the \$100,000, for a total of \$200,000.

Rep. Kempenich: 10:00 went through the green sheet.

12:20

Chairman Delzer: How will the \$60M for the airports be used? If it is not used, does it just stay in the impact grant for them to use for other things or does it return to the general fund?

Rep. Kempenich: No, there is no general fund money here, it stays in the fund. The intent of the \$60M is that between the land department and the aeronautics commission the aeronautics commission is going to act as the advisory board.

Chairman Delzer: It won't happen if you don't put it in there.

Rep. Kempenich: We didn't put that in there because the way it reads it is oil impact grant fund so it has to stay in the land department. The intent is that the land commissioner and the aeronautics commissioner work together to distribute this money on the priority system that they have.

Chairman Delzer: You didn't change section 7 of the bill at all?

Rep. Kempenich: No.

Chairman Delzer: Do you think that ties it up tight enough that it will be used in the right places with the right people looking at it?

Rep. Kempenich: Yes, there is already a preliminary list of the priorities. More than likely, there is a terminal, taxiway, and parking lot in Minot for \$25M. There is \$25M in Williston and \$5M in Dickinson for an apron expansion and runway land. In Beach \$22,000, Bottineau \$28,000, Bowman \$1.5M, Crosby \$1.6, Garrison/Hazen \$25,000, Kenmare, Mohall, Parshall, Stanley for \$2.4, Tioga \$900,000, Washburn \$93,000, and Watford City \$2.1.

Chairman Delzer: Weren't some of those just redone?

Rep. Kempenich: These are federally funded, too. The total request is more than what the \$60M is.

Chairman Delzer: I don't see anything in here that says there has to be federal money before they can be used.

Rep. Kempenich: Federally funded airports are the priority of what happens. The nonfederal, Killdeer and New Town, is on the bottom end of this priority list.

16:15 resumed going through green sheet.

20:00 **Chairman Delzer:** Are there any questions by the committee?

Rep. Kempenich: Made a motion to move the amendments .02001.

Rep. Thoreson: Seconded.

VOICE VOTE: MOTION CARRIES.

Rep. Skarphol: With the dust control and pilots for different projects is there any thought given to how to come up with a policy? I would like us to take a look at what we can do because there are counties that are very diligent about doing the right thing and there are some that do absolutely nothing. It makes you wonder if we should take some portion of the money that gets delivered and find a way to have somebody utilize it properly. It is a big problem in the oil country.

Rep. Kempenich: Yes, it is.

Chairman Delzer: Before you go to conference about this, you may want to see if you can get the right language that further explains how this is used.

Rep. Kempenich: We will get it tightened up with some requirements on the counties.

Rep. Dosch: On page 3 section 6, Bismarck State College is not on the distributions. I know they aren't in the constitution but do they receive anything?

Chairman Delzer: I don't believe they do but I believe that would take a constitutional change to do that.

Rep. Kempenich: What is listed there is the distributions in the common schools trust fund.
Made a motion to moved Do Pass as Amended.

Rep. Thoreson: Seconded.

Chairman Delzer: We will have to make sure everything is lined up right before this can be done in conference committee. There are some real questions that will end up on the impact and other things. We just can't pass this one and be done with it.

**ROLL CALL VOTE: 22 YES 0 NO 0 ABSENT
MOTION CARRIED FOR DO PASS AS AMENDED.**

Rep. Kempenich will carry this bill.

Handwritten initials and date: 5/11/13

Fiscal No. 1

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2013

Page 1, replace lines 15 through 22 with:

"Salaries and wages	\$4,145,824	\$921,833	\$5,067,657
Accrued leave payments	0	108,541	108,541
Operating expenses	1,431,096	544,767	1,975,863
Capital assets	0	65,550	65,550
Grants	99,778,269	(99,778,269)	0
Energy infrastructure and impact office	0	217,000,000	217,000,000
Contingencies	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total special funds	\$105,455,189	\$118,962,422	\$224,417,611
Full-time equivalent positions	24.75	6.25	31.00"

Page 2, replace line 9 with:

"Energy impact grants - dust control	0	3,000,000"
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Page 2, replace lines 12 through 14 with:

"Total all funds	\$65,010,000	\$67,065,550
Less estimated income	<u>35,010,000</u>	<u>67,065,550</u>
Total general fund	\$30,000,000	\$0"

Page 4, line 12, after the period insert "The department of trust lands shall consult with the state department of health and the industrial commission relating to the use of oilfield-produced saltwater and products previously tested for dust control."

Page 4, replace lines 15 through 24 with:

"SECTION 10. PRIVATE LAND STUDY - EMERGENCY COMMISSION APPROVAL FOR ADDITIONAL FUNDS. The operating expenses line item in section 1 of this Act includes the sum of \$50,000 from the strategic investment and improvements fund for a study provided for in House Bill No. 1338, as approved by the sixty-third legislative assembly, of private lands owned adjacent to lands under control of the United States army corps of engineers. If the \$50,000 provided for the study is insufficient, the department of trust lands may seek emergency commission approval for additional funding from the state contingencies appropriation of up to \$50,000 for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 5, line 7, replace "twenty-four" with "seventeen"

Page 6, line 13, replace "\$10,000,000" with "\$3,000,000"

Page 6, line 14, replace "sections 9 and 10" with "section 9"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$5,312,873	\$5,319,551	(\$251,894)	\$5,067,657
Operating expenses	1,925,863	1,925,863	50,000	1,975,863
Capital assets	65,550	65,550		65,550
Energy infrastructure and impact office	214,000,000	224,000,000	(7,000,000)	217,000,000
Contingencies	200,000	200,000		200,000
Accrued leave payments			108,541	108,541
Total all funds	\$221,504,286	\$231,510,964	(\$7,093,353)	\$224,417,611
Less estimated income	221,504,286	231,510,964	(7,093,353)	224,417,611
General fund	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00

Department No. 226 - Department of Trust Lands - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments²	Adds Funding for Study³	Reduces Funding for Dust Control⁴	Total House Changes
Salaries and wages	(\$143,353)	(\$108,541)			(\$251,894)
Operating expenses			50,000		50,000
Capital assets					
Energy infrastructure and impact office				(7,000,000)	(7,000,000)
Contingencies					
Accrued leave payments		108,541			108,541
Total all funds	(\$143,353)	\$0	\$50,000	(\$7,000,000)	(\$7,093,353)
Less estimated income	(143,353)	0	50,000	(7,000,000)	(7,093,353)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added to conduct a study of private lands owned adjacent to lands under control of the United States Army Corps of Engineers included in House Bill No. 1338.

⁴ Funding added by the Senate for dust control is reduced from \$10 million to \$3 million, and the amount of oil and gas tax collections to be deposited in the oil and gas impact grant fund during the 2013-15 biennium is reduced from \$224 million to \$217 million.

A section is added relating to funding for a study of private lands included in House Bill No. 1338 and authorizing the department to seek additional funding for the study from the Emergency Commission.

A section added by the Senate relating to contingency funding for dust control grants is removed.

2013 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. SB2013

House Appropriations - Government Operations Division Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass as Amended

Motion Made By Representative Kempenich Seconded By Representative Sanford

Representatives	Yes	No	Representatives	Yes	No
Chairman Thoreson	x		Representative Glassheim	x	
Vice Chairman Brandenburg	x		Representative Guggisberg	x	
Representative Kempenich	x				
Representative Hawken	x				
Representative Sanford	x				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Representative Kempenich

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

Date: 4/11/13
Roll Call Vote #: 1

2013 HOUSE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 2013

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number .02001

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer			Rep. Streyle		
Vice Chairman Kempenich			Rep. Thoreson		
Rep. Bellew			Rep. Wieland		
Rep. Brandenburg					
Rep. Dosch					
Rep. Grande			Rep. Boe		
Rep. Hawken			Rep. Glassheim		
Rep. Kreidt			Rep. Guggisberg		
Rep. Martinson			Rep. Holman		
Rep. Monson			Rep. Williams		
Rep. Nelson					
Rep. Pollert					
Rep. Sanford					
Rep. Skarphol					

Total Yes _____ No _____

Absent _____

Floor Assignment _____

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

voice vote carries

Date: 4/11/13
 Roll Call Vote #: 2

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 2013**

House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken: Do Pass Do Not Pass Amended Adopt Amendment
 Rerefer to Appropriations Reconsider

Motion Made By Rep. Kempenich Seconded By Rep. Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X		Rep. Streyle	X	
Vice Chairman Kempenich	X		Rep. Thoreson	X	
Rep. Bellew	X		Rep. Wieland	X	
Rep. Brandenburg	X				
Rep. Dosch	X				
Rep. Grande	X		Rep. Boe	X	
Rep. Hawken	X		Rep. Glassheim	X	
Rep. Kreidt	X		Rep. Guggisberg	X	
Rep. Martinson	X		Rep. Holman	X	
Rep. Monson	X		Rep. Williams	X	
Rep. Nelson	X				
Rep. Pollert	X				
Rep. Sanford	X				
Rep. Skarphol	X				

Total Yes 22 No 0

Absent 0

Floor Assignment Rep. Kempenich

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

REPORT OF STANDING COMMITTEE

SB 2013, as engrossed: Appropriations Committee (Rep. Delzer, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (22 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed SB 2013 was placed on the Sixth order on the calendar.

Page 1, replace lines 15 through 22 with:

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impact office				
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2013 CONFERENCE COMMITTEE

SB 2013

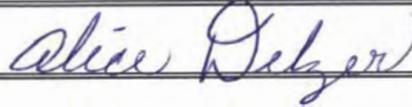
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2013
04-19-2013
Job # 21322

Conference Committee

Committee Clerk Signature



A Conference Committee Hearing on the Department of Trust Lands

Minutes:

Attachment

Senator Krebsbach called the Conference Committee to order on Friday, April 19, 2013 at 11:00 am in regards to SB 2013. Let the record show that all conferees are present.

SENATE: Senators: Karen Krebsbach (Chair); Ray Holmberg, John Warner
HOUSE: Representatives: Keith Kempenich, Blair Thoreson, Ron Guggisberg

Joe Morrisette - OMB
Becky J. Keller- Legislative Council

Statement of Purpose was submitted. Testimony attached # 1.

Senator Krebsbach asks House members to explain the changes the House made to the bill. **Rep. Kempenich** explained the amendment and spoke of adjusting the state employee compensation package and accrued leave. He references HB 1338 and a fiscal note on it. **Rep. Kempenich** continues to say there may be an additional fiscal note coming on that bill. He explains dust control studies and production water issues. **Senator Holmberg** mentions that the Senate put in \$10M for piloting to 3 counties and the House changed that to \$3M, then added \$7M into oil impact. He asks if that is earmarked to **which Rep. Kempenich** replies they have never earmarked impact money in the past. He said they leave it up to the counties in how to use the money. **Senator Krebsbach** says there is \$7M gone and she explains what the Senate's intent was to do with the money. **Senator Holmberg** asks Becky Keller to give them her perspective. **Ms. Keller** explains what was cut and what the money is to be used for. **Rep. Kempenich** explains the study on the private lands initiative. **Senator Krebsbach** asks about HB 1338 and if it has passed both the House and the Senate and if there is any mention of funding in the bill. **Senator Warner** said he thinks there should be a contingent appropriation rather than to rely on an emergency fund if this is a project worthy of funding. **Senator Holmberg** relays a similar plan that the House did to Human Services. **Rep. Kempenich** says HB 1358 will be the vehicle and explains where the money may go. He said this will be an ongoing issue. **Senator Krebsbach** recesses the committee until further notice.

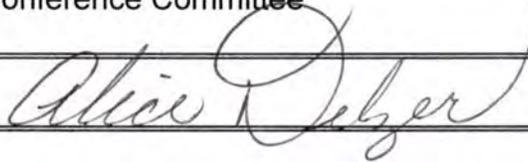
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2013
04-22-2013
Job # 21404

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A Conference Committee on the Department of Trust Lands.

Minutes:

Senator Krebsbach reconvened the Conference Committee on SB 2013 on Monday, April 22, 2013 at 3:00 pm in the Harvest Room. All conferees were present.

SENATE: Senators: Karen Krebsbach (Chair); Ray Holmberg, John Warner
HOUSE: Representatives: Keith Kempenich, Blair Thoreson, And Ron Guggisberg

Joe Morrissette - OMB
Brady Larson Legislative Council

Senator Krebsbach referred to the progress of HB 1358 and felt that until they knew what was happening with issues in there they were a little premature. Referring to 1358 she said they left in the three pilot programs for dust control but removed the funding for grants to other counties for state funds to do that.

Representative Kempenich reported on the final report from studies that were appropriated for last session. Francis Schwindt was the principal investigator on it. (01:50) He spoke about the impact grant money and explained what they have done in the past. Usually it is run through the impact grant office and the land department. To increase the number they should wait and see what the number is. Intent language was addressed.

Senator Krebsbach asked if he would rather it be included in the impact where they would make application for a grant for that type of thing?

Representative Kempenich spoke about the conversation on the House side. Summer weather dictates a lot of how muddy or dry it will be. He felt it should be done but they should leave it up to the advisory board on how they want to roll it out.

Senator Warner was inclined to endorse Rep. Kempenich's proposal but said that they hadn't seen Mr. Schwindt's report.

Senator Krebsbach wasn't aware of it either and said they could have Mr. Gabe furnish them with copies of the report.

Representative Kempenich explained that it's more the process of the Legislature appropriating money out of the impact fund. It's the intent that is what it gets used for. In the past, it has been the oil producing counties decision on how to use it. Usually the dollar amount is just increased. He would like to see intent language in also and left up to advisory board that would list this as a priority.

Senator Warner said it's been a little bit of an evolving concept as to what constitutes an impact. Originally it was potholes and culverts and it has moved towards softer impacts and human needs impacts. If we signal our intent that dust suppression be a legitimate impact, that's a very positive move.

Representative Kempenich spoke briefly about the history of the impact fund and where it is today.

(11:11) There was discussion on the impact money.

Sen. Krebsbach voiced concerns that there will not be the money for dust suppression if it is left in the impact fund in total because there is a high demand for what has been utilized from that fund.

Representative Kempenich: Some counties are doing dust suppression - near buildings and farmsteads. Some counties aren't doing anything. Another issue is scoria in the oil producing counties. That dust is very tough to control.

Senator Krebsbach felt there wasn't much more to do until 1358 is decided on.

Chairman Holmberg: It's a key to a number of budgets.

With no further discussion, **Senator Krebsbach** recessed the Conference Committee on SB 2013.

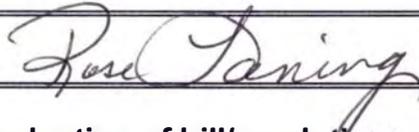
2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

SB 2013 conference committee
May 1, 2013
Job # 21649

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

This is a conference committee on the Department of Trust Lands.

Minutes:

Legislative Council - Brady Larson
OMB - Joe Morrissette

Senator Krebsbach reconvened the conference committee on SB 2013. **Senators Holmberg and Warner** were present as well as **Representatives Kempenich, Thoreson and Guggisberg**.

Senator Krebsbach said much of this bill has been gutted and put into HB 1358.

Becky J. Keller explained what is in the bill. The oil & gas impact grant funding that was provided in this bill has been moved to HB 1358. We would intend to keep the administrative expenses in this bill under the Energy Infrastructure and Impact Office. About \$700,826, that we would keep in this bill for their administrative and FTE expenses.

Rep. Kempenich: Is that an increase of \$243,000 that was in HB 1358? Was that above what was agreed to?

Becky J. Keller: I'm not sure what the end result in HB 1358 is. The grants in here have been moved to HB 1358.

Senator Krebsbach asked **Lance Gaebe** to come to the podium.

Lance Gaebe, Commissioner of University of School Lands: The collection of the oil and gas impact funds is \$240,300,000 and of that \$239,300,000 is available for grants. The presumption is the other \$700,836 would be available for administration but that isn't appropriated. The administration is not appropriated for salaries. In SB 2013, it was the entire office was funded without breaking it out by operations and salaries. The grants line was zeroed. The energy Infrastructure impact office was funded by \$217 million and the operations would come from within that. There wasn't a separate line for grants and a separate line for administration. It was just the office appropriation.

Senator Krebsbach: This is all special funds? Answer - yes.

Lance Gaebe: The different approach that HB 1358 is taking is money for grants but office appropriation isn't appropriated anyplace for administration.

Senator Krebsbach: We had appropriated \$10 million for dust suppression with the three pilot projects and the balance of the \$7 million to be granted upon request and upon completion of the pilot projects to see what was a good alternative for the projects and I understand that has been changed on the HB 1358?

Lance Gaebe: They adopted the House version which had \$3 million for pilot projects for three counties at \$1 million each.

Rep. Kempenich: On the dust issue, there is \$3 million that we are doing there. I'd like to propose intent language. Because of the hub city issues there might be some more monies coming into this impact fund. (9:40) The other issue and that is the \$5 million for counties that could come on. (10:50)

Senator Krebsbach: Any portion of the \$5 million not used would be for dust suppression.

Rep. Kempenich: For an unobligated amount.

Senator Krebsbach: If you have these issues, bring forth an amendment to our next meeting.

Becky J. Keller: I'd draft language for those paragraphs rather than the entire language.

Senator Holmberg: We'd like to have this resolved today, so Council could have paperwork done.

Rep. Kempenich: I had Brady work on some intent language.

Senator Krebsbach: We stand at ease until we can get some more information.

Rep. Kempenich: I would move the House recede and further amend.

Becky J. Keller: We should look at House amendments and decide which ones you want to keep.

Rep. Kempenich: We added \$50,000 for funding the study that's in section 10. We changed the impact grants amount.

Becky J. Keller: I will take all that language out of that. Take away all of the impact funding for the grants and leave the \$700,000 that they need for their administration.

Joe Morrisette: There are some sections in the Senate bill, that although they weren't changed by the House you probably want to look at because they are already covered in HB 1358.

Senator Krebsbach: You can add that between the cross section - anything else that the house added? What does that study do?

Rep. Kempenich: That's a private land study.

Senator Krebsbach: According to last page of documents, HB 1338 has been passed.

Rep. Thoreson: It shows 05000 version and signed by the governor on the 25th. The language is there the money we need.

Senator Krebsbach: We have to determine whether or not we want to include that in the bill or not.

Rep. Thoreson moved a study for \$50,000.

Rep. Kempenich seconded the motion.

A roll call vote was taken. Yea: 6 Nay: 0 Absent: 0

2013 SENATE STANDING COMMITTEE MINUTES

Senate Appropriations Committee Harvest Room, State Capitol

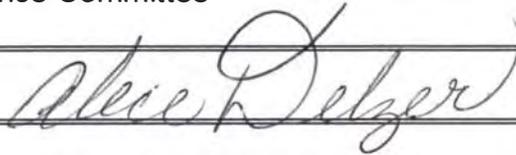
SB 2013 conference committee

May 1, 2013 5:30 pm

Job # 21658

Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

This is a Conference Committee on the Department of Trust Lands.

Minutes:

See attached testimony

Legislative Council - Becky J. Keller

OMB - Joe Morrissette

Senator Krebsbach reconvened the conference committee on SB 2013. **Senators Holmberg and Warner** were present as well as **Representatives Kempenich, Thoreson and Guggisberg**.

Senator Krebsbach: the amendments have been distributed.

Becky J. Keller Amendment # 13.8163.02004 Testimony attached # 1. Explained the amendments. We'll start with the amendments on the bottom of page 1. This is one of the sections that we added. It was included in the House version. It's the private land study and it's actually providing the funding for that study. the next page we have sections 9 and 10, those are the additional sections that we talked about earlier today adding some language that would allow the energy impact office to distribute an additional \$3M of impact grants if the dust control pilot project is successful. Section 10 provides that the \$5M that's been designated for the counties experiencing new development, if it is not used by those counties, it can be distributed to other eligible political subdivisions. At the bottom of page two we talk about the amendments that we have made to the funding for this bill. The first one, we adjusted the state employee compensation benefits package and that's the agreement between the two Houses. The second one we provided a separate line item for the accrued leave payments. We then added funding for the study. We removed most of the funding for the oil and gas impact grants. We left the balance in the energy impact line for administration. On page 3, some language where it talks about the sections we added and the sections we removed. That's the amendments as they stand. We do have one correction that we will need to make. It's in the marked up version of the bill on page 3, section 3. This section exempted the funding for the oil and gas impact grants but they could carry them forward and we will need to change that language to say that funding in the energy impact office line, and then the funding for the oil and gas impact grants in HB 1358 should be exempted. So we will get those changes made and if there is any questions or any other changes.

Senator Krebsbach: It is all fine. I was under the impression that \$5M that is in for new counties for impact for gas and oil distribution, was that wanting to be dedicated to the dust control project? She was told no.

Senator Krebsbach: This works better than directing that. Any other things that you see other than the fact of the changes Becky has to make?

Representative Kempenich moved Amendment # 13.8163.02004 with the changes Becky mentioned. 2nd by Representative Thoreson.

Senator Krebsbach: We have a motion and that would be that the House recede from it's amendments and further amend on SB 2013. And that is using version .02004. You will email that to us. Is there any discussion on the motion? Hearing none, will the clerk call the roll for the adoption of the amendment.

A Roll Call vote was taken. Yea: 6; Nay: 0; Absent: 0.

Senator Krebsbach: That motion carries so we now have an amended bill. It's been a pleasure and I declare this conference committee dissolved.

Senator Krebsbach and Representative Kempenich will carry the bill in their respective Houses

JB
5-1-13
1013

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2013

That the House recede from its amendments as printed on pages 1393-1395 of the Senate Journal and pages 1493-1495 of the House Journal and that Engrossed Senate Bill No. 2013 be amended as follows:

Page 1, line 2, after the second semicolon insert "and"

Page 1, line 3, remove "subsection 1 of section 57-51-15 and"

Page 1, line 4, remove "oil and gas gross production taxes and"

Page 1, line 5, remove "; to provide an effective date; to provide an expiration date; and to declare an emergency"

Page 1, replace lines 15 through 22 with:

"Salaries and wages	\$4,145,824	\$1,011,191	\$5,157,015
Accrued leave payments	0	108,541	108,541
Operating expenses	1,431,096	544,767	1,975,863
Capital assets	0	65,550	65,550
Grants	99,778,269	(99,778,269)	0
Energy infrastructure and impact office	0	700,826	700,826
Contingencies	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total special funds	\$105,455,189	(\$97,247,394)	\$8,207,795
Full-time equivalent positions	24.75	6.25	31.00"

Page 2, remove lines 7 through 9

Page 2, after line 10, insert:

"Private lands study 0 50,000"

Page 2, replace lines 12 through 14 with:

"Total all funds	\$65,010,000	\$115,550
Less estimated income	<u>35,010,000</u>	<u>115,550</u>
Total general fund	\$30,000,000	\$0"

Page 2, line 20, after "grants" insert "in House Bill No. 1358, as approved by the sixty-third legislative assembly, or to the energy infrastructure and impact office line item"

Page 3, remove lines 20 through 31

Page 4, replace lines 1 through 24 with:

"SECTION 7. PRIVATE LAND STUDY - EMERGENCY COMMISSION APPROVAL FOR ADDITIONAL FUNDS. The operating expenses line item in section 1 of this Act includes the sum of \$50,000 from the strategic investment and improvements fund for a study provided for in House Bill No. 1338, as approved by the sixty-third legislative assembly, of private lands owned adjacent to lands under control of the United States army corps of engineers. If the \$50,000 provided for the study is insufficient, the department of trust lands may seek emergency commission approval

for additional funding from the state contingencies appropriation of up to \$50,000 for the biennium beginning July 1, 2013, and ending June 30, 2015."

2 of 3

Page 4, remove lines 25 through 31

Page 5, remove lines 1 through 23

Page 6, replace lines 9 through 15 with:

"SECTION 9. OIL AND GAS IMPACT GRANT DISTRIBUTION - DUST CONTROL. If the dust control pilot project provided for in House Bill No. 1358, as approved by the sixty-third legislative assembly, is deemed effective by the director of the energy infrastructure and impact office, the board of university and school lands may approve up to \$3,000,000 of additional oil and gas impact grants to counties for dust control.

SECTION 10. OIL AND GAS IMPACT GRANT DISTRIBUTION - NEW COUNTIES - OTHER USES. Notwithstanding any other provisions of this Act, the director of the energy infrastructure and impact office may include within recommendations to the board of university and school lands for oil and gas impact grants up to \$5,000,000 of the funds designated for counties experiencing oil and gas development in House Bill No. 1358, as approved by the sixty-third legislative assembly, to any eligible political subdivision if, by January 1, 2015, the funds have not been committed to counties meeting the eligibility requirements for this funding, under provisions of House Bill No. 1358, as approved by the sixty-third legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$5,312,873	\$5,319,551	(\$162,536)	\$5,157,015	\$5,067,657	\$89,358
Operating expenses	1,925,863	1,925,863	50,000	1,975,863	1,975,863	
Capital assets	65,550	65,550		65,550	65,550	
Energy infrastructure and impact office	214,000,000	224,000,000	(223,299,174)	700,826	217,000,000	(216,299,174)
Contingencies	200,000	200,000		200,000	200,000	
Accrued leave payments			108,541	108,541	108,541	
Total all funds	\$221,504,286	\$231,510,964	(\$223,303,169)	\$8,207,795	\$224,417,611	(\$216,209,816)
Less estimated income	221,504,286	231,510,964	(223,303,169)	8,207,795	224,417,611	(216,209,816)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00	31.00	0.00

Department No. 226 - Department of Trust Lands - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments²	Adds Funding for Study³	Removes Funding for Oil and Gas Impact Grants⁴	Total Conference Committee Changes
Salaries and wages	(\$53,995)	(\$108,541)			(\$162,536)
Operating expenses			50,000		50,000
Capital assets					
Energy infrastructure and impact office				(223,299,174)	(223,299,174)
Contingencies					

3 of 3

Accrued leave payments		108,541			108,541
Total all funds	(\$53,995)	\$0	\$50,000	(\$223,299,174)	(\$223,303,169)
Less estimated income	(53,995)	0	50,000	(223,299,174)	(223,303,169)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

- ¹ This amendment adjusts the state employee compensation and benefits package as follows:
- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
 - Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
 - Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added from the strategic investment and improvements fund to conduct a study of private lands owned adjacent to lands under control of the United States Army Corps of Engineers included in House Bill No. 1338, the same as the House version.

⁴ Funding included in the executive budget for oil and gas impact grants to political subdivisions and grants for airports and higher education and funding added by the Senate for dust control is removed. Funding relating to salaries and operating expenses for the energy infrastructure and impact office is retained.

A section is added relating to funding for a study of private lands included in House Bill No. 1338 and authorizing the department to seek additional funding for the study from the Emergency Commission, the same as the House version.

Sections added by the Senate relating to oil and gas impact grant funding for dust control are removed.

Sections included in the executive budget relating to increasing the allocation of oil and gas tax revenue to the oil and gas impact grant fund and oil and gas impact grant distributions for airports and higher education are removed.

Sections are added to provide for additional funding from the oil and gas impact grant fund for dust control and redistribution of certain oil and gas impact grant funding if not used by January 1, 2015.

Date 5-1-13
~~4-19-13~~

Roll Call Vote # _____

**2013 SENATE CONFERENCE COMMITTEE
ROLL CALL VOTES**

BILL/RESOLUTION NO. 2013 as (re) engrossed

Senate Appropriations Committee

- Action Taken**
- SENATE accede to House Amendments
 - SENATE accede to House Amendments and further amends
 - HOUSE recede from House amendments
 - HOUSE recede from House amendments and amends as follows

- Unable to agree**, recommends that the committee be discharged and a new committee be appointed

\$50,000 Study

Motion Made by: Thoreson Seconded by: Kempenich

Senators	4/19	4/22	5/1	Yes	No	Representatives	4/19	4/22	5/1	Yes	No
<i>Kreibach</i>	✓	✓	✓	✓		<i>Kempenich</i>	✓	✓	✓	✓	
<i>Holmberg</i>	✓	✓	✓	✓		<i>Thoreson</i>	✓	✓	✓	✓	
<i>Warner</i>	✓	✓	✓	✓		<i>Buggisberg</i>	✓	✓	✓	✓	
Total Senate Vote						Total Rep. Vote					

Vote Count Yes: _____ No: _____ Absent: _____

Senate Carrier _____ House Carrier _____

LC Number _____ of amendment

LC Number _____ of engrossment

Date 5-1-13
 Roll Call Vote # 1

**2013 SENATE CONFERENCE COMMITTEE
 ROLL CALL VOTES**

BILL/RESOLUTION NO SB 2013 as (re) engrossed

Senate Appropriations Committee

- Action Taken SENATE accede to House Amendments
 SENATE accede to House Amendments and further amends
 HOUSE recede from House amendments
 HOUSE recede from House amendments and amends as follows

Unable to agree, recommends that the committee be discharged and a new committee be appointed

*Adopt Amendment
 #13. 8163. 02004*

Motion Made by: _____ Seconded by: _____

Senators				Representatives			
	<u>5/1</u>	Yes	No		<u>5/1</u>	Yes	No
<i>Krebsbach</i>		<input checked="" type="checkbox"/>		<i>Kempernick</i>		<input checked="" type="checkbox"/>	
<i>Holmberg</i>		<input checked="" type="checkbox"/>		<i>Thompson</i>		<input checked="" type="checkbox"/>	
<i>Warner</i>		<input checked="" type="checkbox"/>		<i>Suggisberg</i>		<input checked="" type="checkbox"/>	
Total Senate Vote				Total Rep. Vote			

Vote Count Yes: 6 No: 0 Absent: 0

Senate Carrier Krebsbach House Carrier Kempernick

LC Number 13. 8163. . 02004 of amendment

LC Number 13. 8163 02000 of engrossment

REPORT OF CONFERENCE COMMITTEE

SB 2013, as engrossed: Your conference committee (Sens. Krebsbach, Holmberg, Warner and Reps. Kempenich, Thoreson, Guggisberg) recommends that the **HOUSE RECEDE** from the House amendments as printed on SJ pages 1393-1395, adopt amendments as follows, and place SB 2013 on the Seventh order:

That the House recede from its amendments as printed on pages 1393-1395 of the Senate Journal and pages 1493-1495 of the House Journal and that Engrossed Senate Bill No. 2013 be amended as follows:

Page 1, line 2, after the second semicolon insert "and"

Page 1, line 3, remove "subsection 1 of section 57-51-15 and"

Page 1, line 4, remove "oil and gas gross production taxes and"

Page 1, line 5, remove "; to provide an effective date; to provide an expiration date; and to declare an emergency"

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Contingencies	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
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Full-time equivalent positions	24.75	6.25	31.00"

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Page 2, after line 10, insert:

"Private lands study	0	50,000"
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Page 2, replace lines 12 through 14 with:

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Total general fund	\$30,000,000	\$0"

Page 2, line 20, after "grants" insert "in House Bill No. 1358, as approved by the sixty-third legislative assembly, or to the energy infrastructure and impact office line item"

Page 3, remove lines 20 through 31

Page 4, replace lines 1 through 24 with:

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SECTION 10. OIL AND GAS IMPACT GRANT DISTRIBUTION - NEW COUNTIES - OTHER USES. Notwithstanding any other provisions of this Act, the director of the energy infrastructure and impact office may include within recommendations to the board of university and school lands for oil and gas impact grants up to \$5,000,000 of the funds designated for counties experiencing oil and gas development in House Bill No. 1358, as approved by the sixty-third legislative assembly, to any eligible political subdivision if, by January 1, 2015, the funds have not been committed to counties meeting the eligibility requirements for this funding, under provisions of House Bill No. 1358, as approved by the sixty-third legislative assembly."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$5,312,873	\$5,319,551	(\$162,536)	\$5,157,015	\$5,067,657	\$89,358
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Capital assets	65,550	65,550		65,550	65,550	
Energy infrastructure and impact office	214,000,000	224,000,000	(223,299,174)	700,826	217,000,000	(216,299,174)
Contingencies	200,000	200,000		200,000	200,000	
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General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00	31.00	0.00

Department No. 226 - Department of Trust Lands - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Adds Funding for Study ³	Removes Funding for Oil and Gas Impact Grants ⁴	Total Conference Committee Changes
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Accrued leave payments		108,541			108,541
Total all funds	(\$53,995)	\$0	\$50,000	(\$223,299,174)	(\$223,303,169)
Less estimated income	(53,995)	0	50,000	(223,299,174)	(223,303,169)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added from the strategic investment and improvements fund to conduct a study of private lands owned adjacent to lands under control of the United States Army Corps of Engineers included in House Bill No. 1338, the same as the House version.

⁴ Funding included in the executive budget for oil and gas impact grants to political subdivisions and grants for airports and higher education and funding added by the Senate for dust control is removed. Funding relating to salaries and operating expenses for the energy infrastructure and impact office is retained.

A section is added relating to funding for a study of private lands included in House Bill No. 1338 and authorizing the department to seek additional funding for the study from the Emergency Commission, the same as the House version.

Sections added by the Senate relating to oil and gas impact grant funding for dust control are removed.

Sections included in the executive budget relating to increasing the allocation of oil and gas tax revenue to the oil and gas impact grant fund and oil and gas impact grant distributions for airports and higher education are removed.

Sections are added to provide for additional funding from the oil and gas impact grant fund for dust control and redistribution of certain oil and gas impact grant funding if not used by January 1, 2015.

Engrossed SB 2013 was placed on the Seventh order of business on the calendar.

2013 TESTIMONY

SB 2013

**TESTIMONY OF LANCE D. GAEBE
STATE LAND COMMISSIONER
North Dakota Department of Trust Lands**

IN SUPPORT OF SENATE BILL 2013

**SENATE APPROPRIATIONS COMMITTEE
January 10, 2013**

Chairman Holmberg, and members of the Senate Appropriations Committee, I am Lance Gaebe, Secretary for the Board of University and School Lands (Land Board), and Commissioner for the Department of Trust Lands.

I am here to testify in support of the Department of Trust Lands' requested total special funds appropriation found in SB 2013.

The primary responsibility of the Land Board (comprised of the Governor, Secretary of State, Attorney General, State Treasurer and Superintendent of Public Instruction) and the Department is to manage the Common Schools Trust Fund and 12 other permanent educational trust funds that are governed by Article IX of the North Dakota Constitution. These trust funds were established at statehood when the Federal Government granted the state 3.2 million acres of land "for the support of common schools" and other public institutions. The State Constitution and statutes provide that the Land Board shall manage the land, minerals and proceeds of these trust funds for exclusive benefit of beneficiaries.

Other prominent roles within the Department are:

- Management of four additional funds
 - The Strategic Investment and Improvements Fund
 - The Coal Development Trust Fund
 - The Capitol Building Trust Fund
 - The Indian Cultural Education Trust
- Administration of the Unclaimed Property Division, which serves as the repository for financial accounts, cash assets, and securities that have been forgotten or abandoned by the rightful owner; and,
- Administration of the Energy Infrastructure and Impact Office, which administers coal impact loans and the oil and gas impact grant fund and the one-time flood grant program.

The Department has 24.75 authorized FTEs for these responsibilities.

MISSION OF THE DEPARTMENT OF TRUST LANDS

Support for Education

The chief mission of the Department of Trust Lands is managing permanent trust assets to fund education and other governmental functions. The Department of Trust Lands manages 708,000 surface acres, which are leased to ranchers and farmers across the state. It oversees 2.5 million mineral acres, which are offered for oil, gas, coal, gravel and subsurface mineral leasing. Revenues from all sources are deposited in trust funds and are invested in a diversified portfolio of financial assets.

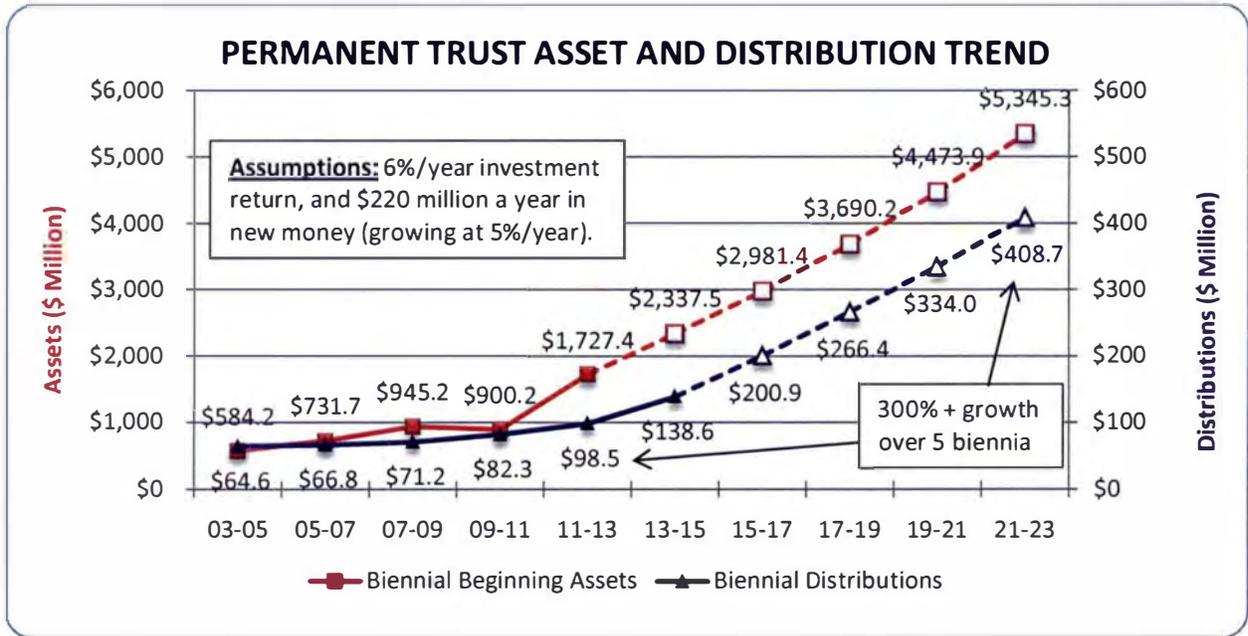
According to Article IX of North Dakota's Constitution, biennial distributions from the permanent trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. Equal amounts must be distributed during each year of the biennium. Distributions from the other trust funds managed by the Land Board are made in accordance with legislative appropriations.

The following is a list of distributions that will occur from the various permanent trust funds in the 2013-2015 biennium. Distributions from the trust funds to beneficiaries will be up 41% over distributions in the current biennium. The Common Schools Trust Fund distribution to the state's public schools will be \$130.3 million; which is \$37.8 million more than the 2011-2013 biennium. The biennial distributions from the 12 other permanent trusts (shown below) will increase in a similar ratio:

Trust Fund	2011-2013 Distributions	To be Appropriated 2013-2015 Bi. Distributions	Increase in Distributions	Percentage Increase in Distributions
Common Schools	\$ 92,514,000	\$ 130,326,000	\$ 37,812,000	40.9%
NDSU	1,424,000	2,066,000	642,000	45.1%
School for the Blind	216,000	282,000	66,000	30.6%
School for the Deaf	454,000	720,000	266,000	58.6%
State Hospital	572,000	754,000	182,000	31.8%
Ellendale*	220,000	345,996	125,996	57.3%
Valley City	286,000	372,000	86,000	30.1%
Mayville	184,000	236,000	52,000	28.3%
Industrial School	528,000	810,000	282,000	53.4%
School of Science	492,000	682,000	190,000	38.6%
School of Mines	560,000	794,000	234,000	41.8%
Veteran's Home	248,000	276,000	28,000	11.3%
UND	750,000	1,020,000	270,000	36.0%
TOTAL	\$ 98,448,000	\$ 138,683,996	40,235,996	40.9%

* The Ellendale State College Trust is split equally between seven beneficiaries: Dickinson State University, Minot State University, Dakota College at Bottineau, Veteran's Home, School for the Blind, State Hospital, and State College of Science.

The escalating balances of the permanent trust funds will lead to even more money being distributed to beneficiaries in future years, particularly to the local school districts through the common schools allocation.



In addition to the constitutional trust funds, the Land Board also manages the

- Indian Cultural Education Trust
- Coal Development Trust Fund
- Capitol Building Fund
- The Strategic Investment and Improvements Fund (SIIF).

The SIIF's unobligated balance is anticipated to exceed \$300 million this month, even after a \$305 million transfer to the General Fund is completed later this month. In accordance with HB 1451(2011 Legislative session) once the unobligated balance of the SIIF exceeds \$300 million, 25% of all oil taxes received for deposit in the fund and 25% of the revenues generated by the sovereign minerals held in the fund will be deposited instead into the Legacy Fund.

Even after the \$305 million transfer, it is expected that the SIIF will end the 2011-13 biennium with a balance of \$709.2 million. The executive budget projects a balance of \$1.35 billion for the SIIF at the end of the 2013-15 biennium.

Total Funds

Total financial assets managed by the Land Board increased 145% in three years, growing from \$996 million in June 2009 to \$2.44 billion at the end of FY12.

2011-13 Appropriation and Spending

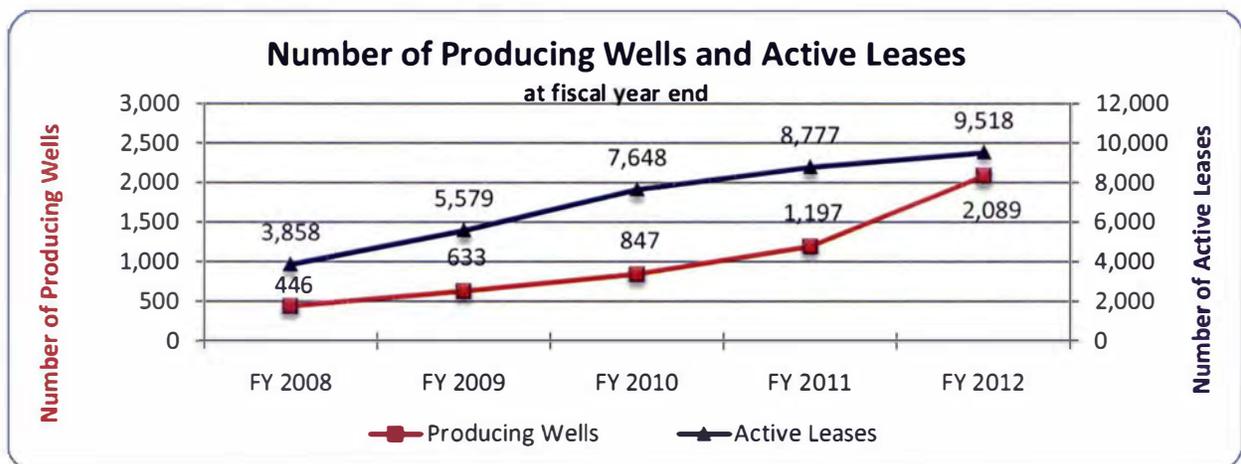
Overall operating expenditures have increased predominantly because of the growth in energy activity, which has increased expenditures for travel, professional and legal services, and office operation costs.

The 2011 budget anticipated this growth and subsequent expansion in Department activities and the Legislature authorized additional operating and salary appropriation authority.

The growth in energy activity, has affected all divisions within the Department: Mineral Management, Surface Management, Financial Services and Investments, Administrative and IT Functions, Unclaimed Property and the Energy Impact Office. The expansion has been rapid in terms of both the growth in trust assets and growth in the Department's workload, and this will continue.

The Department manages 704,750 sovereign mineral acres and 1.7 million acres of minerals for the permanent trusts.

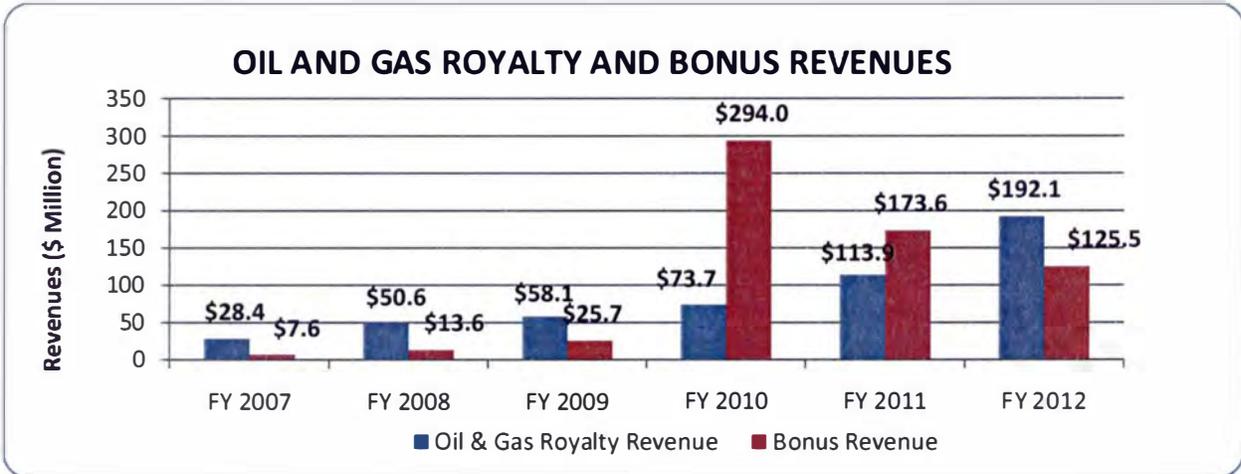
During FY11, a total of 1,886 oil and gas leases were issued on 143,840 mineral acres; during FY12, a total of 1,133 leases involving 95,039 mineral acres were issued. Currently, a total of 850,000 mineral acres are under lease.



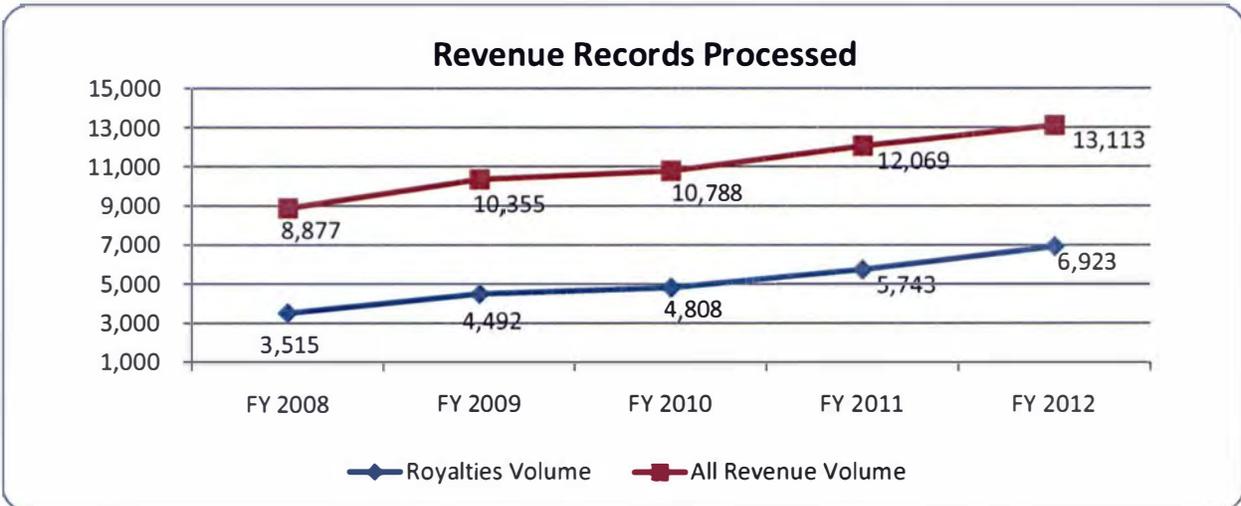
As of June 30, 2011, the total number of active leases managed by the Department was 8,777; on June 30, 2012 the number of active leases managed was 9,518.

As of June 30, 2012, the Department monitored production from 2,089 producing wells, up from approximately 450 four years earlier. Over the past six months the Department has added an additional 446 wells to the inventory of producing wells. The Department is involved in approximately 28% of the producing properties in the state.

During FY12 the Department collected oil and gas royalty revenue of \$192.1 million, a 69% increase over the \$113.9 million collected during FY11. Total oil and gas royalty collections in FY12 were 280% higher than they were just four years earlier.



The Department staff processed over 13,000 revenue records during FY12, of which approximately 6,900 were royalty revenue. Over the past four years total revenue records processed has increased by 48%, while total royalty records processed have increased by 97%.

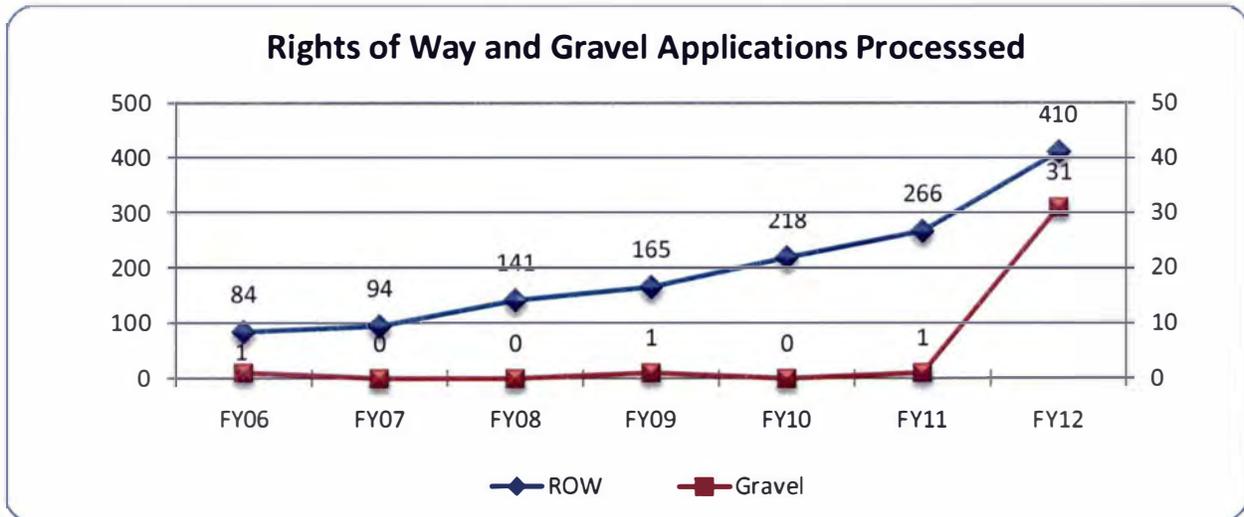


The Revenue Compliance Division is responsible for the collection of more than \$6 million of additional royalties and late payment penalties during FY12 as a result of revenue compliance efforts.

The Department's Surface Management Division saw more than a 99% leasing rate for agricultural tracts. Land improvement projects such as biological weed control and the range improvement program contributed to improved conditions of trust lands.

The number of rights-of-way requests and gravel applications processed has increased dramatically over the past few years. The number of applications has increased steadily over the years; however, the number of gravel applications, which has averaged about

1 per year, jumped to 34 during FY12, as demand for gravel in western North Dakota increased.



Right-of-way applications and field inspections are electronically submitted and managed. Enhanced technology, automated programs and GIS data systems assist the Department in management of trust acreage. Four field employees work from home based offices outside of Bismarck but are fully integrated into the Department's computer systems and programs thus increasing responsiveness to energy industry requests and reducing travel time and expense.

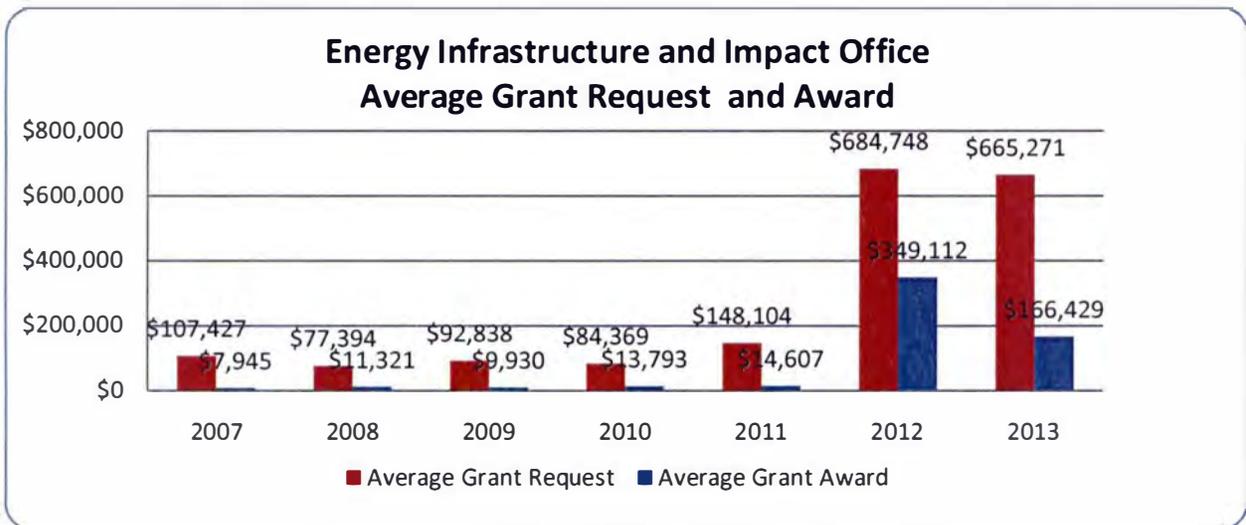
Since 1975 the Land Board has also been responsible for administration of the Uniform Unclaimed Property Act. The Department serves as a centralized custodial repository for unclaimed property (namely financial assets), with the intent to return the property to the rightful owner, their heirs or assigns. Once property is received and posted, the Department is tasked with providing opportunities for the public to become aware of its unclaimed property and initiate the claim process.

Currently, the Department's fee-free searchable website and the states' national database (missingmoney.com) are presenting just over 71,000 names – an increase of 8,200 names from this time last year. Besides the internet postings, newly reported names will also be published in newspapers statewide throughout 2013. Claim activity was brisk in FY12, resulting in 3,700 properties, totaling \$1.8 million, being returned to rightful owners.

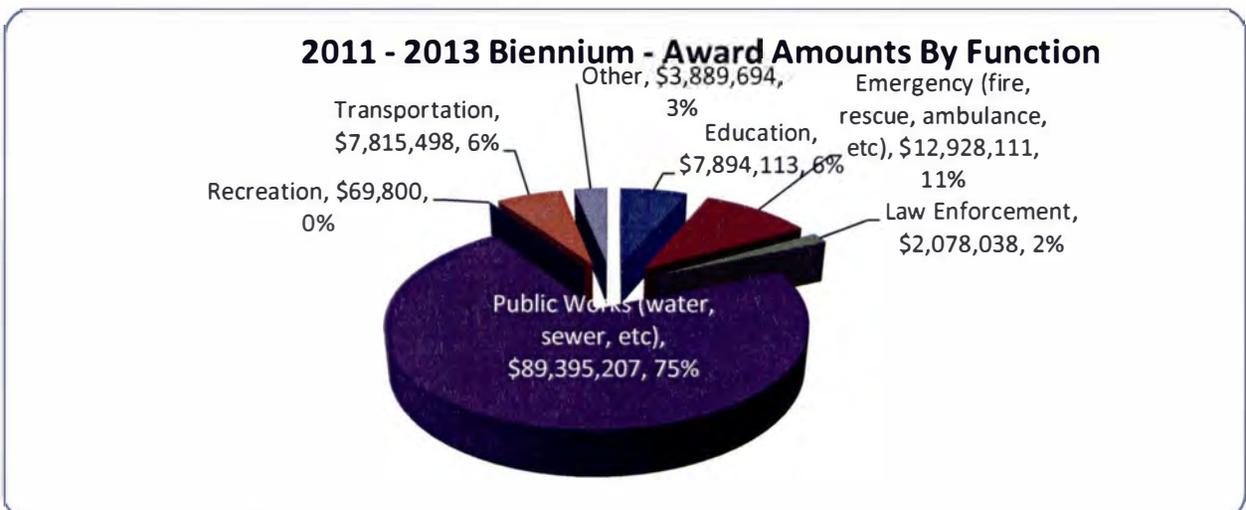
The Energy Infrastructure and Impact Office consists of myself serving as a half time director and one additional FTE serving as the deputy director (authorized in the current biennium as an office assistant). The office is responsible for administering the \$130 million grant program to assist cities, townships, emergency services and other political subdivisions realizing direct impacts to public infrastructure from oil and gas development. The office previously distributed \$8 million each biennium. 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 number of applications processed by the Energy Infrastructure and Impact Office increased by 16%, from 422 in FY11 to 503 thus far in 2013. Grant requests totaled nearly \$662 million biennium to date; 504 grants totaling \$124 million have been awarded during the 2011-2013 biennium. The average grant request was over \$650,000 in both FY12 and FY13, well above the average grant request received in past years. The average grant awarded has also been far higher the past two years than it has been in past years.



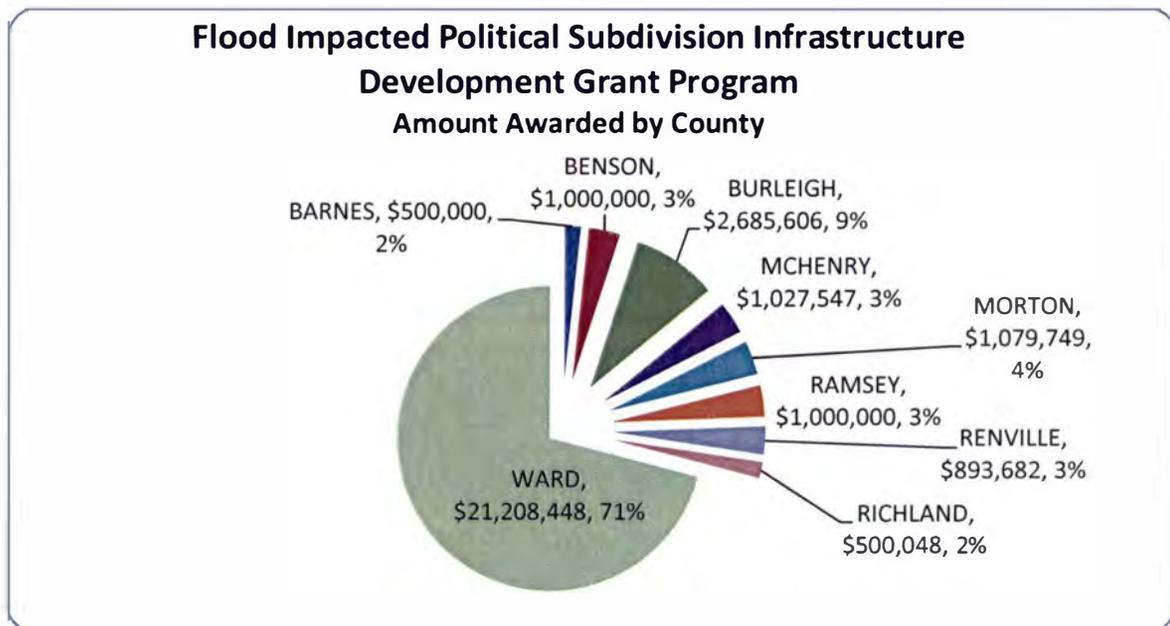
Grants approved by the Land Board largely focused on assisting with infrastructure to provide for permanent housing and public safety improvements. Some funds were also provided for rural transportation projects as well as critical education and childcare projects. At the direction of the 2011 Special Legislative Session, emergency services agencies received a priority and 174 awards totaling \$16 million were awarded for these emergency response needs.



The number of grant rounds performed increased from 1 in 2011 to 5 in 2012 and already five rounds in FY13, with nearly all of the funds allocated for the biennium now awarded.

The office also administers a loan program for coal development impacted political subdivisions from funds in the coal development trust fund.

During the special session in November 2011, the EIO was tasked with establishing procedures and policies to implement a one-time \$30 million Flood Impacted Political Subdivision Infrastructure Development Grant Program to assist communities and other political subdivisions in responding to flood repairs and relocation needs. During FY12 the Land Board awarded 141 grants to political subdivisions, totaling nearly \$30 million for flood-related infrastructure improvements.



PROPOSED 2013-2015 BUDGET

The three most significant budget changes proposed in SB 2013 are a marked increase in the funds to be distributed to trust beneficiaries, the addition of six FTEs, and the substantial increase of the Energy Infrastructure and Impact Office grant funding. There are also minor increases related to operations expenses and capital assets.

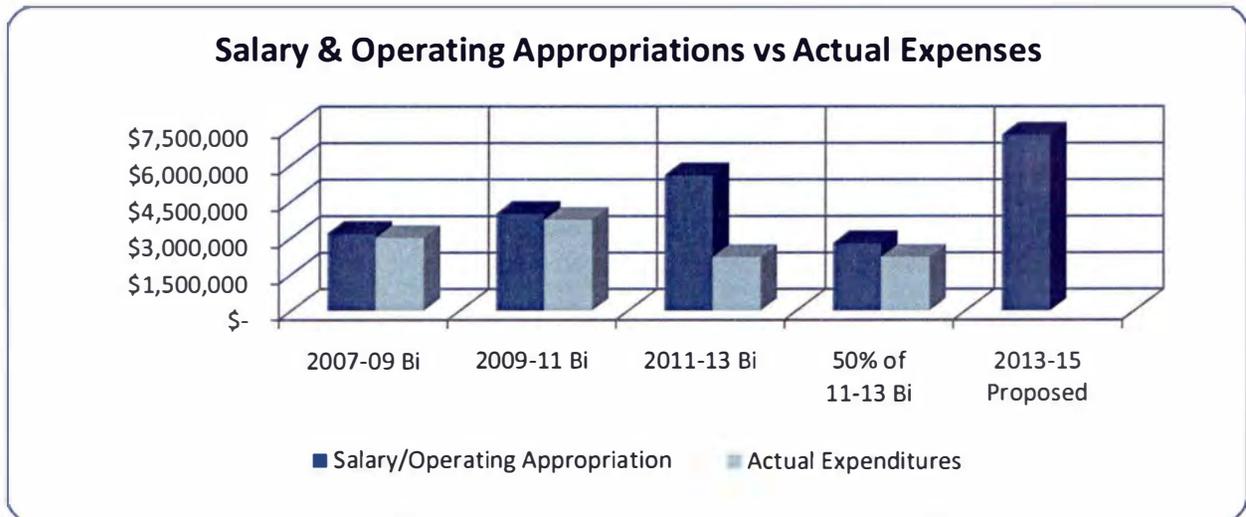
Distributions

I have already discussed the anticipated 41% increase 2013-2015 distributions to beneficiaries, the receiving institutions and the amounts that they will receive are listed in section 6 of SB 2013.

Staff and salaries

The new positions included in the budget are necessary due to the increasing workload involved in managing the oil and gas mineral leasing and production activity and related surface occupancy and easement work, managing the financial assets and transactions of the trusts and other funds, and implementing an expanded oil and gas impact grant program.

The Executive budget recommends adding 4.25 FTE and related operating, along with additional temporary salaries, to support the land and minerals management functions of the Department of Trust Lands. It also recommends an additional 2.00 FTE and related operating, along with additional temporary salaries to support the activities of the Energy Infrastructure and Impact Office. The budget also includes an additional \$311,717 for the executive compensation package adjustment.



The budget request seeks additional FTEs to help with the growing workload in the minerals, financial management, unclaimed property compliance and investment areas of the Department. The dramatic growth in revenues will require new systems and employees to help the Land Board and the Department better fulfill its fiduciary responsibilities to trust beneficiaries.

The Department's revenues have multiplied in recent years, increasing workload in terms of dollars received and number of transactions being processed. This is coupled with a dramatic increase in the EIO office with more money, applications and grants being processed.

Following is a summary of the 6.25 additional FTEs included within Governor Dalrymple's budget recommendation and within SB 2013:

1. Soils and Natural Resource Management Specialist: To assist with requests for energy related rights-of-way, special requests for aggregate, clay, and fill material and reclamation compliance inspections for all of the surface impacting activities.

2. Minerals Title Specialist: To assist in the management of nearly 10,000 active oil and gas leases issued by the Department. The person will serve as a 'landman' to assist in the increased need for verification of complex historical mineral ownership and transaction documents and to review complicated lease provisions, overrides and lease assignments.
3. Audit Technician: To assist with royalty and other revenue collection and documentation workload. Collection and tabulation of expanding lease collections, royalties, rental payments, salt water disposal payments, and surface damage payments will be a key part of this person's role.
4. Administrative Assistant: To assist all divisions with the growth in workload and responsibilities. The existing support staff 'pool' has accepted expanded responsibilities. This staff person would support the expanded records management, document tracking and clerical work of the Department.
5. Administrative Assistant (1/4): A present administrative support position is only authorized as a $\frac{3}{4}$ FTE and the executive budget recommends shifting that to a full FTE to enhance recruitment if necessary.
6. Grants Administrator: To assist with the expanded EIO program. Responsibilities will include software system enhancements and user interface, grant progress tracking, data summarization, reporting as necessary in all phases of the grant process including application processing, information gathering, award analysis and scoring, and reimbursement compliance review.
7. Accountant: To serve the energy impact office accounting and office support functions related to budget management, grant administration and reimbursement verification.

Three additional positions that are not included within SB 2013, but that the Department requests your consideration of authorizing in addition to those already mentioned:

1. Unclaimed Property Auditor: A position previously utilized within the Department but reassigned during the expansion in energy activities. The FTE would assist in outreach and compliance with statutory requirements for submission of unclaimed property. *A recent audit finding indicated a lack of "audit function in place in the Unclaimed Property Division to ensure North Dakota businesses are appropriately submitting unclaimed property and that penalties are appropriated assessed for noncompliance."*
2. Investment Assistant: To assist in all aspects of the investment program, to help with base level operations and investment transactions, allowing the Investment Director to focus on higher level investment functions and analysis as well as his duties of chief financial officer and deputy commissioner.

3. Land Management Specialist: To further assist in the inspection of pipeline, power line and road related right-of-way requests and reclamation efforts.

Operations

The Governor's Budget recommends an increase of the Department operations expenses line for the anticipated inflation and continued growth of expenditures such as professional services, advertising, information technology, legal fees, temporary salaries and building occupancy costs. The contingency line also increases by \$100,000 to the contingencies line item to be used for additional temporary salaries if determined necessary during the 2013-15 biennium. If additional positions are provided to the Department over and above the Governor's recommendation, additional operating funds would also be needed.

All collective operating expenses and salaries within the Department are paid by the trusts on a prorated basis, except for the EIO expenses and salaries, which are paid from the Oil and Gas Impact Grant Fund.

Energy Infrastructure and Impact Office

The increase in the energy impact grants included in the Governor's Budget is in response to growing infrastructure and impact needs in the oil producing communities and counties. The EIO increases from a grant program of \$100 million of special funds and \$30 million of general funds; to a recommended \$214 million of special funds:

- \$150 million to political subdivisions on a permanent basis
- \$60 million for airport needs (one time inclusion)
- \$4 million for energy impacted higher education needs (one time inclusion)

One additional change that the bill includes relates to the EIO. The Grants line is replaced by an appropriation to the Energy Impact Office allowing the Land Board of the University and School Lands to expend from the Oil and Gas Impact Grant fund the amounts necessary to run the program.

As the EIO is structured under law, the Director has the responsibility for making the annual energy impact response plan and making grant recommendations to the Land Board for grant awards. As mentioned, the staff and Land Board have utilized an advisory team in this process. The Land Board has discussed also adding an education representative to that committee.

CONCLUSION

The Land Board's responsibility to preserve the trusts and maintain income stability for the trust beneficiaries continues to be met. All permanent and other trust funds remain in sound financial condition despite turmoil in the financial markets. Land is prudently managed providing for a fair market return of grazing lease income. Mineral leasing and development activity continues to be very active with large bonuses being collected, and as development occurs, production will enhance trust balances with royalties received.

Significant growth will continue to occur for the benefit of trust fund beneficiaries as mineral and energy development grows. Unclaimed property continues to be safeguarded and returned to owners via improved technologies and expanded outreach efforts.

The future for the trusts is very bright. I respectfully request your consideration to provide the Department with the authority to manage the assets under the control of the Land Board as efficiently and effectively as possible.

I look forward to working with the committee to explain how the tasks have grown within this important Department and how the broadened budget and requested positions will allow the Department to continue funding education in the state. It is a positive and dynamic time and the Department of Trust Lands is working in the heart of the activity related to energy growth, agricultural success, educating kids and growing western infrastructure. But we need your support in approving the special fund items that will allow the professional and dedicated staff the resources to continue to do a good job for the state in these areas.



Ward Koeser
1-10-13
SB 2013
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TDD State Relay: 711

2

January 10, 2013

Chairman Ray Holmberg
Appropriations Committee
Senate Bill 2013/Energy Impact Grants

Chairman Holmberg and Committee Members:

My name is Ward Koeser and I serve as mayor of Williston. I have held this position for 18 plus years and am pleased to address your committee this morning in support of Senate Bill 2013, especially as it relates to energy impact grants.

Williston is truly the epicenter when it comes to oil activity in Western North Dakota. It is the home to over 400 oil field service companies with nearly 40% of our workers employed in the oil industry. Nearly 65% of North Dakota's oil and gas employment comes from Williams County. Williston's central location in the Bakken makes it economically and logistically appealing for companies wishing to service this industry. Approximately 90% of the wells drilled and currently being drilled are within 75 miles of Williston.

All this activity has generated tremendous dollars for the state of North Dakota. Williston continues to lead the state in taxable sales and purchases with over \$950 million reported for the third quarter of 2012. Williams County generated over 28% of all of North Dakota's total in-state taxable sales and purchases for that quarter. We are ground zero!

We have promoted and are pleased with the fact that the economic benefits from this activity are felt across the state. Companies from nearly every city have found ways to get involved whether it is by selling products to the industry or assisting with construction. Williston led the state in construction in 2012 with more than \$470 million worth of building permits issued.

This booming industry has brought many blessings but also many challenges to Williston. Providing services to the thousands of people moving here is very expensive.

Addressing the need for a new and expanded sewage treatment facility will cost the city about \$85 million while expanding the police, fire and ambulance protection as well as public works, planning and building inspectors adds millions to our budget. Our 2013 operating costs have increased nearly \$15 million from the 2012 budget.



News media from all over the world have visited our community these past two years and without fail have reported that there is nowhere else in the country with this kind of activity. We truly are “Boomtown USA”! We deal with long lines at McDonalds, struggle to find a parking space at Wal-Mart, fight traffic when driving through town, and feel the pain when our senior citizens are forced to leave town because they cannot afford the high cost of rent in Williston.

Oil impact grants are a great way for the state to support the oil producing community and make sure that the proper infrastructure is in place for the industry to sustain itself and even grow. Williston is pleased to do our part to service the industry but we desperately need help from the state. The oil impacts we are seeing are blessing the state with billions of dollars of revenue.

Please support our community by supporting SB 2013. It will be a great investment in North Dakota’s future and a way for all communities impacted by the oil industry to help meet their infrastructure needs.



impact

Williston continues to maintain steady growth and is the heart beat of a prospering North Dakota economy providing opportunities to families looking for a community with a future, economic stability and low crime rate. The city's economy is currently experiencing rapid growth in housing, career options and quality of life.

Will!ston

Impact Statement 2012

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The City of Williston

2013 Top State Funded Priorities:

- Sewage Treatment Plant
- East & West Permanent Truck Reliever Route
- Grade Separation on Current Bypass
- Affordable Housing
- Operational Dollars Provided by Change in Formula Funding

2012 State Leader in:

- Taxable Sales and Use
- Oil Rigs within a 70 Mile Radius
- Mining Employment
- Number of Oil Companies
- Crew Camp Capacity and Occupancy
- Building Permits Statewide
- Average Annual Salary Statewide
- Housing Shortage/Rent Inflation
- Oil Truck Traffic within City Limits
- Power Usage and Consumption
- Oilfield Water Usage
- Micropolitan Growth for the U.S.

Community Preparation for Future Impact

Williston first noticed this increasing activity level beginning in 2004. To prepare, the city increased major infrastructure capacity for up to 40% more population.

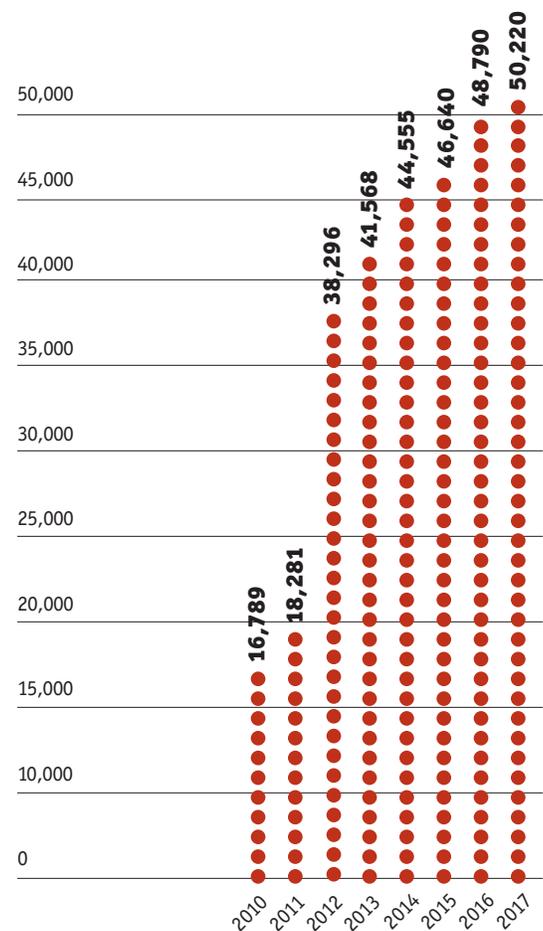
We have since far exceeded that excess capacity, and are working with the Governor and Legislature to further extend our water, sewer, and road infrastructure for workforce housing and industry facility needs.

The City of Williston has committed over one million dollars in studies addressing the impact and future needs of the community.

- Comprehensive Master Plan
- Annexation Options and Implications
- Infrastructure Capital Improvement Plan
- Regional Water Study
- Transportation Study
- Housing Study
- Labor Availability
- Petroleum Workforce Needs Study
- Williston Parks and Rec Master Plan
- Williston State College Master Plan
- Williston School Needs Study
- Day Care Master Plan
- Population Study
- Oil and Gas Workforce Needs
- City Facility Study
- Emergency Services Study

City of Williston Growth Projections

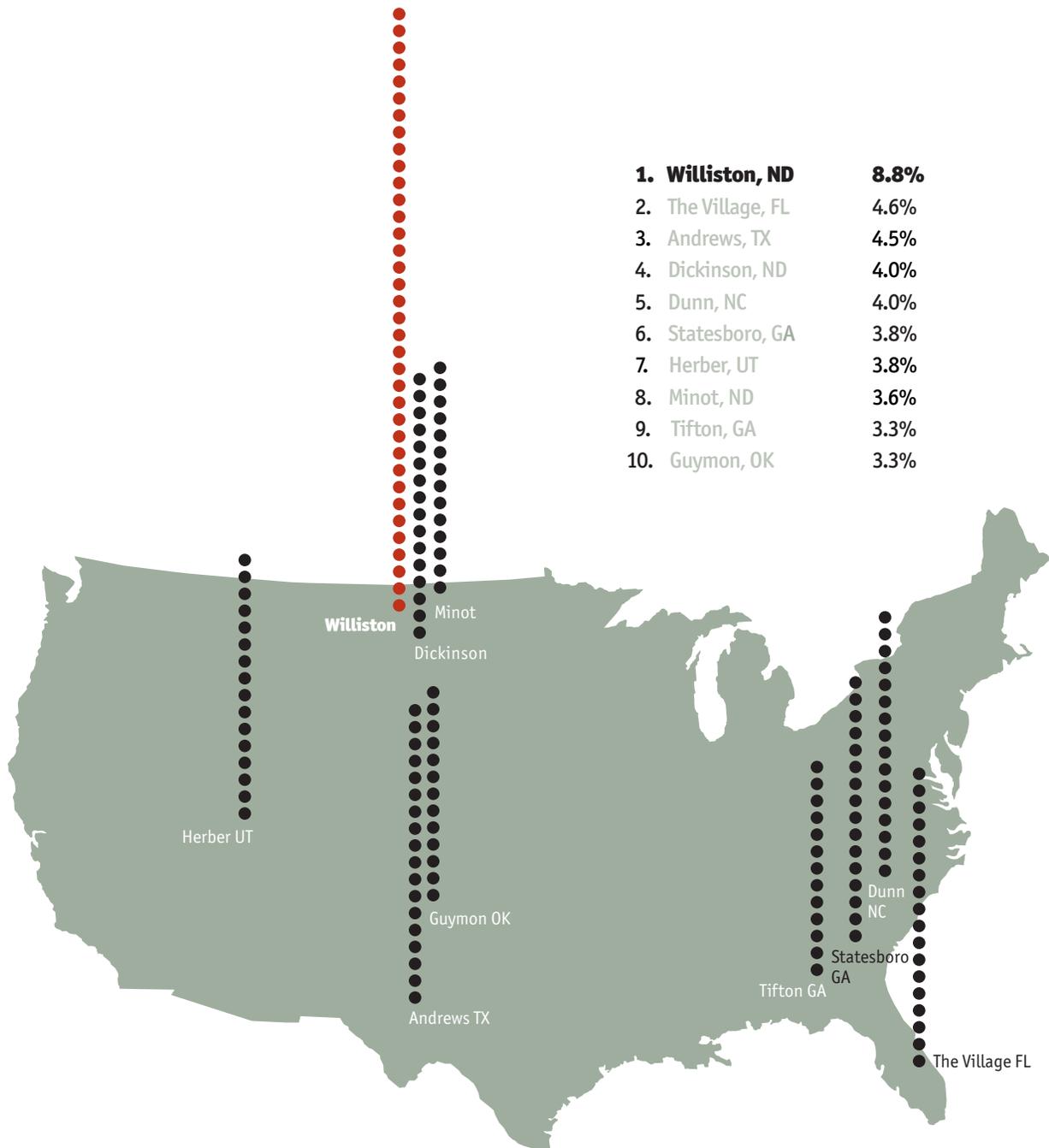
(service population)



Source: City of Williston Population Study

USA 10 Fastest Growing Micropolitan Area's

From April 1, 2010 to July 1, 2011

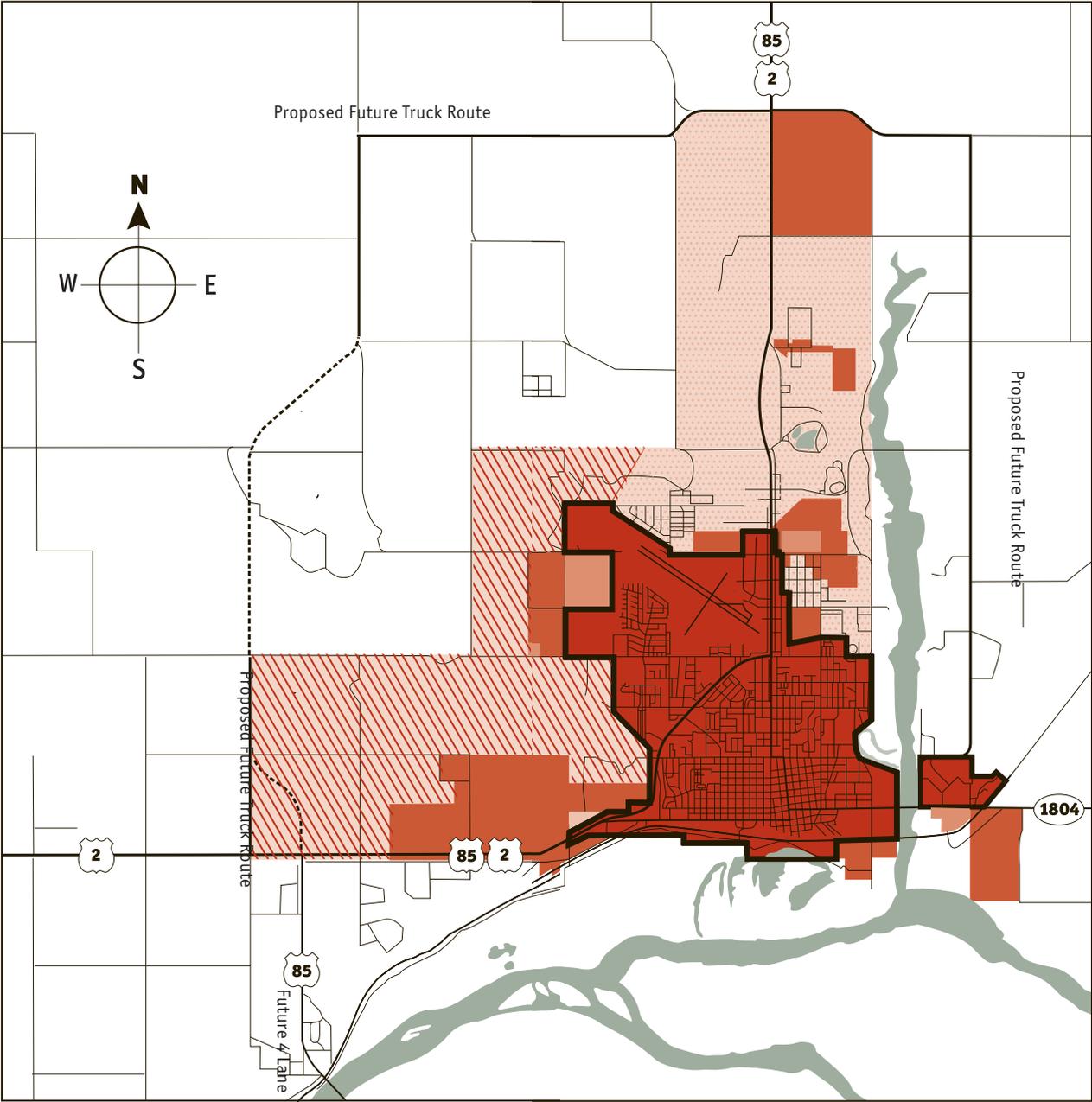


- | | |
|-------------------------|-------------|
| 1. Williston, ND | 8.8% |
| 2. The Village, FL | 4.6% |
| 3. Andrews, TX | 4.5% |
| 4. Dickinson, ND | 4.0% |
| 5. Dunn, NC | 4.0% |
| 6. Statesboro, GA | 3.8% |
| 7. Herber, UT | 3.8% |
| 8. Minot, ND | 3.6% |
| 9. Tifton, GA | 3.3% |
| 10. Guymon, OK | 3.3% |

Source: U.S.Census Bureau

Williston Growth Map*

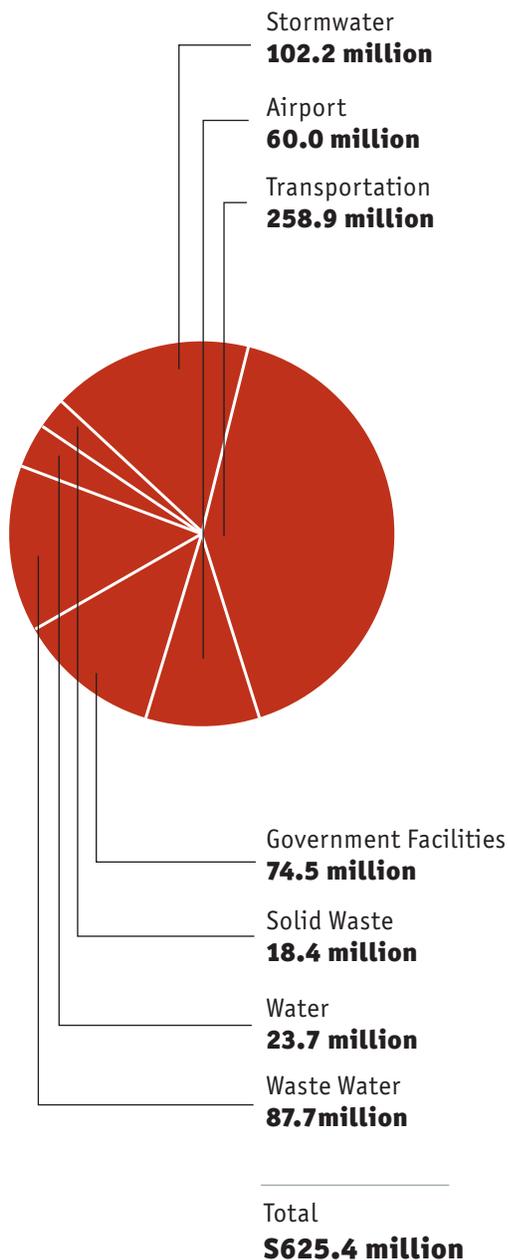
- 2010 Old City limits
- 2011 Completed Annexation
- 2012 Annexations in Progress
- 2013 Proposed Annexation
- Future Infill Consideration



*see page 21 for acreage/square miles amounts

Williston Infrastructure Needs

6 Year Projection

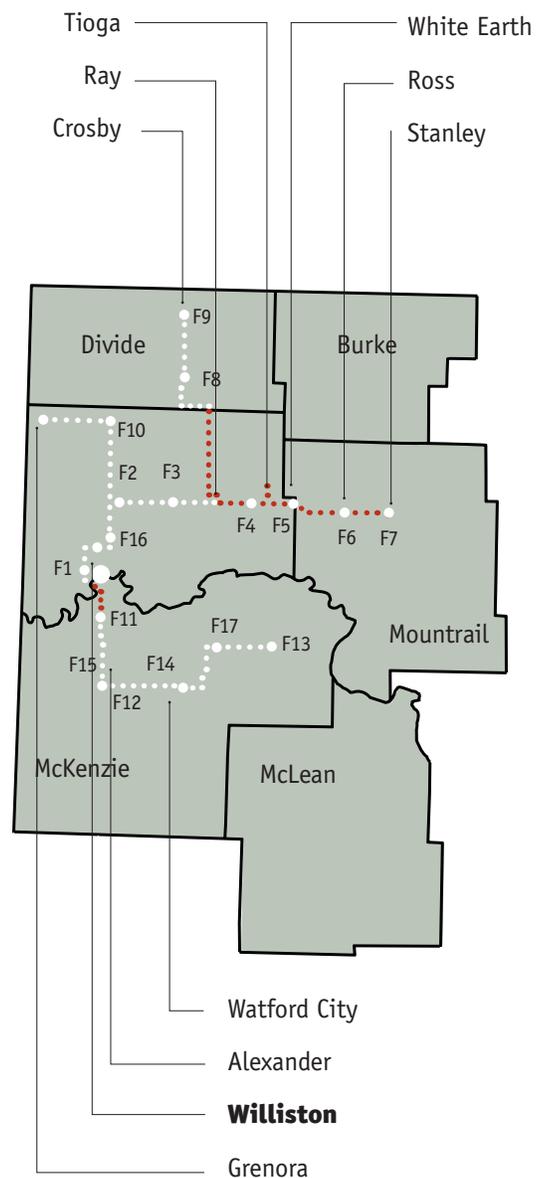


Source: City of Williston

Western Area Water Supply (WAWS)

The City of Williston is integral to the Western Area Water Supply as it holds a permit for up to 36 million gallons per day of Missouri River water access from its water treatment plant.

The WAWS system also provides critical water infrastructure for Williston's projected growth needs in expanding the city.



City of Williston Operations Budget

For the Year 2013

Revenue: 52 million

Expenditures Budgeted: 81-million

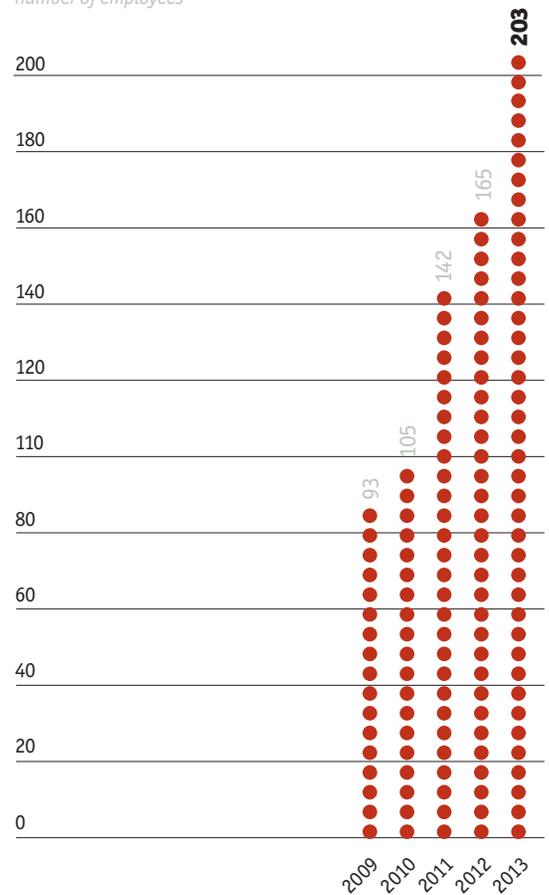
Deficit: 29-million in projects dependent on state aid.



Source: City of Williston

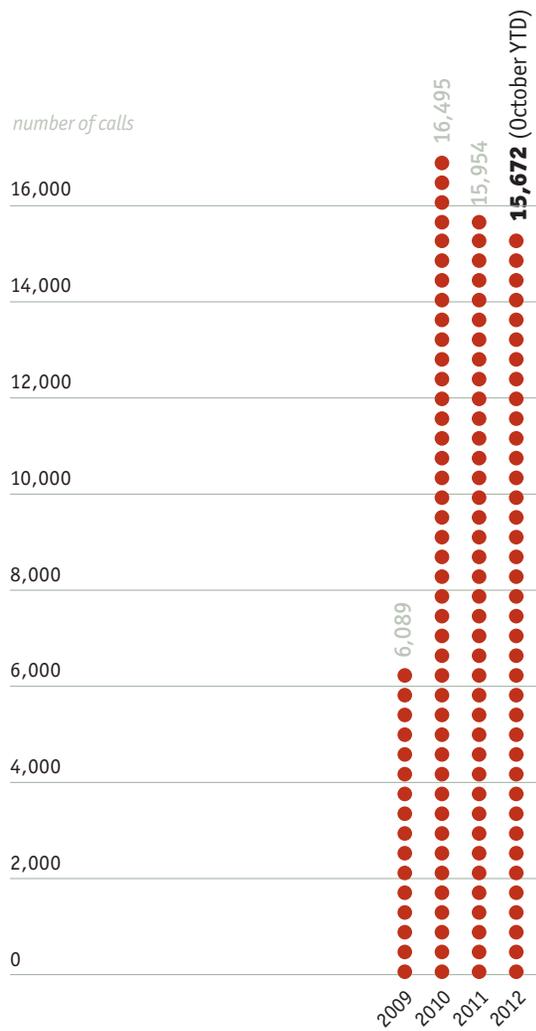
City of Williston Employment

number of employees



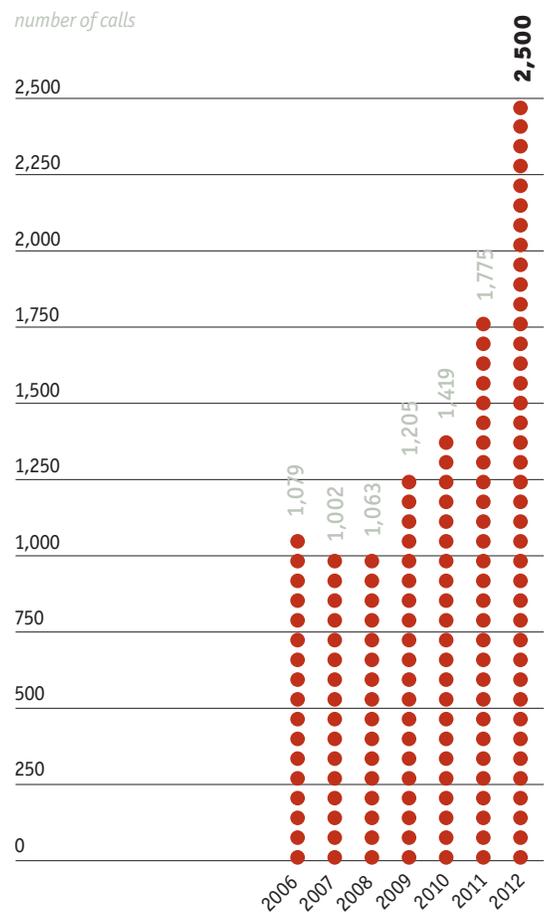
Source: City of Williston

Williston Police Calls for Service



Source: City of Williston Police Department

Williston Fire/EMS Calls for Service



Source: City of Williston Fire Department

ND City Reportable Traffic Accidents

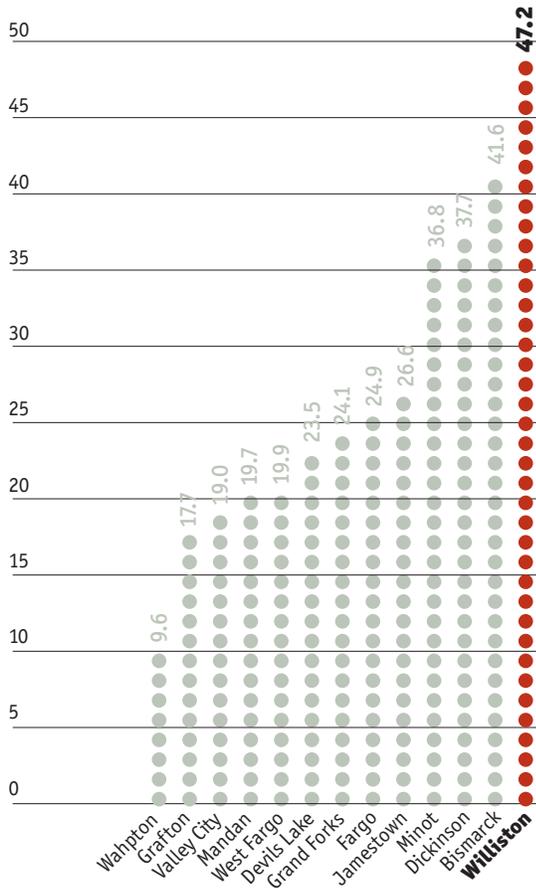
As of November 2012

According to statistics from the ND Highway Patrol, 26 people have been killed in Williams County in 2012, followed by McKenzie County with 16.

The northwestern region of the state has accounted for 64 of the 146 total fatalities.

Bismarck Tribune, November 23, 2012

number of accidents per 1,000 population



Source: ND Crash Summary 2011

Williston School District 1 Enrollment

Kindergarten through 12th Grade

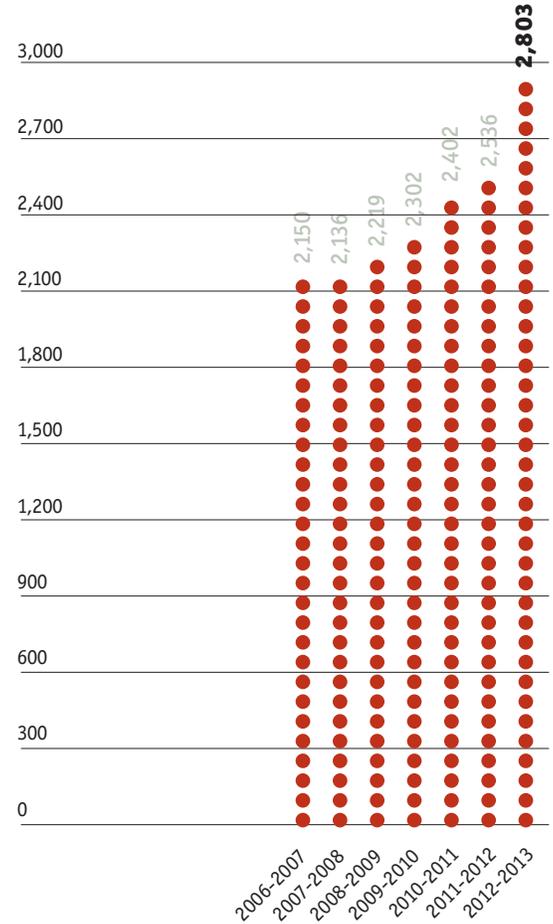
"In the past five years we've had 650 students added to the district... that's an entire school."

Dr. Viola Lafontaine

Superintendent, District 1

Williston Herald, November 15, 2012

number of students



Source: Williston School District 1

ND City Sales Tax

Major City Quarterly Comparison

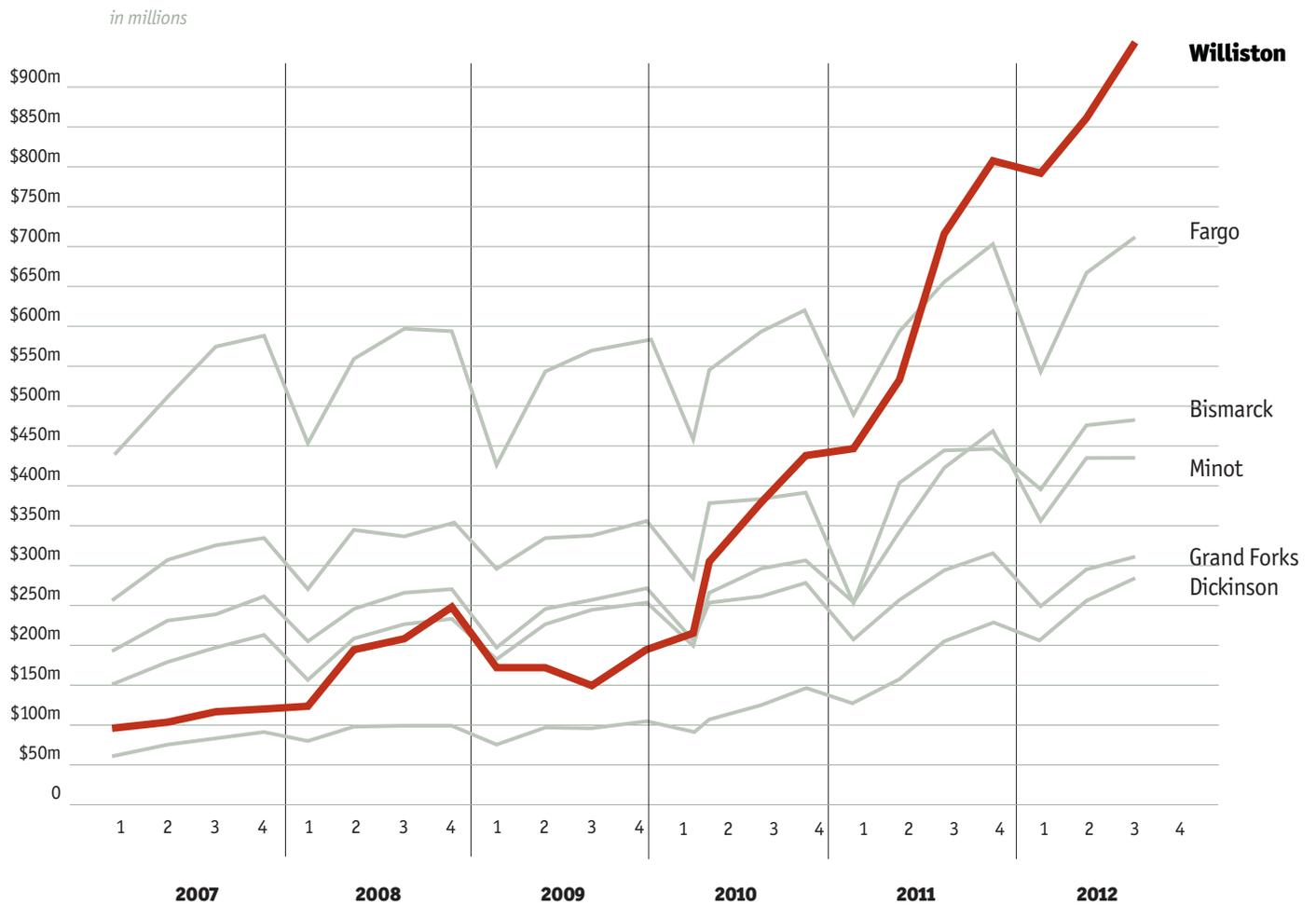


"I trust that the rest of the state recognizes that at the moment, Williston is at the center of the engine that is driving the state's economy"

Ward Koeser

Mayor, City of Williston

Williston Herald, October 5, 2012

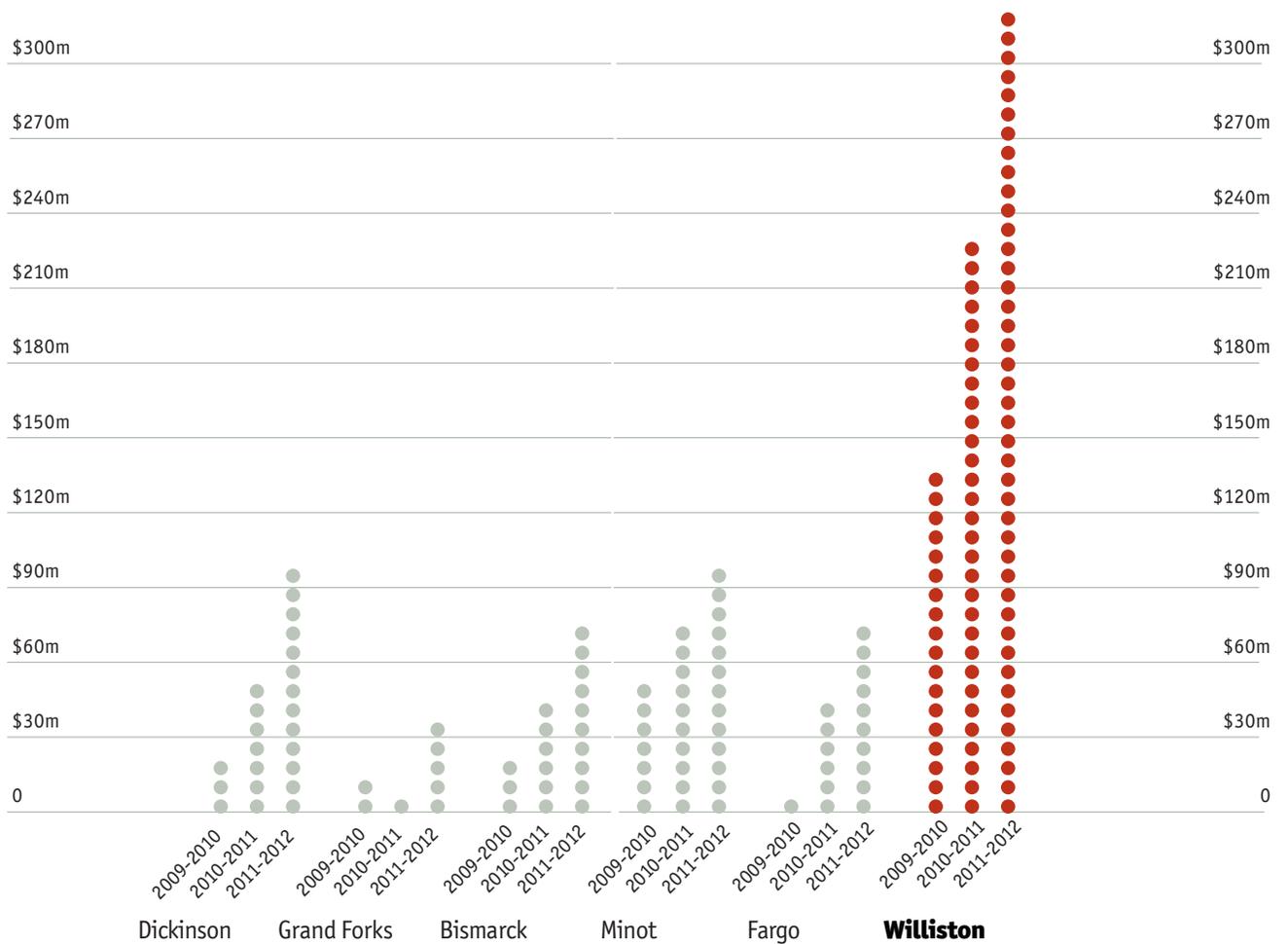


Source: ND Office of State Tax Commission

ND City Sales Tax Gain/Loss

Major Cities Second Quarter Comparison

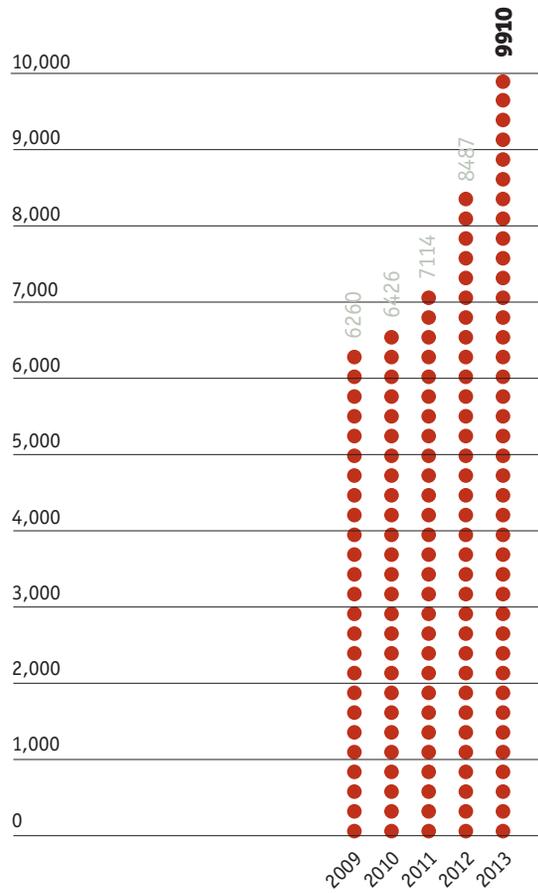
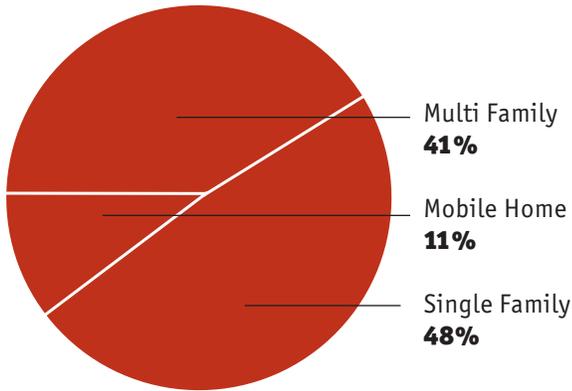
in millions



Source: ND Office of State Tax Commission

Williston Housing Stock

Projection for the year 2013

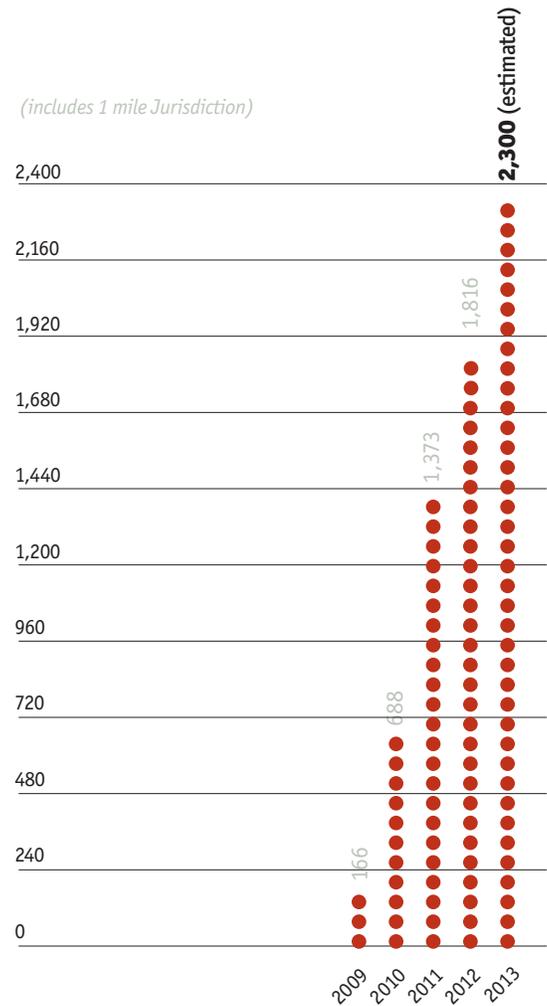


Source: City of Williston, Building Department

Williston Housing Units Built

Includes Single Family, Apartments, Manufactured, Duplex, and Twin Homes

(includes 1 mile Jurisdiction)



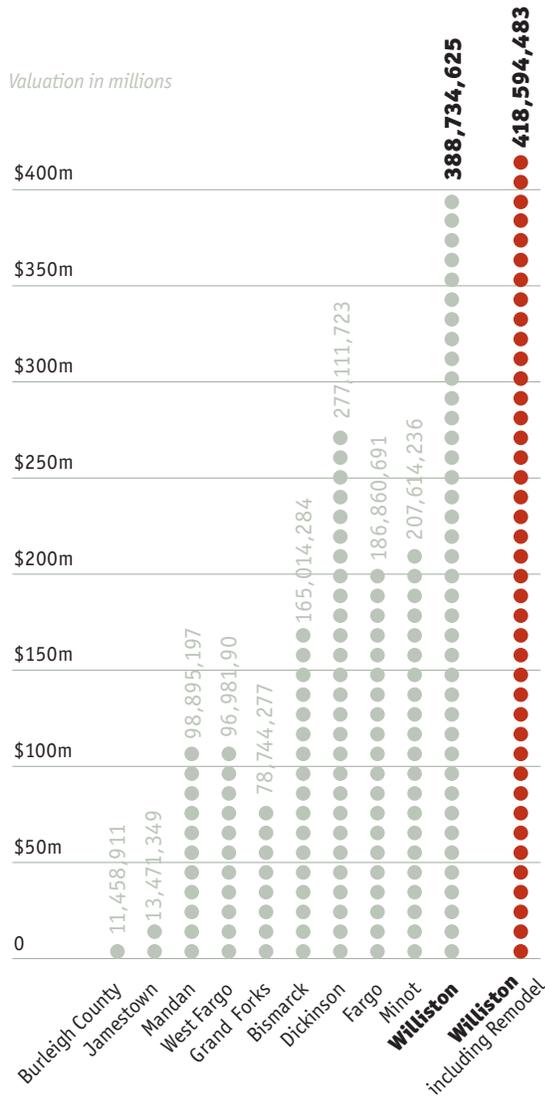
Source: City of Williston Building Department

ND City Valuations of Building Permits

Year to Date, November 2012

(numbers indicate new build construction only)

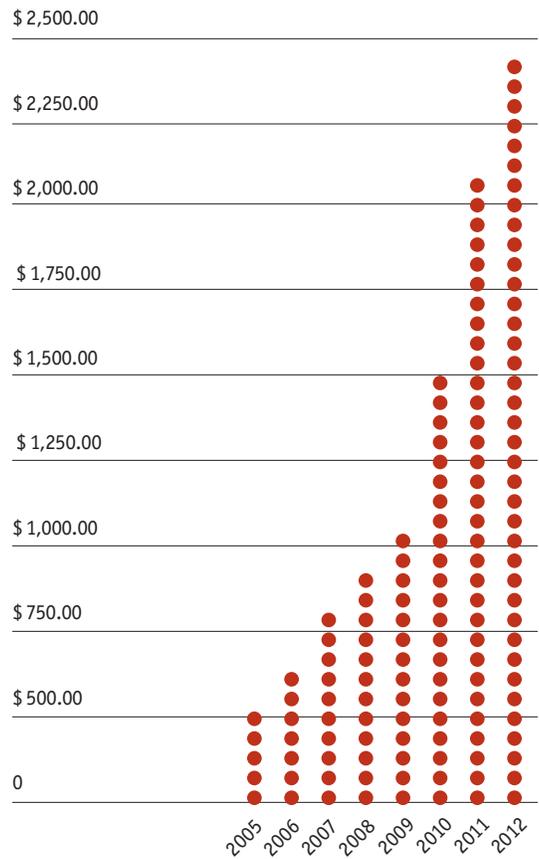
Williston is projected to top 470-million in new construction and remodel permit valuation in 2012.



Source: ND Association of Builders Permit Data

Williston Rent Inflation

One/two bedroom apartments

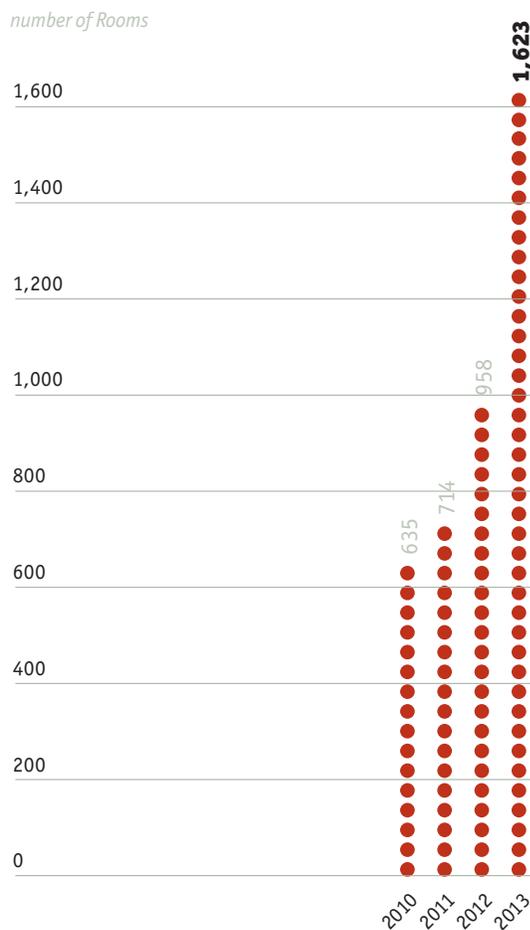


Source: Williston Economic Development

Williston Hotel Development

For the Years 2010-2013

The City of Williston has added 12 new hotel properties since 2010



Source: Williston Economic Development and Convention and Visitors Bureau

Williston/Williams Co. Crew Camps

Permitted Capacity

Williston

Blackhawk Energy	30
Sabin Metals	10
Weatherford	500
United Pulse	10
Love's	50
Oasis Petroleum	80
Sun Well	94
Pioneer	144
Flying J	150
Prairie Packing	24
Halliburton	312
Sun Well	24
Burke	224
Total Units:	1,652

Tioga

Capital Lodge	2,500
Target Tioga	1,250
Total Units:	3,750

Trenton

Falcon/Solsten XP	343
Moran/Roughrider Holding	604
Total Units:	943

Williams County

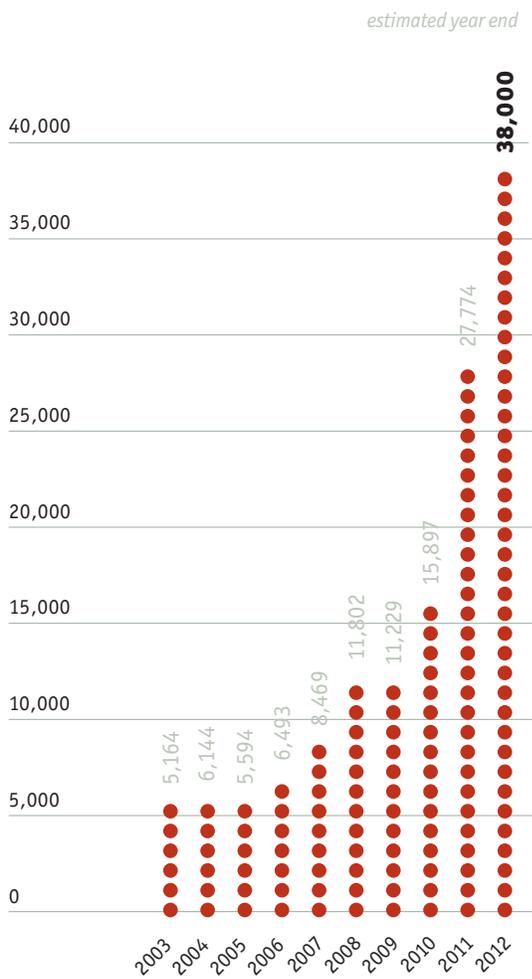
Target North	450
Bear Paw	608
Target Cabins	90
Black Gold	900
Atco	200
Target Muddy River	158
Prairie Packers	90
Judson Lodge	100
Total Units:	2,596

Note: A moratorium on future crew camp development within Williams County and Williston is currently in effect

Williston Airport Boardings

With the increase in airline flights and aircraft size to Sloulin Field, officials estimate 2013 will see between **60,000** to **90,000** enplanements. This does not include private charter traffic.

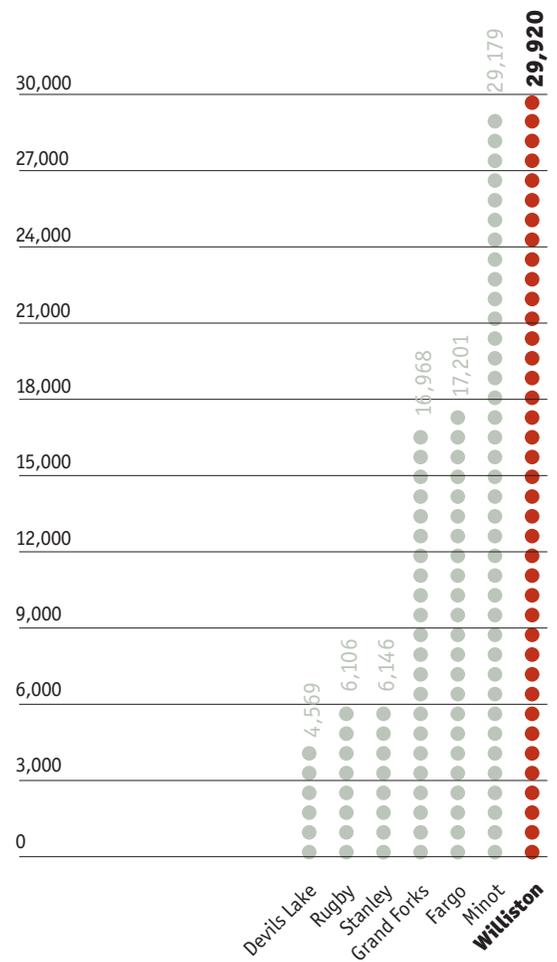
Sloulin Field's current terminal is designed to handle **6,000** enplanements annually.



Source: ND Aeronautics Commission, Sloulin Field

ND AmTrak Station Boardings

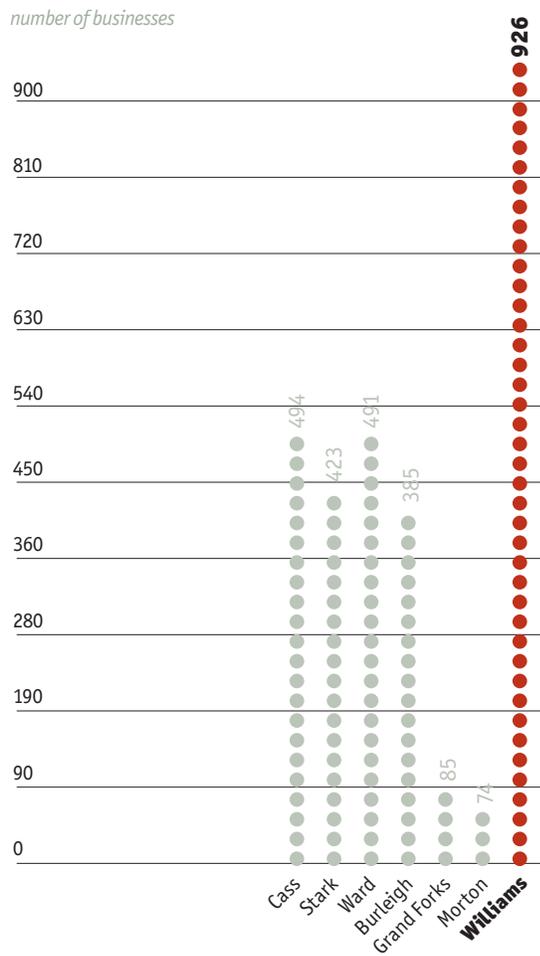
Fiscal Year, 2011



Source: AmTrak

ND County New Business Growth

1st Quarter 2007 through 2nd Quarter 2012

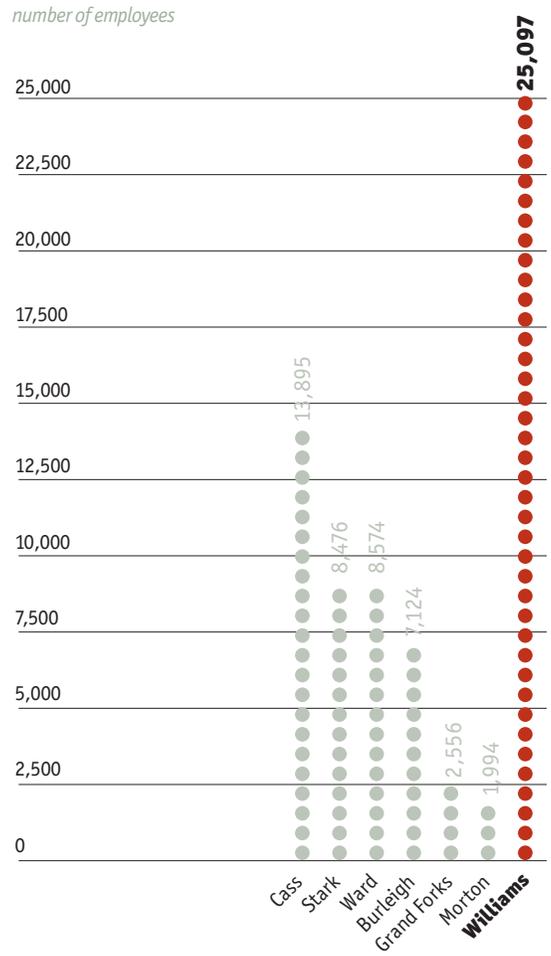


source: Job Service North Dakota

ND County New Job Creation

1st Quarter 2007 through 2nd Quarter 2012

Williams County boasts the lowest unemployment rate in the nation at .7%



source: Job Service North Dakota

ND County Average Annual Wage

2nd Quarter 2012

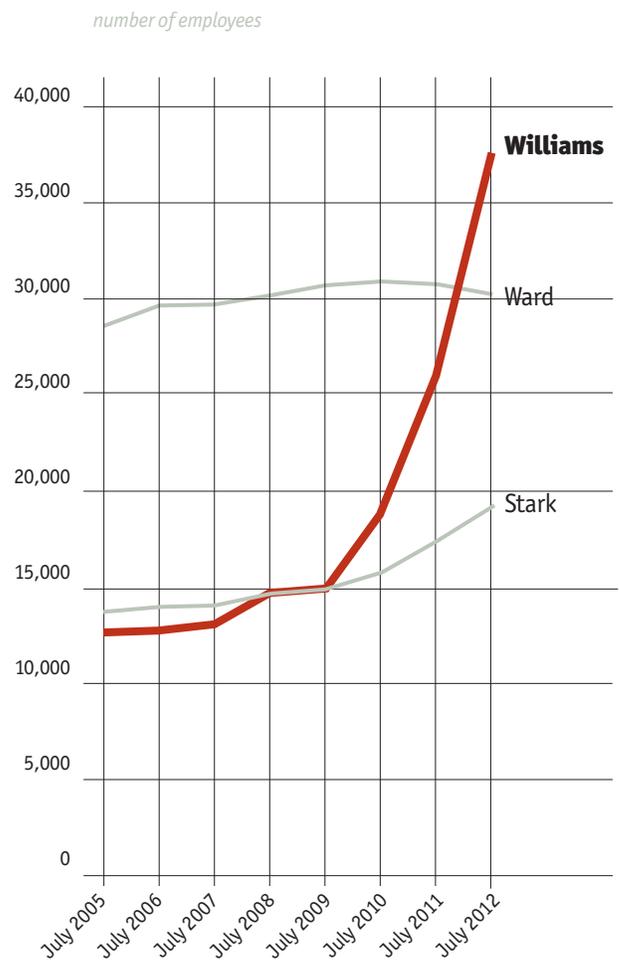


source: Job Service North Dakota

ND County Civilian Labor Force

First Quarter 2012

The civilian labor force is a single count by place of residence. The number includes those over the age of 16 who are employed or actively seeking employment.



source: Job Service North Dakota

ND County Cost of Child Care

Average Weekly Cost, Ages 0-5years
Family/Group/Center

- Williams County currently demonstrates a potential need of 1,500 child care spaces
- Williams County meets 18% of it's potential demand for child care



Source: Child Care Resource and Referral
Williston Economic Development

Williston Ground Zero

Western North Dakota is hosting the largest oil play in the lower 48 states.

Due to current State oil tax legislation: **State resources are in record surplus, estimated \$2 billion annual oil and gas receipts.**

Local resources are in deficit and are overwhelmed, **Williston's portion of State oil and gas tax formula funding is \$1.5 million per year or .075 % of total State oil and gas collections.**

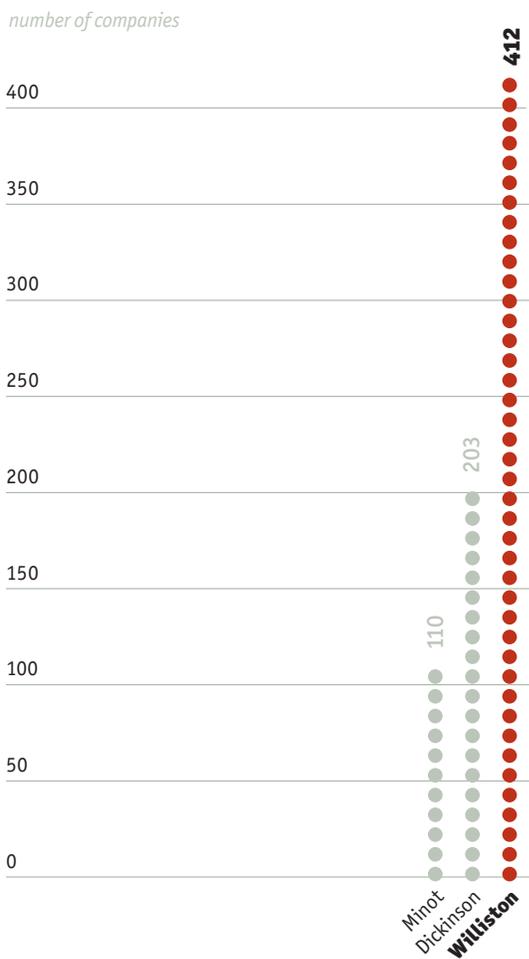


 Williston Basin
 Bakken Formation

ND City Oil & Gas Companies Locations

Top Three Cities

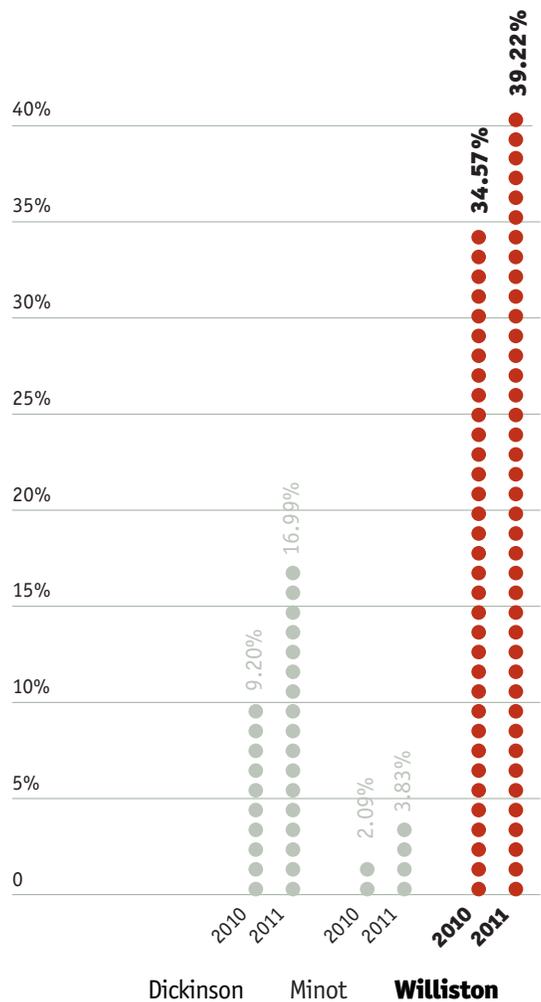
Five of the top ten employers in Williston are related to the Oil & Gas Industry. The top ten Oil & Gas service companies in the world have operations in Williston.



Source: Don's Oil & Gas Directory 2012, Mountain States Directory

ND City Percentage of Oil & Gas Employment

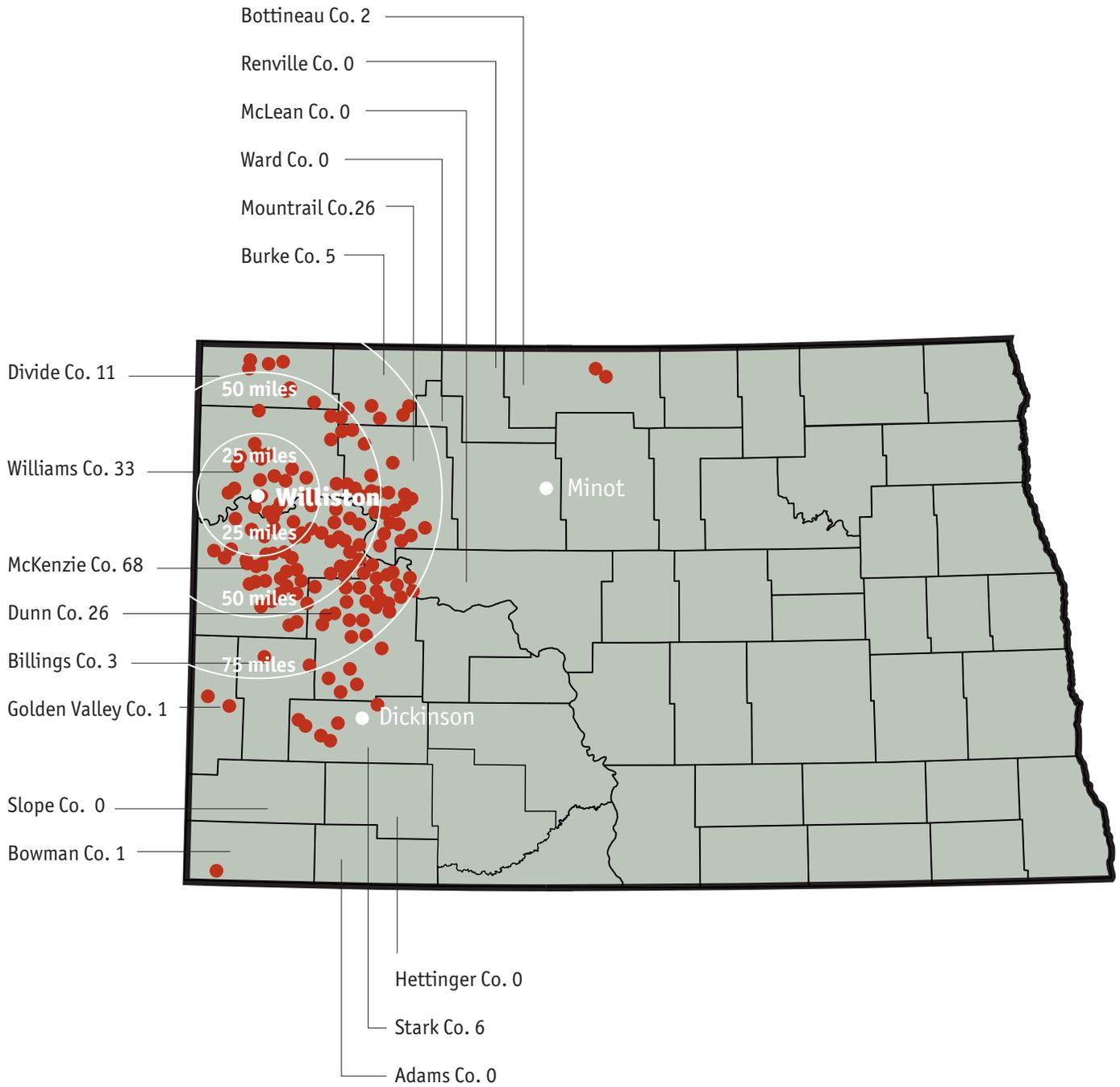
Cities above 7,500 with percentage employment in Mining greater than 2.0% of Covered Private Employment 2011 annual average



Source: Quarterly Census of Employment & Wages, June 12, 2012

ND Oil & Gas Drilling Rig Locations

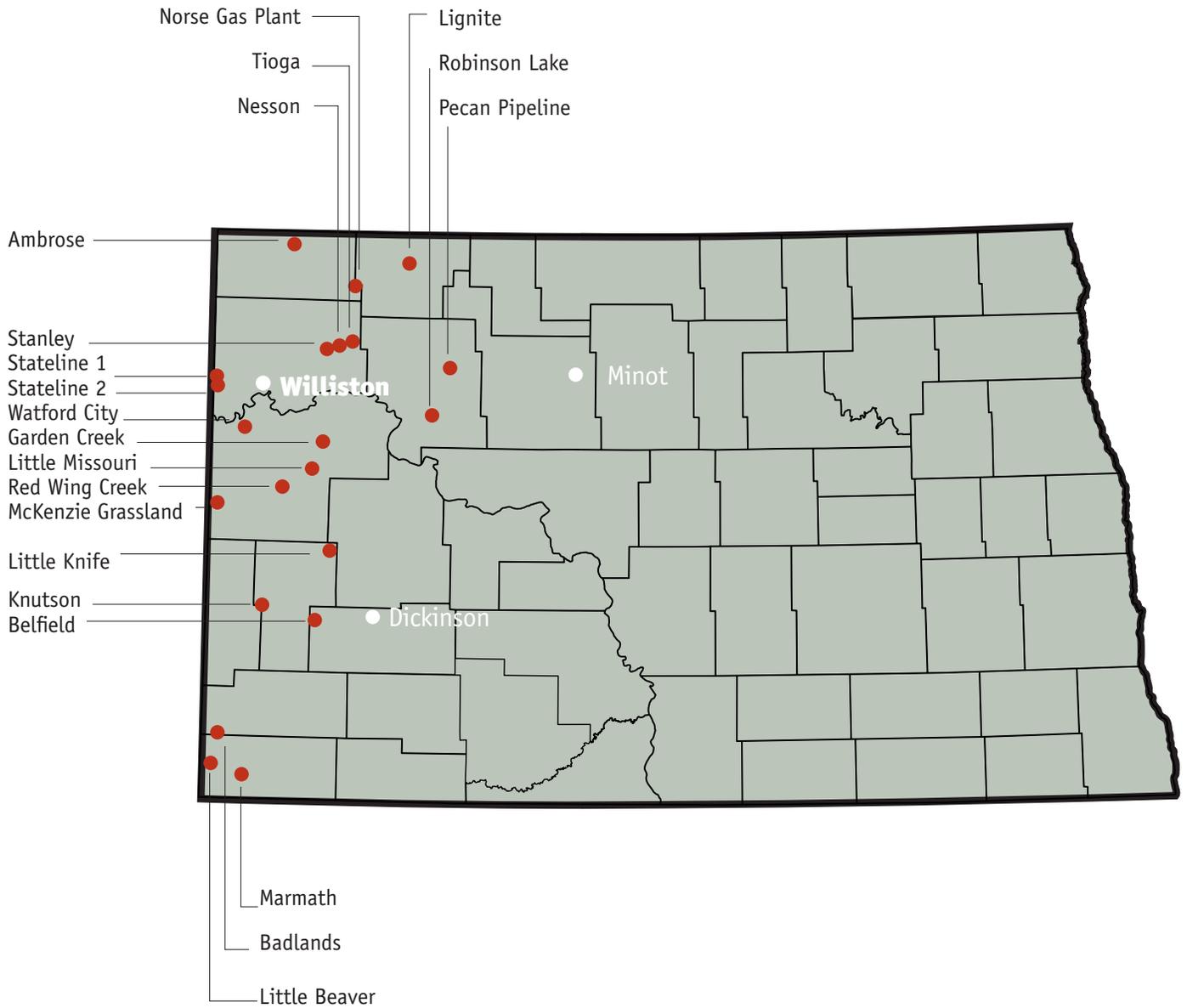
Total 186, as of October 15, 2012



Source: ND Oil and Gas Commission

ND Gas Plant Locations

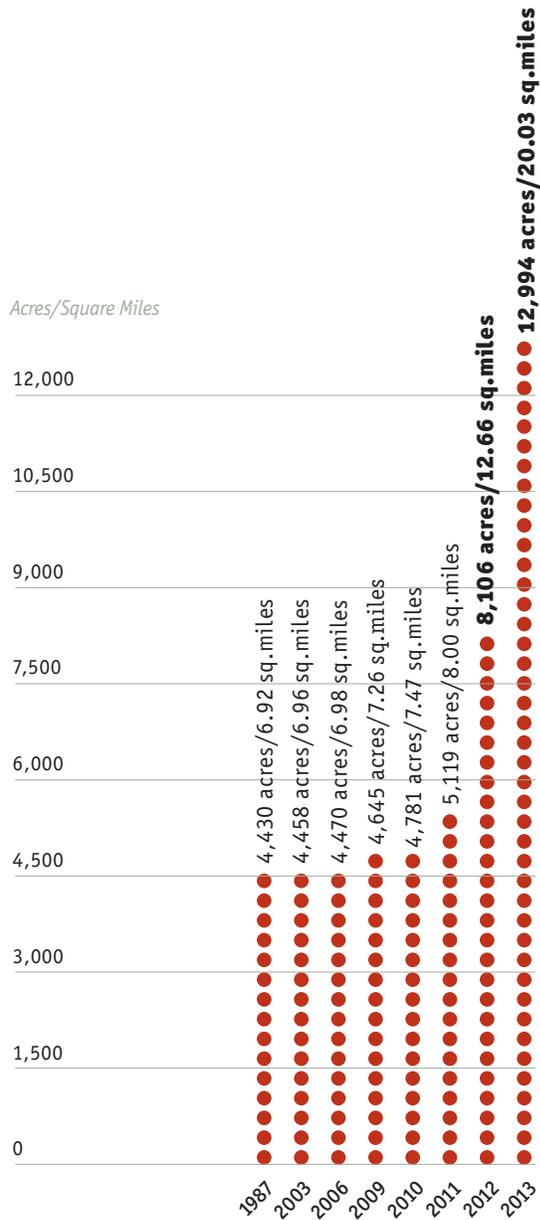
October 15, 2012



Source: ND Oil and Gas Commission

Williston Growth in Acres / Sq. Miles

as of 2012, City's total acreage is 8,980



(continued from pages 6/7)

**Williston
wire**

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Testimony to the Senate Appropriations Committee
Chairman Ray Holmberg
Prepared by Curt Zimbelman, Mayor
City of Minot
mayor@minotnd.org

SENATE BILL 2013

Chairman Holmberg, Senate Appropriations Committee members, my name is Curt Zimbelman and I am the Mayor of Minot. I am representing the City of Minot to encourage funding of Senate Bill 2013.

In my testimony that is being handed out, I have included a brochure titled "Energy Impacts to Minot". This document details how the City of Minot is being impacted by growth due to energy development in western North Dakota.

The City of Minot has a two-fold interest in and support for Senate Bill 2013. The first is in Section 7 – Oil and Gas Impact Grant Distribution for Airports. The bill recommends funding sixty-million dollars (\$60,000,000) for grants to airports impacted by oil and gas development. The Minot International Airport has been, and continues to be impacted greatly by oil and gas development. In 2009 the enplanements at the airport were 69,820. For 2012 the enplanements were over 220,000. That's a growth rate of 315 percent in three years. It is anticipated by 2021 the enplanements will be 400,000. A review of the license plates in the airport parking lot on an average day shows that more than seventy (70) percent of the vehicles are from out-of-state or Canada.

On pages six through nine of the Energy Impacts brochure you will see more specifics on how oil development is impacting the Minot International Airport. The City of Minot is moving forward with building a new terminal to meet the needs. The current terminal was finished in 1991 with approximately 34,000 square feet. The new terminal will be approximately 100,000

square feet; however, the City needs the funding proposed in this bill to ensure timely completion of the terminal. It is also important that **both** federal and local funds are eligible for a match to the state funds. As you can see by the pie chart at the top of page seven, the City and the FAA are putting significant funding toward this project. Due to the urgent nature of the expansion, as a result of energy impacts and development growth, the state funding is requested to ensure we serve that growth as well as long-time residents in a manner that reflects their use of the airport.

Section 9, as an amendment to the Century Code, provides continued funding for each city in an oil-producing county which has a population of seven-thousand five-hundred (7,500) or more and at least two percent of its private sector employment derived from the mining industry. We have been meeting that threshold in Minot. The City of Minot urges the committee to support Section 9 and continue the funding. We will utilize these funds for water, sewer or streets as the City deems appropriate to offset some of the impact from oil development.

The Section 9 amendment provides two-hundred fourteen (214) million dollars for oil impact. I strongly encourage that this funding be approved at this level or higher. Again, the impact to the City of Minot is significant from oil and energy development in North Dakota. The 2010 census estimated the City of Minot population at 40,888. Our current estimate is 50,000 with another 2,000 to 3,000 long-term stay individuals in hotels. The City's number of hotel rooms has gone from approximately 1,800 to nearly 3,000 in the last two years. There were eleven built in 2012 and more planned for 2013. Occupancy remains at over 80 percent through November. Building permits have increased 200 percent in the last three years. The City and its residents have already borne a large portion of the oil impact burden. In order to keep up with water, garbage and sewer demands, the City Council approved a 22 percent utility cost increase

for 2013. This is still not enough to offset the millions of dollars needed for water and sewer projects. Along with this increase, our Council added 31 new positions to City staff under the 2013 budget.

The immediate needs for the City include basic infrastructure to include trunk water and sewer lines, storm sewer and street repairs. Future needs include public facilities in the areas of waste water treatment, public works expansion, landfill expansion (regional landfill) and public safety.

The brochure you have in front of you details the immediate water and sewer needs for the City at just over seventy-three million dollars (\$73,448,163). From 2013 to 2015 the City needs to spend twenty million (\$20,000,000) to upgrade water lines, water towers, and the water treatment plant.

Over the next three years, the City needs to spend more than forty-five million (\$45,000,000) in new and upgraded sewer lines on the north and south sides of Minot to support our growth.

Since 2008, Minot has added 43 miles of new centerline road to the city. Over the last three years, the City and NDDOT have reconstructed 9.7 miles of roads. The City projects a need, in 2013 alone, of reconstructing 10 miles of roads. The demands on the City as the oil development brings in more employees and their families, along with the additional oil related truck traffic on City streets far outweigh the ability of Minot to properly maintain existing roads and build for on-going growth.

As you review the "Energy Impacts to Minot" brochure you will see the impact oil development has and is having to the City of Minot. Minot is seeking at least fifteen million

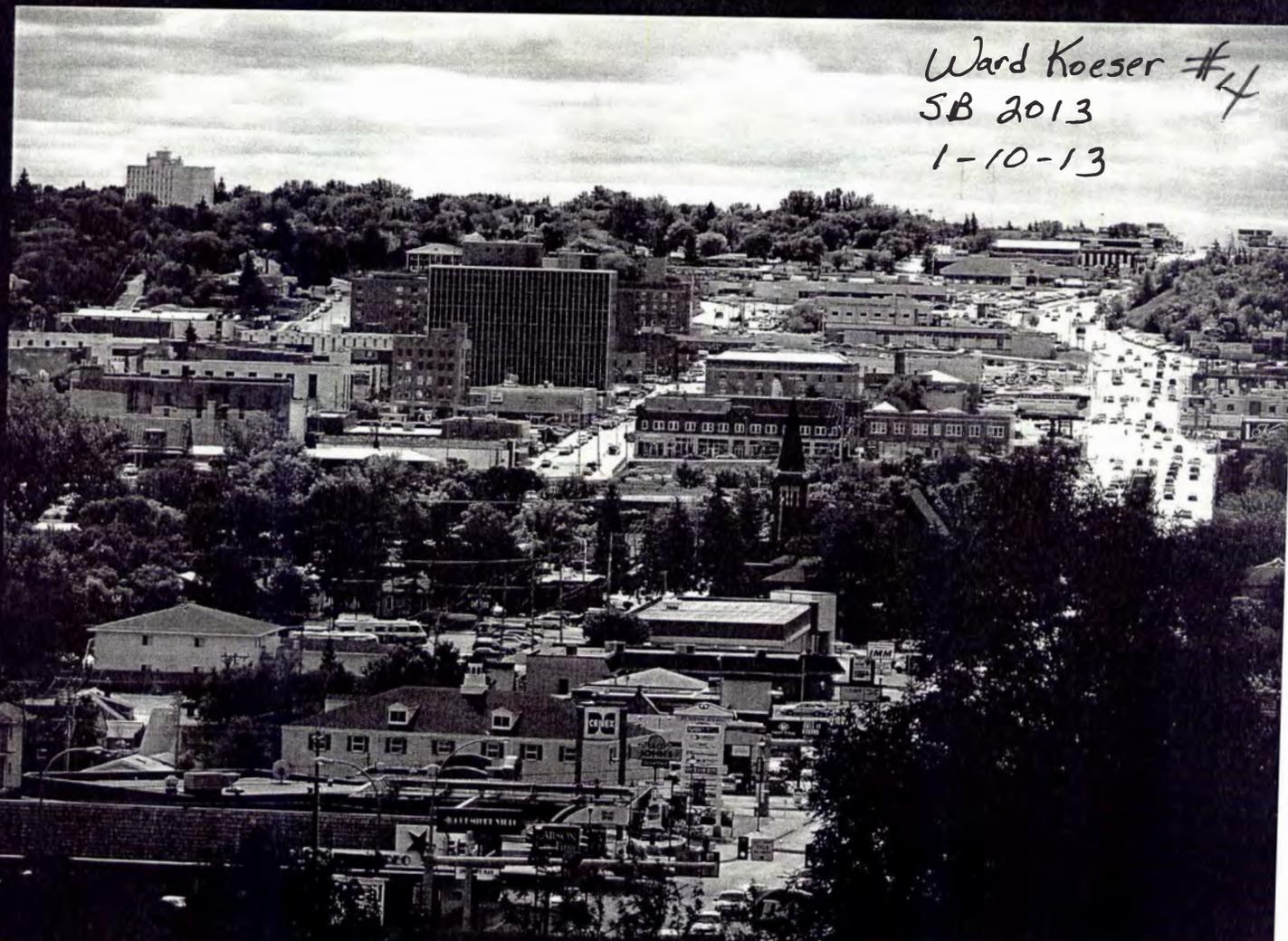
(\$15,000,000) from the Oil Impact Fund and would support continued allocation to the large western cities. Therefore, I encourage you to adopt and fund Senate Bill 2013.

Thank you for allowing me time to detail Minot's support for this bill and our concerns as it relates to oil and energy impacts to The Magic City.

ENERGY IMPACTS

To Minot

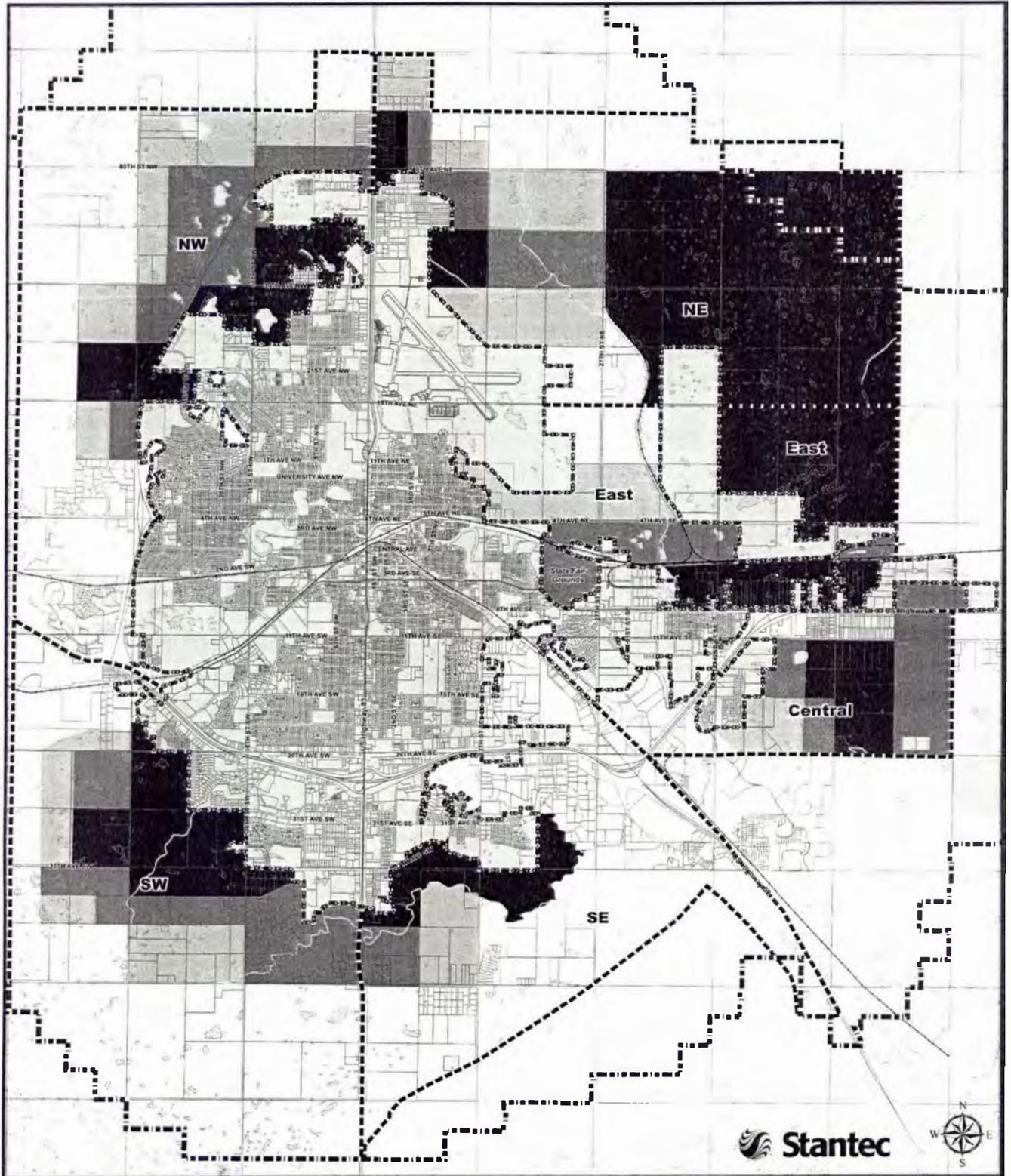
2013 North Dakota Legislature



Ward Koester #4
SB 2013
1-10-13

Future Growth Areas

City of Minot



- | | | | |
|--|---|---|--|
|  2-Mile Jurisdictional Boundary |  Phase 1 |  Phase 4 |  Streams |
|  Growth Area Boundaries |  Phase 2 |  Phase 5 |  Open Water |
|  City of Minot (2011) |  Phase 3 |  Railroad |  Wetlands |

The City of Minot has identified \$350 Million in impacts from oil for 2013-2015

Amazing growth is underway in Minot. Despite a devastating flood in 2011 the City population has ballooned to nearly 50,000, with schools, hotels, roads and businesses feeling an obvious oil impact. The increase in traffic, energy companies, airport boardings, garbage collection and building permits makes for some very difficult “development pains” within the City. As Minot is a regional commercial, travel and population hub for North Dakota, significant outside assistance is needed if the City is to sustain the high quality of life and service to both long-time and new residents.

Many of the needs in Minot revolve around one of five categories: water and sewer, airport, major roads and intersections, public safety, and public facilities. The key to solving one of the area’s largest problems, the ongoing regional housing crunch, is through adequate water, sewer and road infrastructure. With the additional population comes a need to ensure adequate law enforcement, fire department and airport services. Addressing these various challenges now will help ensure the City of Minot can appropriately handle the impact of oil development in this region for years to come.

To date, the City and its residents have already borne a large portion of the oil impact burden. In order to keep up with water, garbage and sewer demands, the City Council approved a 22 percent utility cost increase for 2013. Residents who were paying an average bill of \$72.68 will now be paying \$88.82. This is still not enough to offset the millions of dollars needed for water and sewer projects. Along with this increase, the Council added additional manpower and salaries to the existing staff, in an effort to retain and hire employees as well as address the extreme strain on services. The value of a mill increased from 116 to 143 per \$1,000 of mill levy from 2012 to 2013 (due mostly to higher property values) yet the City still needed to raise the mill levy 13 percent for the upcoming year to offset the oil growth impact.

During the last biennium (2011-2013) the City received approximately \$5.3 million in oil impact funding.

The City is working overtime to handle projects, needs and growth but simply can’t fund the large cost of these endeavors on its own. Addressing the challenges now, with oil impact funding, will help ensure the City of Minot can appropriately handle the impact of development in this region.

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Road Repairs & Intersections.....	10-13
Public Safety.....	14-15
Public Facilities.....	16-17
Oil Impact Needs.....	18

Impact by the Numbers: Minot's growth due to Oil/Energy

People

2000 Census – 36,500
2010 Census – 40,888
2012 Estimate – 45,000 to 50,000

Airport Usage

2009 – 3 Daily Flights, 70,000 boardings
2011 – 8 Daily Flights, 150,000 boardings
2012 – 12 Daily Flights, 220,000+ boardings

Hotel/Lodging

Start of 2011 – 1,800 rooms available
End of 2013 – projected 3,500 rooms
(85% occupancy even with the growth)
Ten new hotels opened in 2012 (800+ rooms)

General Traffic

So. Broadway (U.S. 2 & 52 ramp) Traffic Counts
2008 – 20,910
2011 – 35,510

Garbage Count

2008 Residential Garbage – 220 tons/week
2011 Residential Garbage – 320 tons/week
2008 MSW at Landfill – 42,000 tons
2011 MSW at Landfill – 75,000 tons

*The 2011 count does not include Mouse River Flood debris.

Energy/Oil Companies

2010 – 17 companies with 560 employees
2012 – 53 companies with 2,901 employees

School Enrollments

Overall Enrollment

2008 – 6,216 students
2010 – 6,548 students
2012 – 7,158 students

Kindergarten Enrollment

2008 – 560
2010 – 619
2012 – 752

Building Permits

Dwelling Units

2010 – 652
2011 – 1,132
Through November 2012 – 1,364

Single-Family Permits

2010 – 134
2011 – 286
Through November 2012 – 358

Apartment Permits

2010 – \$29.8 million
2011 – \$43.2 million
Through November 2012 - \$49.5 million

Overall Permit Activity

2009 – \$65.9 million
2010 – \$100 million
2011 – \$204.5 million
Through December 15, 2012 - \$297.2 million



WATER & SEWER

In order to properly provide for additional housing and retail developments due to energy impact, the City of Minot needs to expand water and sewer lines. The current system is set up to drain waste water from the hills on the north and south sides of Minot into the valley, through gravity lines, and then use a force main line to pump the waste out to the City's lagoons southeast of town. This system is full. Some upgrades are being done to pump more waste through the valley – but even those lines can only serve so many housing developments. The City in 2012 had to turn away almost 700 acres of housing projects and retail developments or slow down their desired growth because of a lack of water and sewer lines.

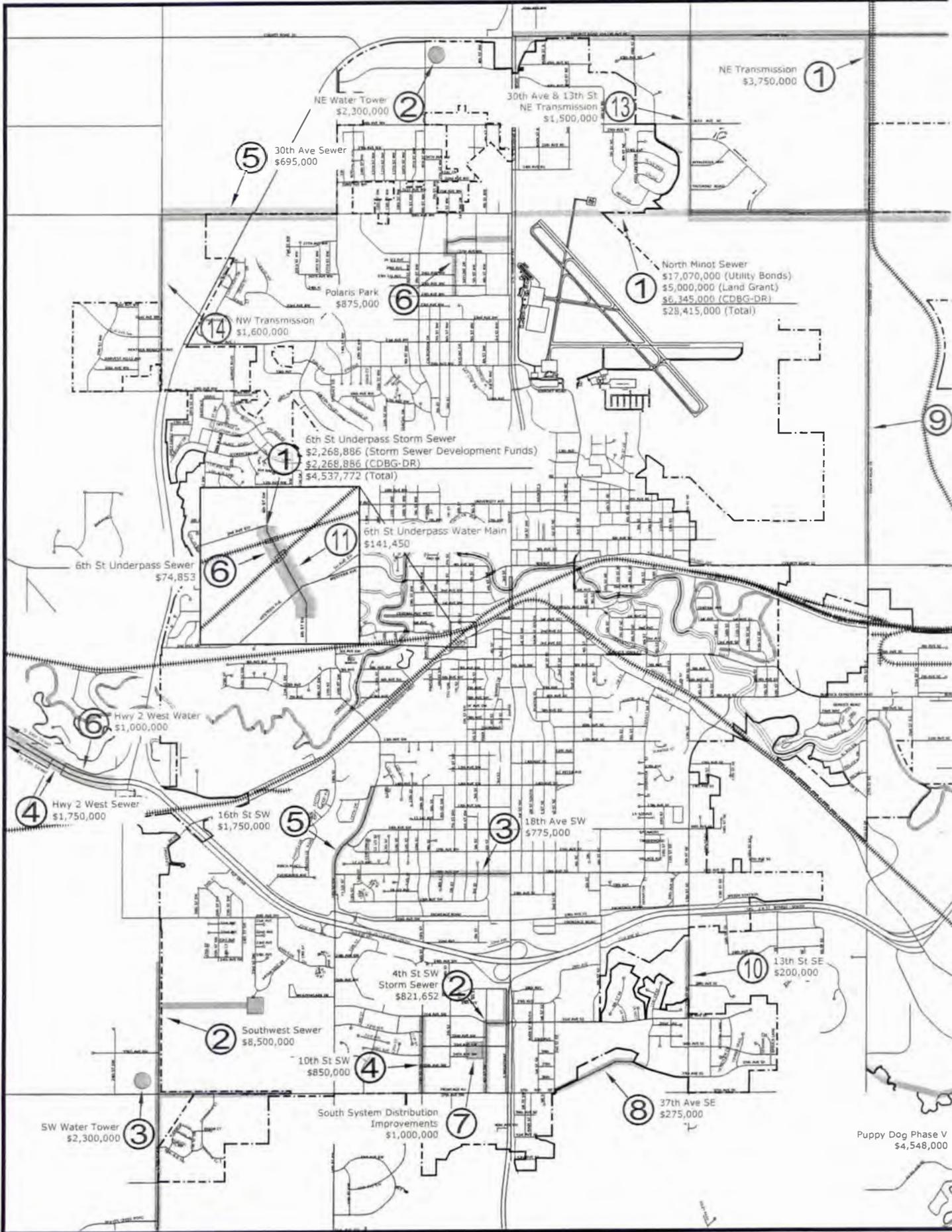
For this reason, the City of Minot needs to spend more than \$45 million over the next three years in new and upgraded sewer lines. The largest project is the North Minot Sewer Project. This 8-mile line of new sewer will provide for upwards of 13,000 new acres of development in north and east Minot. This would provide space for 15-30,000 new residents. State funding is being requested for this project, and others, because the primary method for paying for large new sewer or water lines is utility bonding. If the City of Minot has to bond for these new projects, it would be required to place this burden on residents' utility bills – raising them by 20 to 40 percent.

The City also needs to spend more than \$20 million from 2013 to 2015 to upgrade water lines, water towers and the water treatment plant. Some of these costly efforts can be supported by Northwest Area Water Supply project funding, but Minot estimates that almost \$15 million will not be funded through NAWS. Again, like the sewer improvements, the primary way for the City to pay for these needed improvements is through utility bonding. This funding source will cause an excessive burden on the residents of Minot because their utility bills would go up significantly to cover the energy development growth happening in Minot.

PROJECT	ESTIMATED COST
North Minot Sewer Improvements	\$28,415,000
NE Transmission - 27th St from 30th to 46th Ave - 27th St along NE bypass	\$3,750,000
SW Sewer Improvements	\$8,500,000
NE Water Tower	\$2,300,000
SW Water Tower	\$2,300,000
Puppy Dog Improvements Phase V	\$4,548,000
16th Ave SE Watermain Upsizing (42nd to 46th)	\$750,000
NE Transmission - 27th St to 55th St along 46th Ave & South to 30th Ave along 55th St	\$2,300,000
Hwy 2 West from 33rd St to 54th St (Sewer)	\$1,750,000
Hwy 2 West from 33rd St to 54th St (Water)	\$1,000,000
South Minot Distribution Improvements (Water)	\$1,000,000
30th Ave NW Sewer Extension	\$695,000
42nd St NE Sewer Extension (30th - 46th Ave)	\$1,250,000
37th Ave SE - 11th St to 2nd St	\$275,000
27th St Water Line - 30th Ave to CR12	\$200,000
13th St SE - Puppy Dog Coulee to 31st Ave	\$200,000
30th Ave NE - 27th to 42nd St	\$3,764,436
30th Ave to 13th St NE Transmission	\$1,500,000
6th St Underpass Water/Sanitary/Storm Sewer	\$4,754,075
4th St SW - 31st Ave to 37th Ave	\$821,652
18th Ave SW - Broadway To West	\$775,000
10th St SW at 31st Ave	\$850,000
16th St SW - 12th to 20th Ave	\$1,750,000
Total:	\$73,448,163

The Governor's Budget recommendation consists of a \$214 million funding request toward the Oil & Gas Impact Grant Fund. Of that amount, the City would

like to see \$15 million appropriated or earmarked for the City of Minot to address water, sewer and other infrastructure needs.



Puppy Dog Phase V
\$4,548,000

City of Minot



Scale: 1" = 3500'
Created November 8, 2012

Projects

- Sanitary Sewer
- Lift Station
- Storm Sewer
- Water
- Water Facilities
- Water Tower

Sanitary Sewer Projects

#	Project Title	Cost
1	North Minot Sewer	\$28,415,000.00
2	Southwest Sewer Improvements	\$8,500,000.00
3	Puppy Dog Improvements Phase V	\$4,548,000.00
4	Hwy 2 West from 33rd St to 54th St	\$1,750,000.00
5	30th Ave NW Sewer Extension	\$695,000.00
6	6th St Underpass Sanitary Sewer	\$74,853.00
7	42nd St NE Sewer Extension (30th - 46th Ave)	\$1,250,000.00
Total		\$46,232,863.00

Storm Sewer Projects

#	Project Title	Cost
1	6th St Underpass Storm Sewer	\$4,537,772.00
2	4th St SW - 31st Ave to 37th Ave	\$821,652.00
3	18th Ave SW - Broadway To West	\$775,000.00
4	10th St SW at 31st Ave	\$850,000.00
5	16th St SW - 12th to 20th Ave	\$1,750,000.00
Total		\$8,734,424.00

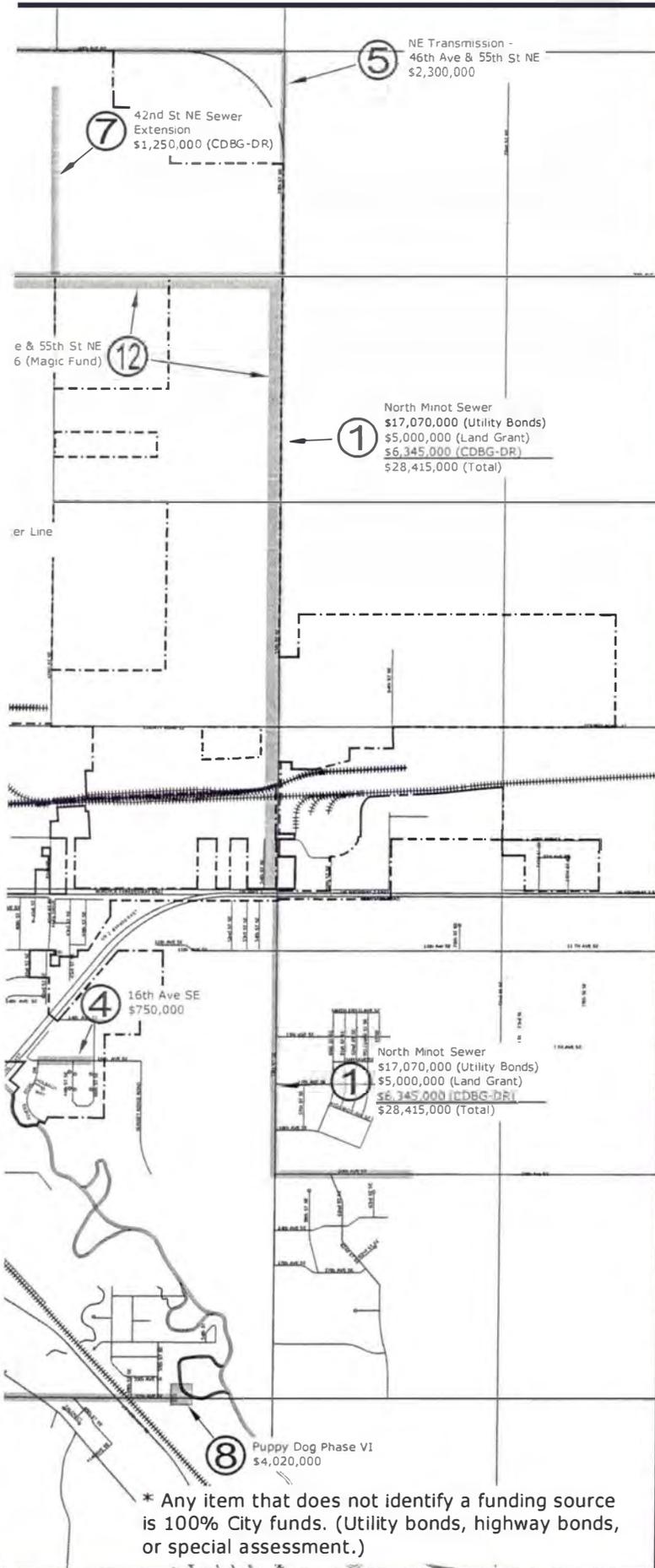
Water Projects

#	Project Title	Cost
1	Transmission Line - North Broadway to 27th St along NE Bypass & 27th St from 30th to 46th Ave	\$3,750,000.00
2	NE Water Tower	\$2,300,000.00
3	SW Water Tower	\$2,300,000.00
4	16th Ave SE Watermain Upsizing (42nd to 46th)	\$750,000.00
5	NE Trans. - 27th St to 55th St along 46th Ave & South to 30th Ave along 55th St	\$2,300,000.00
6	Hwy 2 West from 33rd St to 54th St	\$1,000,000.00
7	South Minot Distribution Improvements	\$1,000,000.00
8	37th Ave SE - 11th St to 2nd St	\$275,000.00
9	27th St Water Line - 30th Ave to CR12	\$200,000.00
10	13th St SE - Puppy Dog Coulee to 31st Ave	\$200,000.00
11	6th St Underpass Water Main	\$141,450.00
12	30th Ave and 55th St NE Transmission Line	\$3,764,436.00
13	30th Ave and 13th St NE Transmission Line	\$1,500,000.00
Total		\$19,480,886.00

Grand Total

\$73,448,163.00

* Any item that does not identify a funding source is 100% City funds. (Utility bonds, highway bonds, or special assessment.)



⑤ NE Transmission - 46th Ave & 55th St NE
\$2,300,000

⑦ 42nd St NE Sewer Extension
\$1,250,000 (CDBG-DR)

e & 55th St NE
⑫ 6 (Magic Fund)

① North Minot Sewer
\$17,070,000 (Utility Bonds)
\$5,000,000 (Land Grant)
\$6,345,000 (CDBG-DR)
\$28,415,000 (Total)

④ 16th Ave SE
\$750,000

① North Minot Sewer
\$17,070,000 (Utility Bonds)
\$5,000,000 (Land Grant)
\$6,345,000 (CDBG-DR)
\$28,415,000 (Total)

⑧ Puppy Dog Phase VI
\$4,020,000

AIRPORT EXPANSION

The Minot International Airport is located on the northeast side of the city and has experienced incredible growth in the past four years. Enplanements have grown 50 percent every year, since 2009. It is projected that the Airport will top 220,000 boardings in 2012, more than three times the number in 2009. A conservative projection of growth over the next ten years, has the Airport handling 400,000 enplanements by 2021.

The current airport terminal was finished in 1991, has a small ramp, two gates and is designed, at 34,000 square feet, to handle up to 100,000 passenger boardings a year. It was not built to be easily expanded. For close to two decades the airport averaged 70,000 passengers a year and handled three daily flights to Minneapolis.

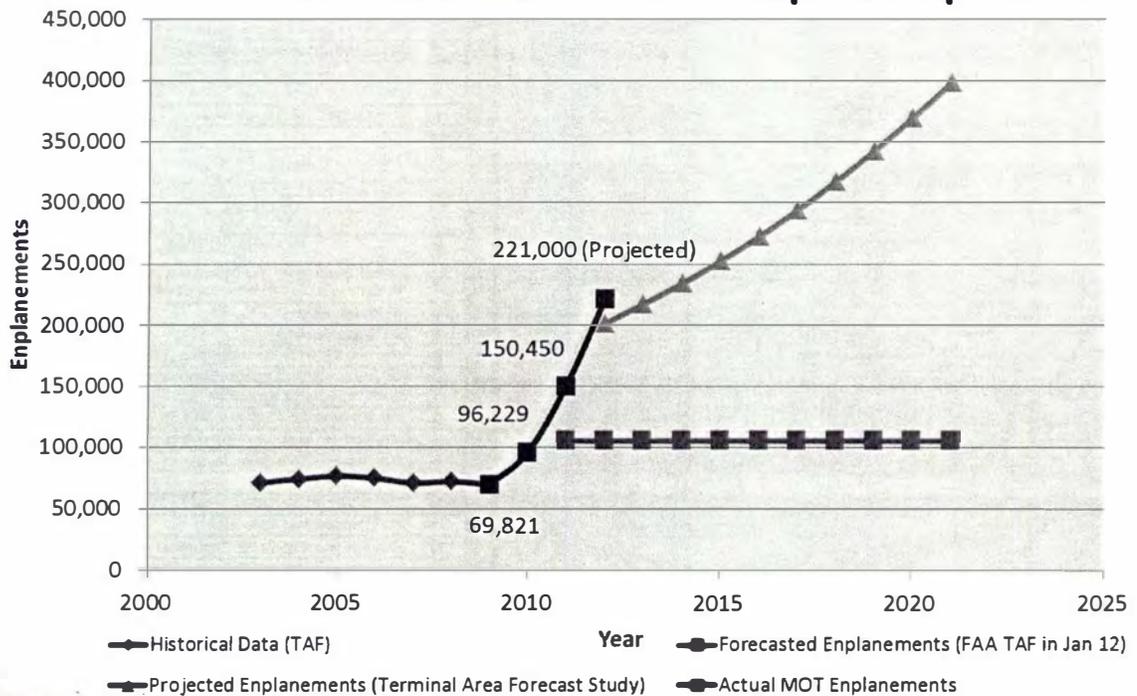
Today, the same terminal building is bursting at the seams, handling more than 20,000 enplaned passengers a month. Passengers are now going to Denver and Minneapolis on 12 daily flights, and Phoenix, Las Vegas and Denver on low-cost flights multiple times a week. A quick count of the current vehicles in the quickly-enlarged parking lots indicates who is using the airport. With between 70 and 75 percent of license plates showing an out-of-state license, it is easy to conclude that the growth at the Minot International Airport is coming directly from our state's energy boom.

License Plates on cars parking at MOT

North Dakota	291
Other states	577
Canada	132

Done on a typical Friday afternoon, 1,000 vehicles

Minot International Airport Enplanements

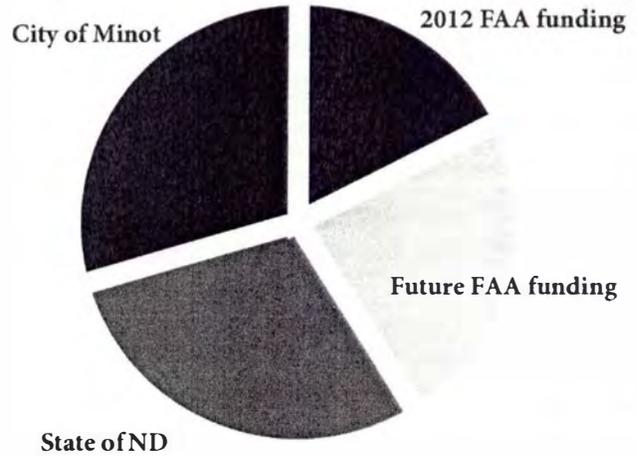


The projected number of passengers over the next ten years will put Minot on pace to handle roughly the same number of people as airports in Sioux Falls and Fargo. These terminals are between 118,000 and 175,000 square feet, have four or more gates and more than 1,000 parking spaces. In researching the fastest, most cost-effective way to keep up with oil boom growth, Minot received a thorough review of the options as researched by professional consultants hired by the City of Minot.

A cost and time analysis was done on moving the entire airport complex (terminal, parking lots, runways and all associated buildings) to a location 5-8 miles outside of town. This cost came in at roughly \$350 million and would take a minimum of 7 to 10 years to accomplish.

A cost and time analysis was done on the option of expanding the current 20-year-old terminal building on both the east and west ends. Due to the current location of baggage check-in, security and other operations, the cost came in at approximately \$100-115 million and would not be finished until 2016 or later.

The third option of building a new terminal near the current facility, taking advantage of many existing buildings, runways and parking lots, proved to be the most cost-effective and timely. Design and engineering is currently underway on a project that will cost roughly \$85 million and is scheduled to be completed in 2015.

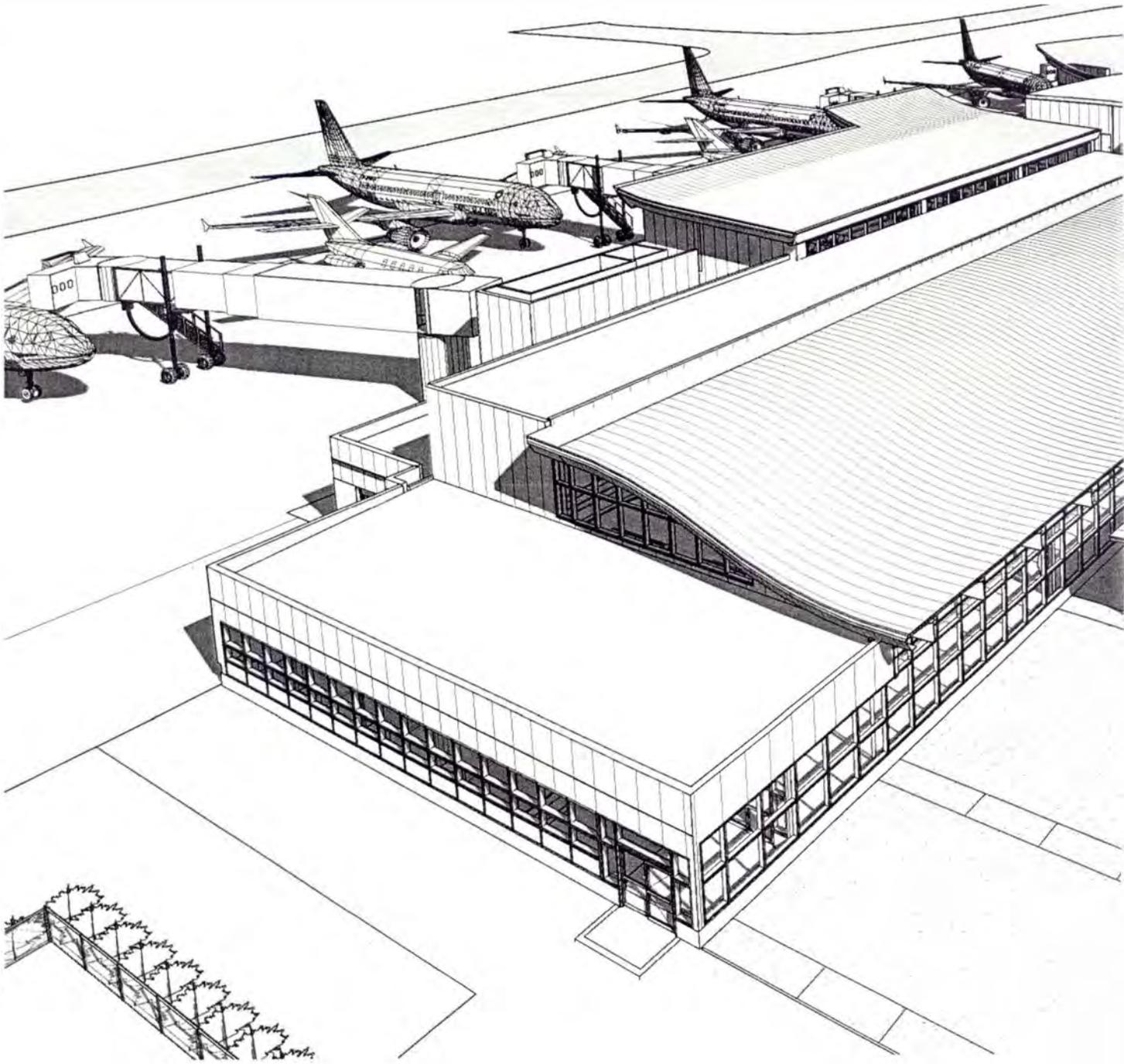


\$15 million – 2012 FAA funding
 \$20 million – Future FAA funding
 \$25 million – City of Minot
 \$25 million – State of North Dakota

The Governor's Budget request includes \$60 million targeted to oil-impacted airports to address growth challenges. The Governor's Budget proposes this funding through the Oil & Gas Impact Grant Fund. The City of Minot is seeking a minimum of \$25 million from this allocation to ensure that its proposed airport expansion can be completed by 2015.

PROJECT	ESTIMATED COST	FUNDING SOURCES
2012 Contracts	\$15,220,505	FAA, NDAC, Airport, Non-federal
Passenger terminal building	\$37,000,000	FAA, NDAC, Airport, Non-federal
Baggage handling system	\$3,250,000	Airport, Non-federal
Passenger boarding bridges	\$1,600,000	Airport
Furniture	\$500,000	FAA, NDAC, Airport, Non-federal
Passenger terminal apron	\$16,111,000	FAA, NDAC, Airport
Passenger terminal access road	\$3,300,000	FAA, NDAC, Airport, Non-federal
Passenger terminal parking lot	\$4,500,000	Airport, Non-federal
Remodel existing terminal	\$3,580,000	Airport, Non-federal
Total	\$85,061,505	

All of the above identified projects will require approximately \$85 million dollars. \$15.2 million has already been secured from the 2012 FAA budget. The \$70 million shortfall can be addressed with the proposed cost share over the next biennium (see pie chart). The City of Minot supports the increased funding proposed in the Governor's Budget for Oil & Gas Impact Grant Funds to support oil-impacted airports. Minot is currently working with all airports statewide to appropriately address the greatest needs within the North Dakota aviation community. The City feels that properly funding the new terminal construction and associated costs is a critical response to the oil impact felt at the Minot International Airport. This will help sustain and better serve the needs of North Dakotans.

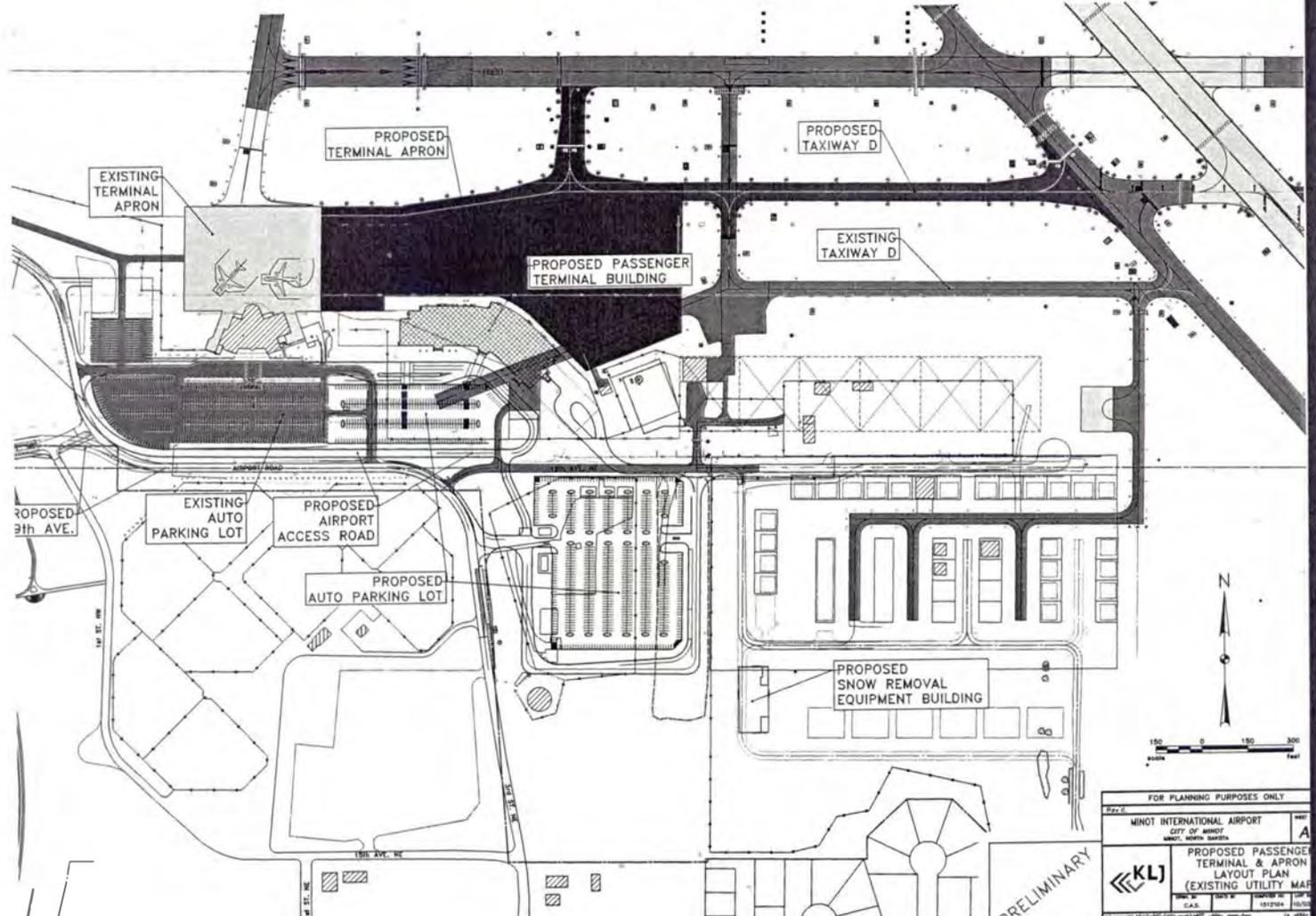
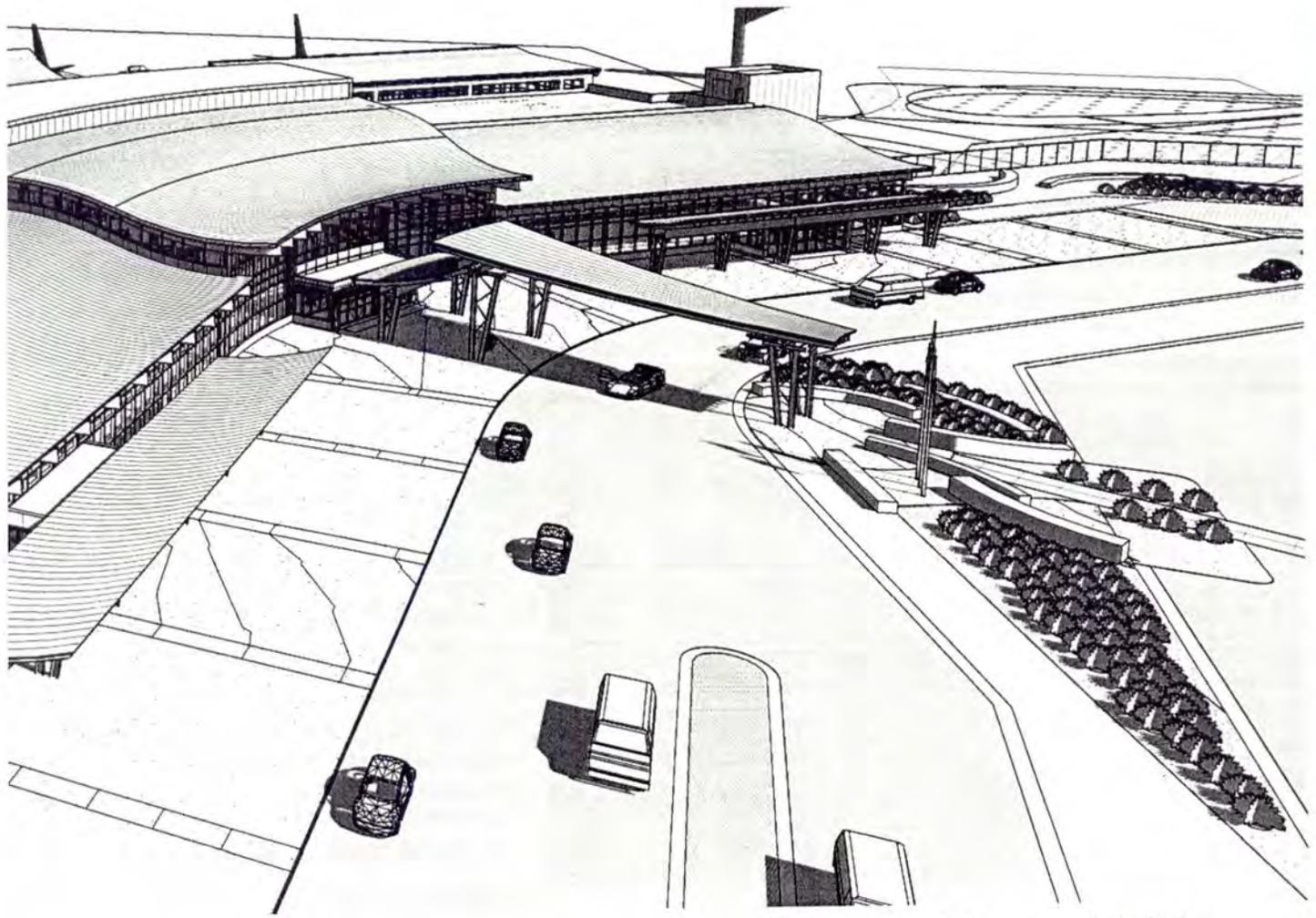


APRIL 2010



NOVEMBER 2012





FOR PLANNING PURPOSES ONLY

Rev. C

MINOT INTERNATIONAL AIRPORT

CITY OF MINOT
MINOT, NORTH DAKOTA

PROPOSED PASSENGER
TERMINAL & APRON
LAYOUT PLAN
(EXISTING UTILITY MAP)

KLJ

DATE: 10/15/10
SCALE: 1/8" = 1'-0"

10/15/10

10/15/10

10/15/10

ROAD REPAIRS



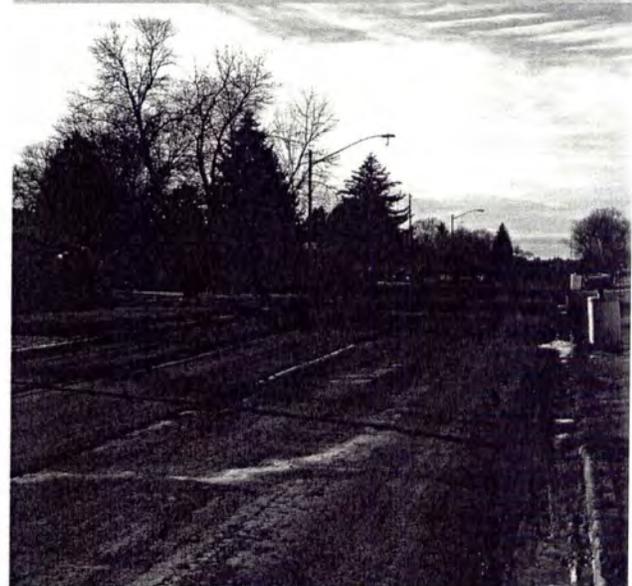
New roads and a growing City means more damage, more maintenance, more engineering, and more time spent on projects than in previous years. The City has an average annual budget for road reconstruction and improvements of \$2 million. The demands on the City as the oil boom brings in more employees and their families on City streets far outweigh the ability of Minot to properly maintain existing roads and build for on-going growth. With the immediate identified need of \$185 million, many of these on larger arterial roads in Minot, the City would request as much legislative and NDDOT support as possible in meeting the needs of Minot and its residents.

As of the end of 2012, Minot has approximately 264 miles of roads within its City limits. Of this total, 43 new miles of centerline road were added to the City from 2008 to 2012. Some of these roads came due to annexing existing roads as the City grows and others were newly constructed roads. This means the City roads grew by nearly 20 percent in just the past four years.

Over the last three years, the City and/or NDDOT have reconstructed 9.7 miles of roads. The City projects a need in 2013 alone of reconstructing 10 miles of roads. This does not include some of the largest projects proposed on the chart seen on the next page. If it is approved, the new SW Bypass project will require 6 miles of road improvements at a cost of roughly \$19 million.

Average daily traffic counts at major intersections along U.S. Highway 83 (Broadway), which runs north and south through the center of Minot, have jumped between 20 and 70 percent over the last three to five years. On an average year, the City expected between two and three percent growth in daily traffic counts. Unprecedented increases in additional cars and trucks out on City roads shortens the lifespan of a road and frazzles the nerves of everyone trying to use this critical piece of infrastructure.

The City of Minot seeks as much state support as possible within the biennium budget for statewide transportation upgrades.



PROJECT	ESTIMATED COST
21st Ave. NW – 16th St. to Bypass	\$3.7 million
55th St. SE – US 2 to 20th Ave. SE	\$8.0 million
37th Ave. SW – 16th St. to 30th St.	\$4.6 million
30th Ave. NW – 16th St. to Broadway	\$6.5 million
16th St. NW - 36th Ave. to Bypass	\$1.5 million
S. Broadway – 20th Ave. to 41st Ave.	\$25.3 million
30th Ave. NW – Bypass to 16th St. NW	\$2.3 million
30th St. SW – 37th Ave. SW to Bypass	\$8.1 million
20th Ave. SW – 22nd Ave. to 30th St.	\$2.1 million
US 83 Bypass upgrade: 3 interchanges & road improvements	\$65.0 million
US 2/52 & 83 Bypass interchange	\$25.0 million
North Broadway reconstruction – 22nd Ave. to 46th Ave.	\$14.0 million
SW Bypass: 6 miles of road improvements	\$19.0 million
Total:	\$185.1 million







Proposed Projects

#	Project Title	Cost
1	21st Ave NW - 16th St NW to Bypass	\$3,700,000
2	55th St SE - US 2 to 20th Ave SE	\$8,000,000
3	37th Ave SW - 16th St to 30th St	\$4,600,000
4	30th Ave NW - 16th St NW to Broadway	\$6,500,000
5	16th St NW - 36th Ave NW to Bypass	\$1,500,000
6	South Broadway - 20th Ave to 41st Ave	\$25,300,000
7	30th Ave NW - Bypass to 16th St NW	\$2,300,000
8	30th St SW - 37th Ave SW to Bypass	\$8,100,000
9	20th Ave SW - 22nd Ave to 30th St	\$2,100,000
10	US 83 Bypass Upgrade - Interchanges & Road Imp.	\$65,000,000
11	US 2/52 & 83 Bypass Interchange	\$25,000,000
12	North Broadway Reconstruction - 22nd Ave to 46th Ave	\$14,000,000
13	SW Bypass: 6 Miles of Road Improvements	\$19,000,000
Total		\$185,100,000

— Roadways



● Interchanges

② 55th St SE - US 2 to 20th Ave
\$8 Million

PUBLIC SAFETY

The influx of new energy companies, housing developments, schools and retail has caused the physical boundaries of the City of Minot to grow considerably in the last five years. Minot has expanded from 16 square

stations in east and northwest Minot. These two stations will cost roughly \$5.6 million and need to be finished by the end of 2015. The associated costs with new fire stations, a pumper truck, rescue truck and personnel are estimated to run \$1.2 million in start-up and \$1.8 million annually for 24 additional personnel.



Along with the fire response personnel, the City has recently budgeted local funding to hire an Assistant Fire Chief and another full-time Fire Inspector. Both of these positions are critical as a result of oil impact to Minot. Due to increased turnover from firefighters leaving for oil jobs, along with an increased number of calls, these two new positions will ensure high-quality service to residents. In 2012, the City recruited 10 new firefighters to the department. Another full-time inspector is needed to keep up with new construction and associated tasks such as testing sprinkler and alarm systems, and working with building inspectors to ensure all building codes are met. Falling

miles to nearly 20 square miles. This impacts public safety greatly as fire crews and police officers now have to cover a larger population spread out across a bigger area.

behind in these tasks slows housing growth and puts the community at increased risk for a severe fire.

The City currently employs 65 sworn officers (91 total staff) and 46 firefighters (51 total staff); this number of staff has increased only marginally in the past 10 years until 2012. The City Council approved for 2013, nine new police department positions and four new fire department positions. There are three fire stations serving the south, central and north (on the airport grounds) parts of town. There is one police station, centrally located in the same building complex as City Hall.

The City of Minot would like to be competitive with other communities in receiving public safety oil impact grants.

The on-going growth in town is straining the ability of the Minot Fire Department to meet standards for response time and in turn puts the public at increased risk. Over the next several years, the Fire Department will need to add fire stations and personnel just to maintain the same level of service now in place. The Fire Chief is projecting that, in line with the current housing, business and retail growth, the City will need new fire

PROJECT	ESTIMATED COST	YEAR NEEDED
East Fire Station	\$2.6 million	2014
NW Fire Station	\$3 million	2015

Move the Regional Fire Training Grounds – Expansion of the Minot International Airport, driven by the oil boom, will require the Minot Fire Department to move the training grounds at a cost of \$1.7 million. In 2012, the City received \$250,000 from the Oil & Gas Impact Grant Fund, emergency services round, toward this project. Additional funds would assist in completing the move.

A potential 2016 project could include the City considering an additional south side fire station.



PUBLIC FACILITIES

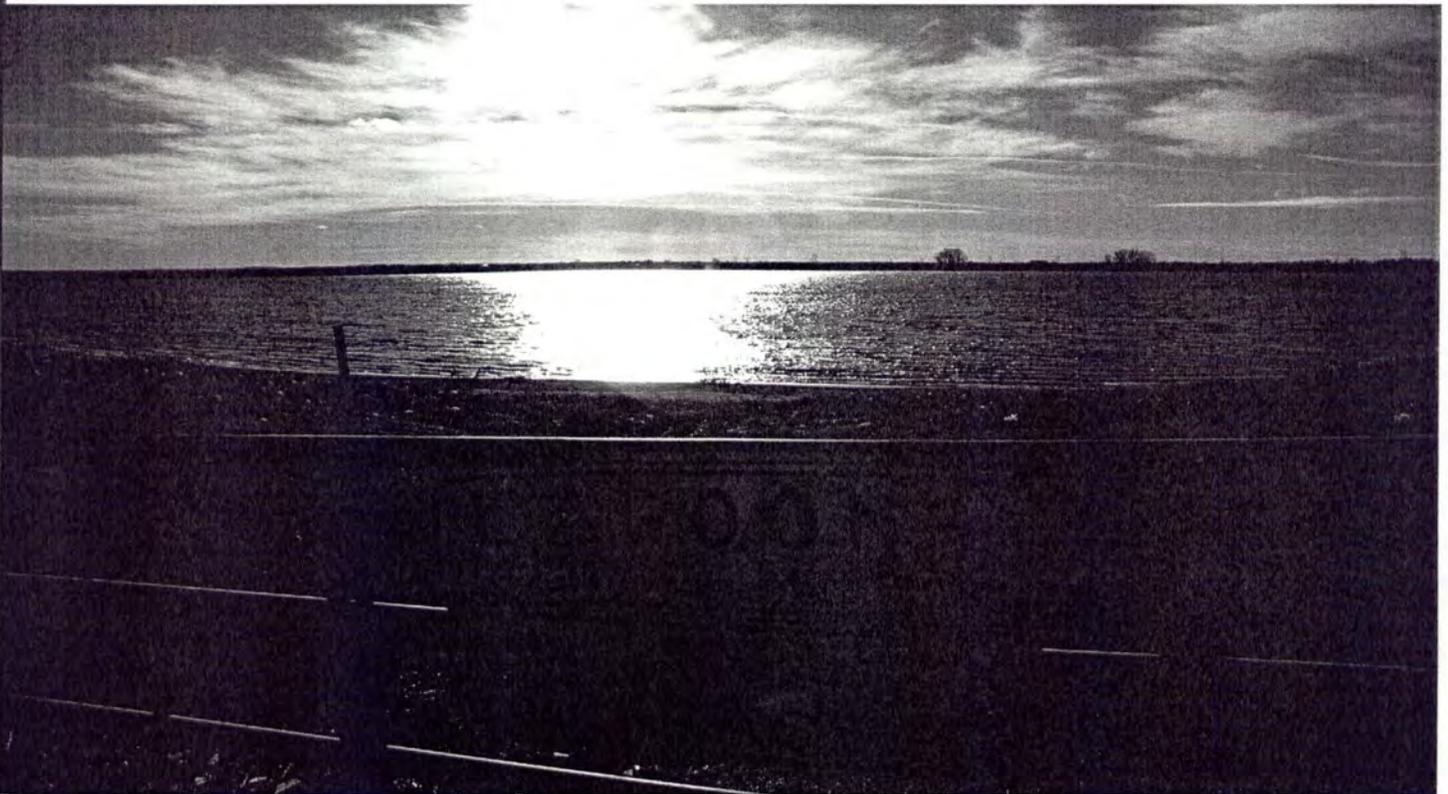
The current population growth adds strain to all services provided by the City of Minot. This includes key public facilities such as the City's waste water treatment facilities, public works facilities, landfill and City Hall itself.

Waste Water Facility

The City of Minot currently treats its waste water through a series of aeration ponds, lagoons, and finally wetlands, before the water is discharged into the Mouse River. The capacity of the wetlands for treating the sewage is approximately seven million gallons per day. As of 2012, the City treats between five and six

With the increase in Minot waste water over the last two to three years, the City commissioned a study of all waste water facilities. This will help determine the best options for treating Minot's waste water in the future, based on expected growth.

One of the options available is a full waste water treatment facility to treat all of the waste water under one roof, which could easily cost more than \$50 million. Other options include a partial treatment of peak flows above the seven million gallons per day that Minot's lagoon/aeration/wetland facilities can handle. This is estimated to cost approximately \$35 million.



million gallons per day on average and discharges to the Mouse River are from April to November. Between the months of November and April, the City holds all of the waste water in our lagoon cells until the wetlands start growing again in the spring and are then used to treat the waste water. The City continues to take a significant amount of waste water from temporary housing facilities in western North Dakota.

The study, which is expected to be finished in March 2013, will provide more detailed options as well as estimated costs.

Public Works Facility Expansion

The City of Minot Public Works Facility houses more than ten City departments, including the following: Transit, Shop/Vehicle Maintenance,

Property Maintenance Street Department, Traffic Maintenance Department, Sanitation, Building Electrical Mechanical and Plumbing Inspections as well as Health Inspections, Engineering Department, Planning Department, City Assessors and Public Works Administration.

Many of the personnel are already two or three people to a cubicle, and with the City adding needed positions in the engineering, inspections and planning departments, the Public Works building needs to add additional space for these personnel. The expansion of the building would allow for approximately 20 new office spaces, an additional conference room, and storage for the piles of paperwork associated with permits and the growth of Minot.

The estimated cost of expanding the current facility comes in at \$1.2-1.5 million.

Landfill

The City of Minot operates a regional landfill, accomodating six other counties (all oil-impact counties), with the capacity to handle 350 tons (approximately 20 trucks) per week. The next closest regional landfill with this capacity is in Bismarck. Residential garbage count in 2008 measured 220 tons per week. In 2011, prior to the flood, the City was hauling in roughly 320 tons of residential garbage per week. The City has plans and funding to open an additional cell out on the current landfill site in 2013. This cell, along with two other cells that can be constructed, would likely accommodate current growth for the next 10-15 years. A study is currently underway to consider a new landfill location. This lengthy process, often seven to ten years of research, permitting and formation, needs to be started now in



order to be ready once the current landfill is no longer a viable option for regional refuse.

City Hall

City Hall currently houses 24 staff members, has a connected east wing that is Minot's Police Station (for 90+ employees), and a west wing that serves as storage for law enforcement needs. The building was originally built in 1956 with remodeling and an addition in the last 25 years. The need for additional police officers and the fact that all office space is currently in use means that expected City growth would necessitate either another expansion or an additional building nearby to house City of Minot staff. While no studies are currently underway to determine potential projects or cost, there is little doubt that either option will cost millions of dollars to continue accommodating the growth in Minot due to the Energy Boom.

The City of Minot is not requesting additional funding for these projects at this time. As our population grows, the City will need state support in 2015 and beyond.



Public Works Facility

OIL IMPACT NEEDS

The Governor's Budget recommendation consists of a \$214 million funding request toward the Oil & Gas Impact Grant Fund. Of that amount, the City would like to see \$15 million appropriated or earmarked for the City of Minot to address water, sewer and other infrastructure needs.

WATER & SEWER

\$73,448,163

The Governor's Budget request includes \$60 million targeted to oil-impacted airports to address growth challenges. The Governor's Budget proposes this funding through the Oil & Gas Impact Grant Fund. The City of Minot is seeking a minimum of \$25 million from this allocation to ensure that its proposed airport expansion can be completed by 2015.

AIRPORT EXPANSION

\$85,061,505

The City of Minot seeks as much state support as possible within the biennium budget for statewide transportation upgrades.

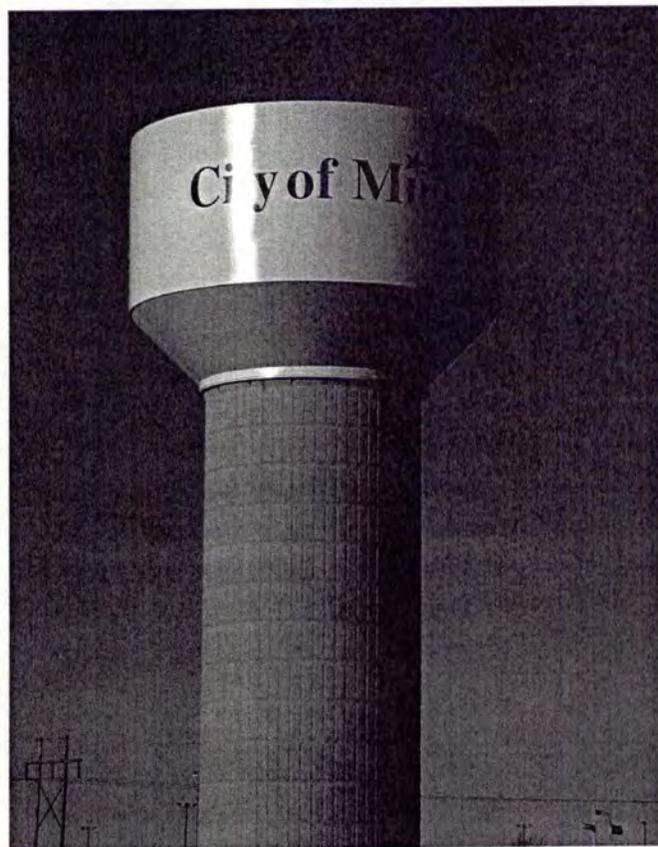
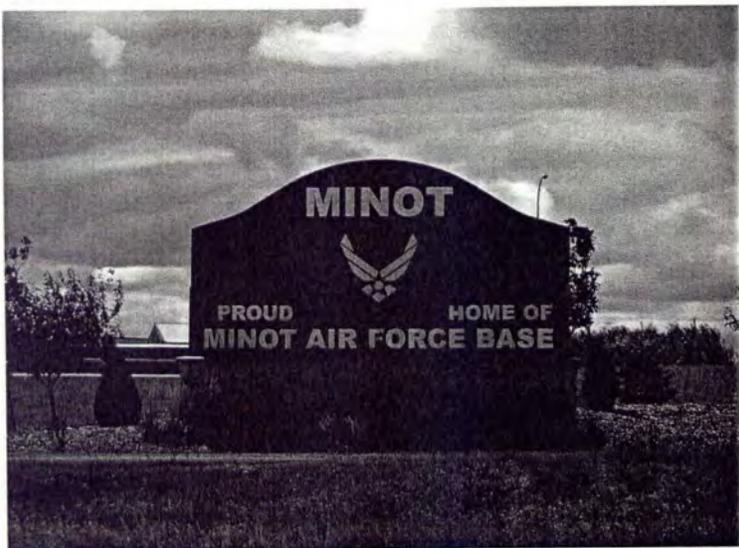
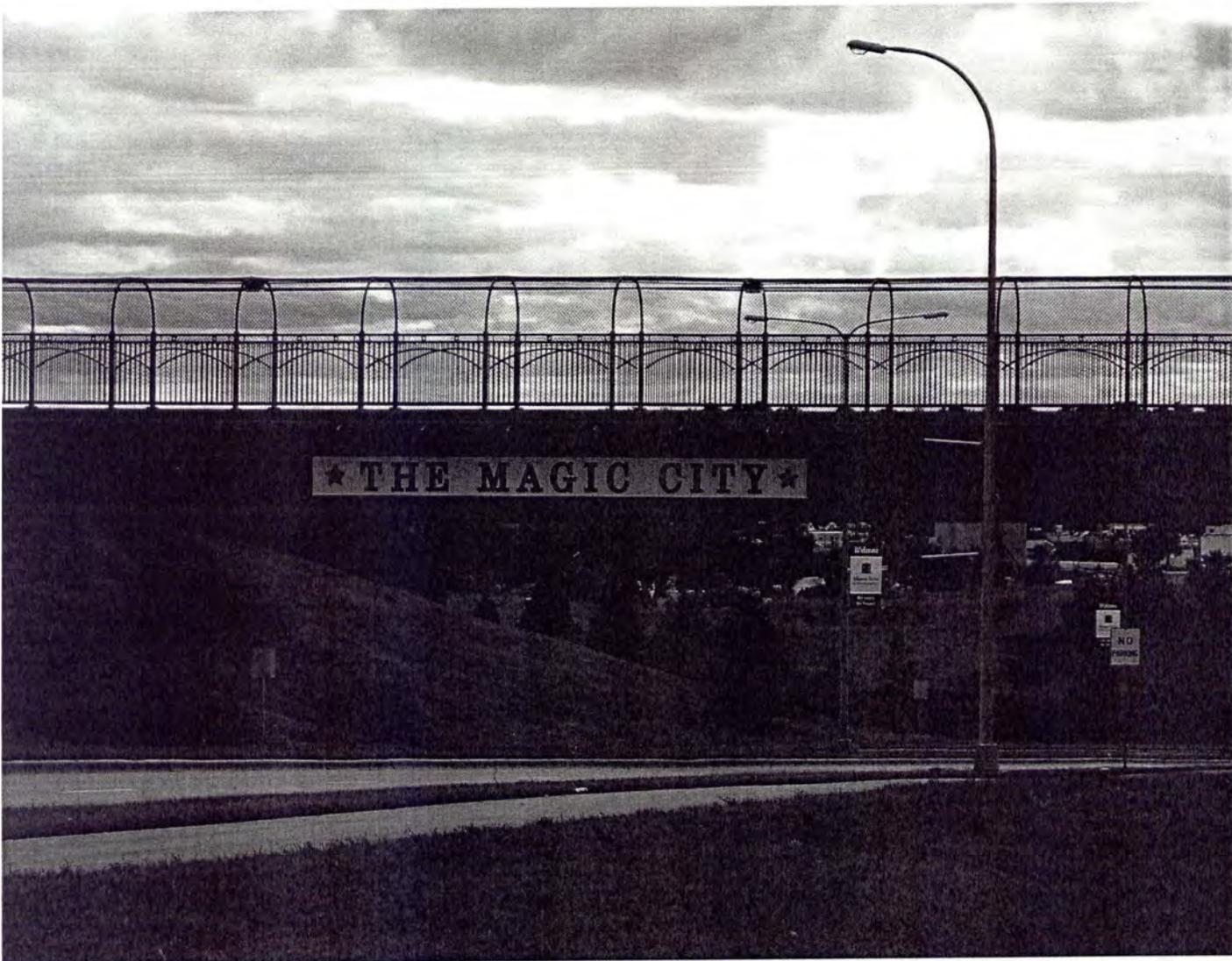
ROADS & INTERSECTIONS

\$185,000,000

The City of Minot would like to be competitive with other communities in receiving public safety oil impact grants.

PUBLIC SAFETY

\$7,300,000



Brent Sanford 5
SB 2013
1-10-13

City of Watford City

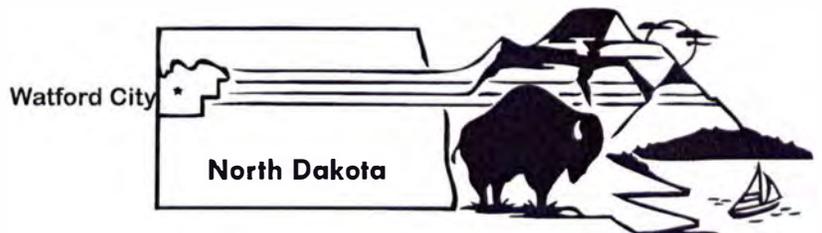
Short Term Capital Improvements Plan 2013-2015



DECEMBER 2012



Investing in our future





City of Watford City

Short Term Capital Improvements Plan

DECEMBER 2012

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Investing in Our Future

This Short Term Capital Improvements Plan summarizes the necessary infrastructure projects for 2013 to 2015 to support the current and projected future growth of Watford City to serve a population range from 9,000 up to 13,600 people.

Total 2013-2015 Estimated Costs = \$193,886,000
(Future \$)



Studies Predict McKenzie County Population

Watford City is the County Seat and the largest City in McKenzie County. McKenzie County is situated at the heart of the prolific Bakken oil boom. Recent studies predict that McKenzie County will grow the most of any county in North Dakota over the next 20 years. Watford City has become the bustling hub of McKenzie County and is expected to capture a larger share of this projected growth than any other City in McKenzie County. In addition, the ND Industrial Commission has expressed concern that the population projections in the adjacent table are low given the projected oil activity in McKenzie County.

Projected McKenzie County Population*	
2000	5,737
2010	6,360
2015	11,771
2020	15,550
2025	17,110

*2012 North Dakota Statewide Housing Needs Assessment Permanent Residents

Growing Infrastructure to Meet Needs - Now and In the Future

To accommodate Watford City's growth, a phased short-term capital improvements plan (CIP) was developed to provide the framework for core infrastructure implementation. The short-term CIP identifies infrastructure projects to be constructed from 2013 through 2015, and is expected to provide adequate capacity to serve a population range from 9,000 up to 13,600 people. All infrastructure recommendations will support existing or pending residential and commercial developments.



WATER*
Total Costs for Water System Improvements:
\$25,032,000



WASTEWATER*
Total Costs for Wastewater System Improvements:
\$40,659,000



EXISTING TRANSPORTATION*
Total Costs for Existing Transportation System Improvements:
\$9,725,000



EXPANDED TRANSPORTATION*
Total Costs for Expanded Transportation System Improvements:
\$118,141,000



MASTER PLANNING*
Total Costs for Master Planning:
\$329,000

Watford City Infrastructure Population Service Capacity				
	Population Estimate		Cumulative Total	
	Low	High	Low	High
Estimated Population Served with Existing Infrastructure	3,500	3,500	3,500	3,500
CIP Proposed Infrastructure (Year)				
Priority 1 (2012-2013)	1,400	2,550	4,900	6,050
Priority 2 (2013-2014)	1,750	3,200	6,650	9,250
Priority 3 (2014-2015)	2,350	4,350	9,000	13,600

*Future \$'s

Water System Improvements



- Watford City currently utilizes water from five wells for municipal purposes with two iron and manganese removal treatment facilities. The existing wells have limited capacity and the finished water quality exceeds several secondary maximum contaminant levels (SMCLs).
- Due to the poor quality and limited capacity of the existing source water, Watford City is currently transitioning from utilizing the City's existing well water source to service from the Western Area Water Supply Project (WAWSP), a higher quality source water that does not typically exceed any SMCLs and has a greater capacity, accommodating population expansion.
- The City's distribution system is comprised of a mixture of cast iron (CI), asbestos concrete (AC) and PVC pipe approximately 23 miles in length and ranging in diameter from four to 16 inches with two 1.0 million gallon finished water storage standpipes.
- To accommodate current growth in Watford City, recent improvements have included the installation of 2 miles of distribution main ranging in diameter from 8 to 16 inches. Additional water main extensions are required to accommodate growth.
- Due to pending water storage shortages and the necessity of different pressure zones caused by topographic relief, additional storage is also required to serve anticipated future needs.

COST SUMMARY OF PRIORITIES (FUTURE \$)

- » PRIORITY #1: TOTAL PROJECT COSTS: \$5,750,000
- » PRIORITY #2: TOTAL PROJECT COSTS: \$14,749,000
- » PRIORITY #3: TOTAL PROJECT COSTS: \$4,533,000
- » TOTAL PROJECT COSTS FOR WATER SYSTEM IMPROVEMENTS: \$25,032,000

» PRIORITY #1: PROJECT DESCRIPTIONS

Water Main Improvements

- The identified water main extensions will serve existing and new residential, commercial, and industrial developments by providing new transmission main loops in the northwest and northeast corners of town. Additionally, these transmission main loops will provide fire flow to new growth areas and improve the reliability of the existing system.

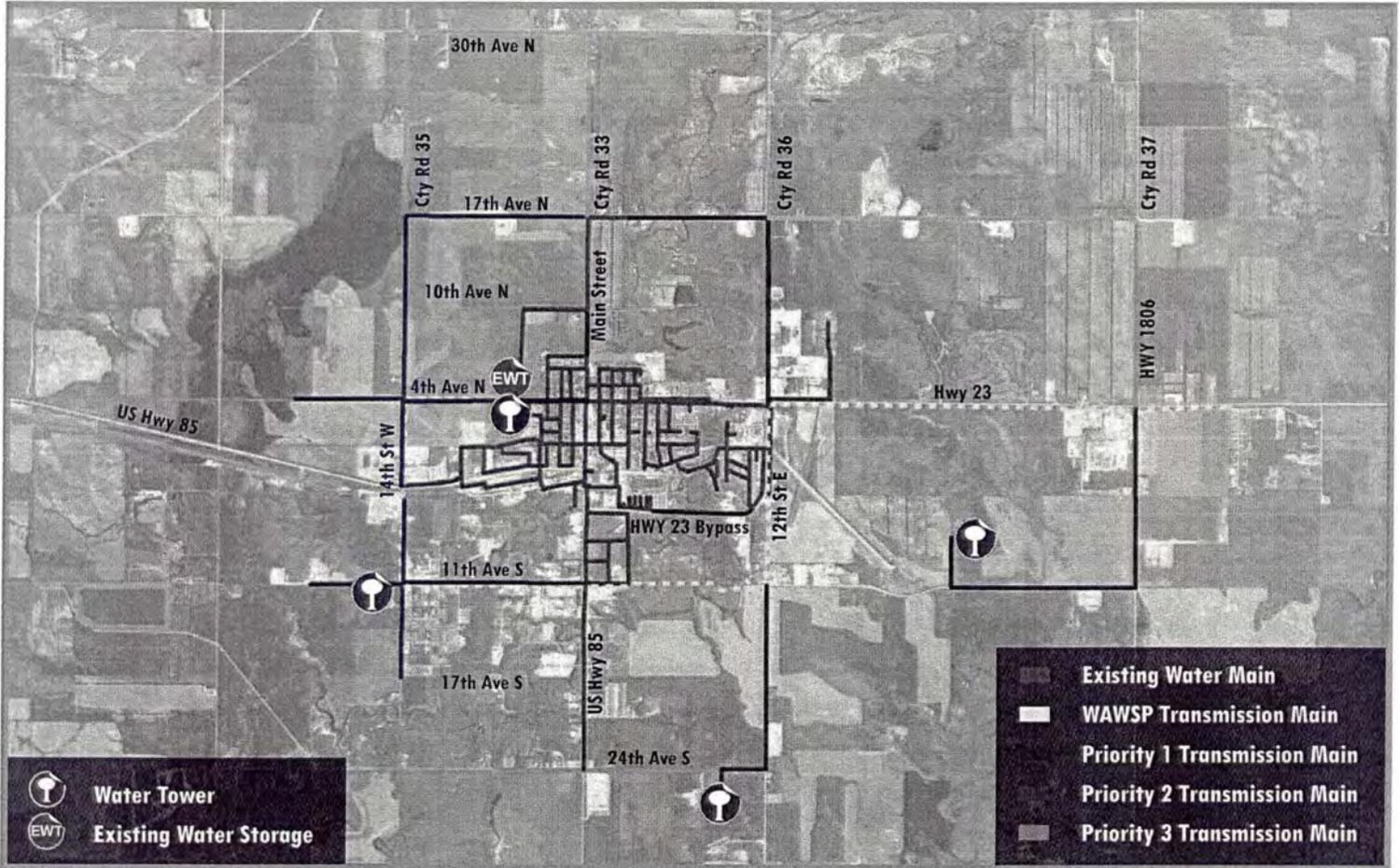
Water Storage Improvements

- The Northwest elevated water tower will create a new pressure zone to provide adequate system pressure and fire flow to new residential, commercial, and industrial areas northwest of town. Construction of this water tower also provides increased pressures to areas that currently have inadequate water pressure and fire flows in the vicinity of the existing ground storage tanks.
- The Priority 1 projects are expected to provide infrastructure to allow Watford City to serve a total population of 4,900 to 6,050 people.

» PRIORITY #2 & #3: PROJECT DESCRIPTIONS

In general, the priority 2 and 3 areas include the following areas of Watford City: the south, the north, and the east expansion areas.

- These water main extensions and water towers will primarily serve new residential, commercial, and industrial developments by providing new transmission main loops that will provide fire flow to new growth areas and improve the reliability of the existing system. Many of these new developments have been approved; however, in general, construction has not commenced.
- Priorities 2 and 3 are expected to accommodate service populations ranging from 6,650 to 9,250 and 9,000 up to 13,600 people, respectively.



WATER SYSTEM IMPROVEMENTS*

Priority 1 Projects		Priority 2 Projects		Priority 3 Projects	
Main St (between 7th Ave N and 10th Ave N)	\$140,000	14th St W (between 4th Ave N and 10th Ave N)	\$260,000	24th Ave S	\$887,000
4th Ave N (between Main St and 14th St W)	\$940,000	14th St W (between US HWY 85 and 17th Ave S)	\$562,000	14th St W (between 17th Ave N and 30th Ave N)	\$541,000
14th St W (between US HWY 85 and 4th Ave N)	\$300,000	11th Ave S (west of 14th St W)	\$395,000	Main St (between 17th Ave N and 30th Ave N)	\$541,000
17th Ave N (between Pheasant Ridge and 12 St E (CR 36))	\$470,000	11th Ave S (between US HWY 85 and 14th St W)	\$593,000	12 St E (north of 17th Ave N)	\$141,000
12th St E (CR 36) (between HWY 23 and 17th Ave N)	\$610,000	HWY 23 Bypass Loop	\$385,000	30th Ave N (between 14th St W and 12th St E)	\$800,000
Northwest Water Tower - 1.0 MG (NW Pressure Zone)	\$3,290,000	14th St W (between 10th Ave N and 17th Ave N)	\$322,000	17th Ave N (between 12th St E and HWY 1806)	\$1,082,000
		17th Ave N (between Main St and 14th St W)	\$718,000	HWY 1806 (between HWY 23 and 17th Ave N)	\$541,000
		4th Ave N (west of 14th St W)	\$312,000		
		Southwest Water Tower - 0.5 MG (SW Pressure Zone)	\$1,966,000		
		Southeast Transmission Main for Water Tower	\$884,000		
		Southeast Water Tower - 1.0 MG (SE Pressure Zone)	\$3,422,000		
		East Transmission Main for Water Tower	\$1,508,000		
		East Water Tower - 1.0 MG (East Pressure Zone)	\$3,422,000		
PRIORITY 1 SUBTOTAL	\$5,750,000	PRIORITY 2 SUBTOTAL	\$14,749,000	PRIORITY 3 SUBTOTAL	\$4,533,000

Future \$'s Total Cost for Water System Improvements* = \$25,032,000





Wastewater System Improvements



- The existing wastewater collection system is comprised of 21.3 miles of gravity sewer with diameters ranging from 6 to 21 inches, 8 lift stations, and 5.4 miles of forcemain with diameters ranging from 4 to 12 inches. The collection system was originally constructed of clay tile pipe in the 1940s, and underwent additions and replacements in the 1970s, 1980s, and 2006 with clay tile and PVC pipe.
- Recent Collection System Improvements: In order to meet the City's growth, the trunkline system was improved and expanded in recent years. The City has installed over 5 miles of gravity sewer pipe (10 to 21 inch), added 5 new lift stations, rehabilitated 1 lift station, and installed over 4 miles of new forcemain (8 to 12 inch). Additional trunkline extensions are required to accommodate growth.
- The existing wastewater treatment system is comprised of 3 primary treatment ponds with a booster station that pumps pre-treated wastewater to 3 secondary ponds.

- Recent Wastewater Treatment Improvements: Improvements currently underway will increase the City's organic treatment capacity to serve a population of 7,500 and storage for a population of 3,500. These projects include construction of two new aeration ponds, a new master lift station, a new booster station, and conversion of the existing primary ponds to secondary storage ponds. Additional wastewater treatment improvements are required to provide additional storage capacity accommodate growth.

COST SUMMARY OF PRIORITIES (FUTURE \$)

- » PRIORITY #1: TOTAL PROJECT COSTS: \$14,880,000
- » PRIORITY #2: TOTAL PROJECT COSTS: \$17,462,000
- » PRIORITY #3: TOTAL PROJECT COSTS: \$8,317,000
- » TOTAL PROJECT COSTS FOR WASTEWATER SYSTEM IMPROVEMENTS: **\$40,659,000**

» PRIORITY #1: PROJECT DESCRIPTIONS

Collection System Improvements

- The identified gravity sewer, lift station, and forcemain projects extend the trunkline system to serve new and existing residential, commercial, and industrial developments on the north, west, and southeast ends of town.

Wastewater Treatment Improvements

Secondary storage expansion project

- The project includes a new transfer pump station to pump wastewater from the existing wastewater treatment ponds to the location of two new secondary treatment ponds. A phased addition of the first secondary treatment pond allows the wastewater treatment system to serve a population of 7,500.

» PRIORITY #2 & #3: PROJECT DESCRIPTIONS

Collection System Improvements

- In general, the Priority 2 and 3 gravity sewer, lift station, and forcemain projects extend the trunkline system to serve new and existing residential, commercial, and industrial developments in the northwest, southwest, southeast, and northeast expansion areas of Watford City.

Wastewater Treatment Improvements

Aeration and Secondary Storage Expansion Project

- These projects include the rehabilitation of the existing primary treatment ponds, the addition of two new aeration ponds, and the addition of the final secondary treatment pond. These improvements will allow Watford City's wastewater treatment system to serve 15,000 people.

Existing Transportation Improvements



- The existing Watford City street system generally consists of a mix of paved and gravel two-lane streets. The City is bisected by two major highways, US Highway 85 and ND State Highway 23, which serve as major transportation corridors for the petroleum industry. The explosion in population and petroleum industry activity in western North Dakota have significantly impacted the existing transportation system.
- Rehabilitation projects within the City will target improvements such as applying seal coats and edge mill and overlays to economically increase the longevity of these roadways before more expensive major restoration projects are required. Other rehabilitation projects will include re-construction of corridors that experience heavy residential and industrial traffic that were not previously constructed to handle these traffic volumes.

COST SUMMARY OF PRIORITIES

- » PRIORITY #1: TOTAL PROJECT COSTS: \$920,000
- » PRIORITY #2: TOTAL PROJECT COSTS: \$4,316,000
- » PRIORITY #3: TOTAL PROJECT COSTS: \$4,489,000
- » TOTAL PROJECT COSTS FOR EXISTING TRANSPORTATION IMPROVEMENTS: **\$9,725,000**

» PRIORITY #1: PROJECT DESCRIPTIONS

Reconstruction of 3rd Ave SW and new construction on 6th St NW

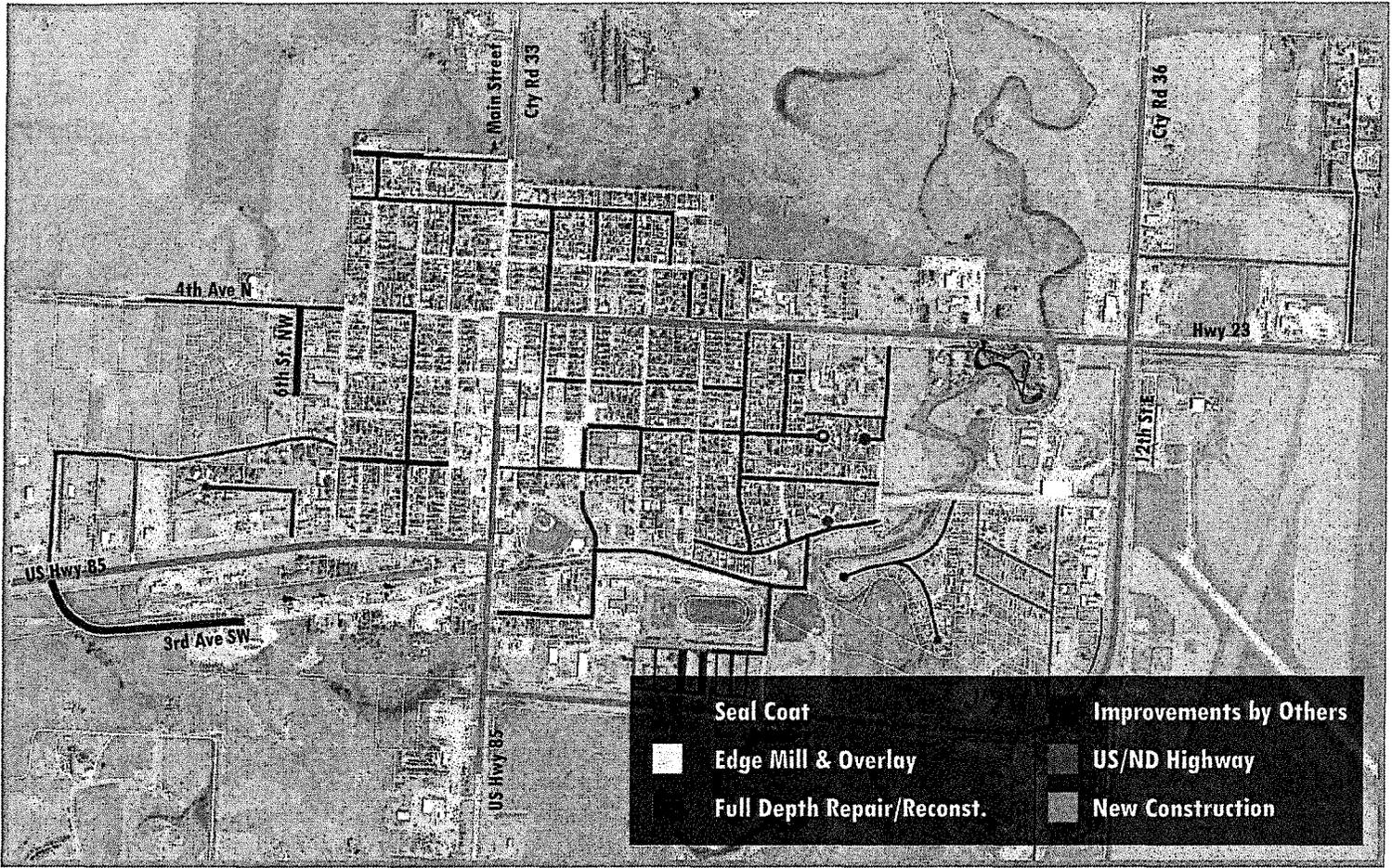
- Third Avenue Southwest is a gravel access road that has historically served the local grain elevator south of US Highway 85 in the southwest corner of the City. Recently completed and pending developments in this area served by 3rd Ave SW include a new hotel, RV park, and 144 unit residential development. The traffic has greatly increased on this street and it now requires heavy duty paving, curb and gutter, and storm sewer.

- 6th St NW is a gravel access road that has served existing developments on the east side of the road and will serve new developments on the west side of the road. Increased traffic on this street now requires paving, curb and gutter, and storm sewer

» PRIORITY #2 & #3: PROJECT DESCRIPTIONS

City-Wide Street Improvements

- Includes improvements throughout the existing Watford City street system, primarily focusing on seal coats and edge mill and overlay improvements. Full depth repair and reconstruction for a few heavily impacted roads is also recommended.



EXISTING TRANSPORTATION IMPROVEMENTS*

Priority 1 Projects		Priority 2 Projects		Priority 3 Projects	
3rd Ave SW Reconstruction	\$600,000	First half of remaining improvements (includes seal coat, edge mill & overlay, full depth repair/reconstruction, new construction)	\$4,316,000	Second half of remaining improvements (includes seal coat, edge mill & overlay, full depth repair/reconstruction, new construction)	\$4,489,000
6th St NW New Construction	\$320,000				
PRIORITY 1 SUBTOTAL	\$920,000	PRIORITY 2 SUBTOTAL	\$4,316,000	PRIORITY 3 SUBTOTAL	\$4,489,000

*Future \$'s Total Cost for Existing Transportation Improvements = \$9,725,000

Expanded Transportation Improvements



- Watford City is currently in the midst of a tremendous growth in population as a result of the oil industry's resurgence in western North Dakota. The unprecedented growth has led to a housing deficiency that prompted approval of major developments prior to the implementation of suitable transportation infrastructure leading to these developments. The urgency to build new housing prior to roadway improvements or preservation of right-of-way for corridors has resulted in a transportation network with ever decreasing connectivity, mobility and accessibility.

COST SUMMARY OF PRIORITIES

- » PRIORITY #1: TOTAL PROJECT COSTS: \$33,000,000
- » PRIORITY #2: TOTAL PROJECT COSTS: \$22,256,000
- » PRIORITY #3: TOTAL PROJECT COSTS: \$62,885,000
- » TOTAL PROJECT COSTS FOR EXPANDED TRANSPORTATION IMPROVEMENTS: **\$118,141,000**

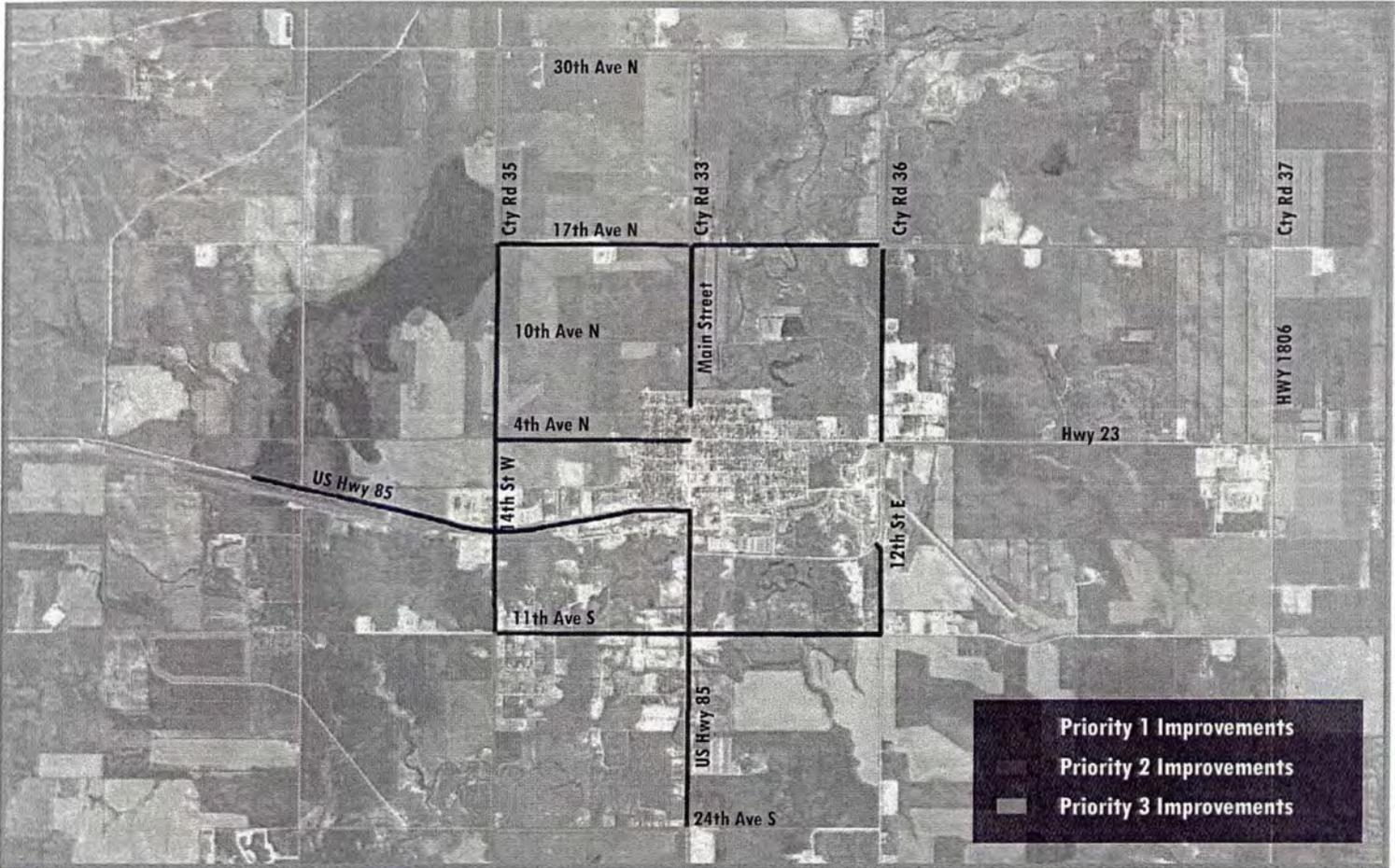
» PRIORITY #1: PROJECT DESCRIPTIONS

- **HWY 85:** The North Dakota Department of Transportation (NDDOT) is currently in the project development stage for reconstructing the 8-mile section of US Highway 85 through Watford City. The initial plans are to expand this corridor to a five-lane roadway section. Watford City does not have adequate financial resources to match federal funding for this project. As a result, this short term CIP includes approximately \$1,000,000 to cover local match for lighting, frontage road and other improvements associated with this project.
- **11 Ave S & 12 St E:** 11th Avenue Southeast funding is needed to construct a bridge across an intersecting stream, and to improve and pave the corridor to tie into existing and future developments south of the Watford City Airport. 11th Avenue Southeast has current conditions ranging from a gravel roadway to an unimproved earth road to nonexistence. Improving 11th Avenue Southeast will increase overall network connectivity and accessibility, potentially spurring development along this segment of the corridor.

- **North End Projects** (12th St. East, 17th Ave. North, 4th Ave. NW, and Main Street) – Four developments were recently approved along this corridor. Improving this north end corridor will provide access to major growth areas on the north side of Watford City and will increase overall network connectivity and accessibility.

» PRIORITY #2 & #3: PROJECT DESCRIPTIONS

- Major arterial corridor expansion to the southwest of Watford City including 11th Avenue S, 24th Avenue S, and 14th Street W will be necessary to support existing and future developments and improve connection and mobility with US Highway 85.
- Major arterial corridor expansion to the north of Watford City including improvements to 17th Avenue North, 14th Street W, 30th Avenue N, Main Street, and 12th Street E will be necessary to support existing and future developments and improve mobility between the major county road network to the north of town.



EXPANDED TRANSPORTATION IMPROVEMENTS*

Priority 1 Projects		Priority 2 Projects		Priority 3 Projects	
US Highway 85 through Watford City (Federal Funding Match)	\$1,000,000	14th St W (between US HWY 85 and 11th Ave S)	\$3,224,000	14th St W (between 11th Ave S and 24th Ave S)	\$6,663,000
11th Ave S (between US HWY 85 and 12th St E (CR 36))	\$6,400,000	11th Ave S (between 14th St W and US HWY 85)	\$6,656,000	24th Ave S (between 14th St W and US HWY 85)	\$7,896,000
12th St E (CR 36) (between HWY 23 and 17th Ave N)	\$6,400,000	14th St W (between US HWY 85 and 17th Ave N)	\$6,240,000	14th St W (between 17th Ave N and 30th Ave N)	\$6,663,000
17th Ave N (between Main Street and 12th St E (CR 36))	\$7,000,000	17th Ave N (between 14th St W and Main St)	\$6,136,000	Main St (between 17th Ave N and 30th Ave N)	\$7,301,000
Main St (between 6th Ave N and 17th Ave N)	\$5,100,000			12 St E (between 17th Ave N 30th Ave N)	\$7,733,000
4th Ave NW (between Main St and 14th St W)	\$4,100,000			30th Ave N (between 14th St W and 12th St E)	\$13,325,000
12th St E (between 11th Ave S and HWY 23 Bypass)	\$3,000,000			17th Ave N (between 12th St E and HWY 1806)	\$13,304,000
PRIORITY 1 SUBTOTAL	\$33,000,000	PRIORITY 2 SUBTOTAL	\$22,256,000	PRIORITY 3 SUBTOTAL	\$62,885,000

***Future \$'s Total Cost for Expanded Transportation Improvements = \$118,141,000**



MASTER PLANNING AND COST SUMMARY



» 2013 MASTER PLAN REVIEW (\$55,000)

Due to the uncertainty and fast paced changes associated with new developments in and around Watford City, a yearly review of the 2012 Short Term CIP will allow the City to manage infrastructure projects as developments are constructed.

» STORM WATER MASTER PLAN (\$162,000)

The rapid growth of Watford City will result in increased runoff, requiring stormwater management infrastructure to safely manage the increased runoff and reduce the potential for impacts to property and transportation facilities. Therefore, the stormwater master plan will include a stormwater analysis to identify existing system limitations and strategically plan future regional stormwater infrastructure that will be required as the City grows.

» 2014 MASTER PLAN UPDATE (\$112,000)

The comprehensive planning document will be updated to assist the City of Watford City with smoothly transitioning from a rural town to a regional hub amidst the prolific petroleum industry in western North Dakota. The planning document will update previous master planning efforts and identify infrastructure required to support rapid population growth, including water, wastewater, stormwater, and transportation projects.



PROJECT COST SUMMARY

	Priority 1 Projects	Priority 2 Projects	Priority 3 Projects	Project Subtotals
Water	\$5,750,000	\$14,749,000	\$4,533,000	\$25,032,000
Sewer	\$14,880,000	\$17,462,000	\$8,317,000	\$40,659,000
Existing Transportation	\$920,000	\$4,316,000	\$4,489,000	\$9,725,000
Expanded Transportation	\$33,000,000	\$22,256,000	\$62,885,000	\$118,141,000
Priority Subtotals	\$54,550,000	\$58,783,000	\$80,224,000	\$193,557,000
Master Planning				\$329,000
TOTAL COSTS FOR IMPROVEMENTS				\$193,886,000

1-10-13
Shawn Kessel
SB 2013

6

Support of Senate Bill 2013

Appropriations Committee (Harvest Room)

Good morning Chairman Holmberg and committee members...

My name is Shawn Kessel and I am the City Administrator for Dickinson, ND and I appear before you today in support of Senate Bill 2013.

I would like to start by saying thank you. The city of Dickinson has benefitted from the Oil and Gas Impact grants in the past and we have applied \$7.9M of those grant funds to our \$48M waste water reclamation facility which is under construction, \$3.9M is being used to construct an \$18M Public Works building and another \$1.5M is helping us construct an \$8M Public Safety center to house our growing Fire and Police departments.

We, along with KLI, are putting the finishing touches on our comprehensive plan and this document is available for your review in its draft state at www.dickinsonplan.com. This plan has helped us identify almost a billion dollars in infrastructure needs over the time frame of the plan and \$177,310,000 in the next two years to deal with oil impacts and more specifically explosive population gain.

Our population in 2000 was 16,020. In 2010 we grew to 17,787; nice steady, manageable growth. We commissioned NDSU Agribusiness and Applied Economics Department as part of our comprehensive plan to estimate what our population will be. The current estimate, today, is 24,900. According to NDSU, we will reach a population peak of over 47,000 around 2022 and then draw back to around 40,000 to 45,000. This slight recession is due to the temporary oil positions leaving the community after drilling is complete. In ten years from 2000 to 2010 we grew 1,767 people—manageable growth. Since the 2010 census we have grown 7,113! Basically, we have added the entire community of Devils Lake in less than 3 years. Imagine the infrastructure required to service a community like Devils Lake – the water towers, the lift stations, the pipes, the roads, grade separations, etc. This level of explosive growth isn't as easy to manage.

Let me put it another way, in 2010 the City issued approximately \$70M in new building permit issuance (by the way, what better measure of growth and/or oil

impacts is there than building permits?) a very nice year for us, maybe even a record. In 2011 we issued \$123M in building permits for new construction. This level of issuance garnered the city the title of 4th fastest growing small city in the US! Definitely a record! We just closed the books on 2012 – we issued 589 single family homes permits (the most in the state) for a value of over \$128M, that's more than our total building permit issuance in 2011. Our building permit issuance for new construction in 2012 was \$389,495,921.17 and when you add in other building permits our grand total exceeds \$408M! Absolutely unprecedented numbers. Of the 13 most populous cities in ND - these increases represent the highest year-over-year increases by far.

Hopefully I have made the point – *Dickinson has significant oil impacts*. I would submit a close second to Williston.

We are trying to be responsible with our growth, surgical in our annexations and deliberate in our plan development. Even after a careful prioritization of projects, asking developers to foot the bill for their developments and more time in meetings than even my ample rear can endure we still identify a need for \$25M in annual grant support from the State of ND required to get the job done. We are willing to shoulder some of the burden of growth as evidenced by the three projects I identified in my opening – the City is coming up with over \$60M, the State's total is just over \$12M. The City cannot continue funding oil impact projects at this level – and neither can our sister cities (Killdeer, Belfield, South Heart, Watford City, Stanley, etc. and of course our fellow oil hub cities of Williston and Minot). It isn't easy to have dollars to distribute; it forces you to make tough decisions so I don't envy your task this legislative session. Having said that, I respectfully ask that you provide additional funds in this grant program to meet the needs (not wants) of western ND communities and more specifically request you to add funds to the oil hub cities portion of this grant program so Dickinson can receive \$12.5M annually to support the level of oil impacts we are experiencing today and will continue to experience tomorrow.

I would like to close how I opened - thank you, we are so grateful for your past support and your current consideration.

Larry Taborsky #7
SB 2013
1-10-13

SB 2013 Land Office Budget- Oil patch airport funds

Good morning, Mr. Chairman and members of the committee,

My name is Larry Taborsky. My title is director of the Aeronautics Commission and I am here in support of Senate Bill 2013.

The airports in the western part of the state have been severely impacted by the oil business, and it is due to this impacted activity that increased infrastructure and capabilities of these airports needs to be supported. Airline service airports are breaking boarding records monthly. Airport terminals and parking areas are beyond capacity. The general aviation airports are handling larger and more aircraft than they were designed for. In Watford City, the wheel of a jet fell through the crumbling pavement. In Williston, aircraft park on the taxiways because there is no more room on the parking ramp. In New Town, jets come and go on a runway which is designed for light aircraft. We have a strong representation from the airports here today, so I'll let them tell their stories first-hand.

The proposed airport funding will be put to good use. The Aeronautics Commission has a sound method of ensuring that the oil tax funds are used to provide the most benefit for the state. The commission has strong ties with the airports, consultants, and the Federal Aviation Administration. The commission has a state-wide and nation-wide perspective on the needs of aviation in North Dakota, and would be best suited to prioritize the many requests that will be made for these funds. I recommend that the Aeronautics Commission be used for airport grant decisions by the Energy Infrastructure and Impact Office.

Testimony on Senate Bill 2013

Dan Brosz 8
SB 2013
1-10-13

Presented by: Dan Brosz, Chairman, Executive Committee
ND Association of Oil and Gas Producing Counties

PREPARED FOR:

SENATE APPROPRIATIONS COMMITTEE

SENATOR RAY HOLMBERG, CHAIRMAN

In August of 2011, the North Dakota Association of Oil and Gas Producing Counties (NDAOGPC) partnered with the Southwest REAP Zone and the REAP Investment Fund on a successful application for a U.S. Department of Housing and Urban Development Regional Planning Grant (\$1.5 million) which was matched with funds from the North Dakota Energy Infrastructure and Impact Fund (\$300,000). Additionally, locally matched in-kind dollars of approximately \$600,000 were dedicated towards the regional planning project. The combined federal, state, and local dollars continue to be used to create a grass-roots planning effort to address the issues and create a road map toward the future for citizens within the state's oil and gas producing counties.

Part of the planning project, termed "Vision West ND", was to complete needs assessments for communities within the oil and gas producing counties. Many of the smaller communities in this region do not have the funds to complete such needs studies. Part of the HUD planning grant, along with funding from the NDAOGPC and other partners, was used to study 25 such communities. There was simply not enough money to study all 125 communities in the eighteen counties, so a sampling from north to south was chosen. This sampling gives us an idea of the infrastructure needs typical of many, if not most, of the communities in western North Dakota.

The assessments included water treatment, distribution, and storage. Wastewater collection and treatment were also included, along with some street additions and upgrades. The results of the 25 assessments concluded that, collectively, \$13 million is needed for water treatment and \$62 million is needed for water distribution and storage. The needs for wastewater treatment, within the sampled communities, are \$102 million. Wastewater collection needs total \$49 million. The needs for street additions and improvements are at \$81 million. The total, based on this assessment, is \$306 million. If this is typical for these communities, which we believe to be true, the needs of all the small communities would be about four times larger or at approximately \$1.2 billion. This, of course, does not include some of the mid-size communities such as Tioga, Stanley, or Watford City. The "hub" cities in western ND, i.e. Williston, Dickinson, and Minot, have their own assessments that were completed separately from those done through Vision West ND.

The purpose of the study was to determine the infrastructure needs caused by the increase in housing development, commercial activity, and other impacts arising from oil and gas industry development. Ultimately, it will be up to the local citizens and leaders of the oil impacted region to prioritize these and other projects by order of necessity. As many of these important projects as possible will be completed, based on a combination of limited local funds and available state funds.

The raising of the oil and gas impact grant fund to \$214 million, of which \$150 million may be used for these types of projects, is welcomed. Of course, more is needed if there could be additional money appropriated. These communities need all the help they can get in keeping up with the rapid pace of development in the region. They are doing the best they can to help house and service the ever-growing energy industry.

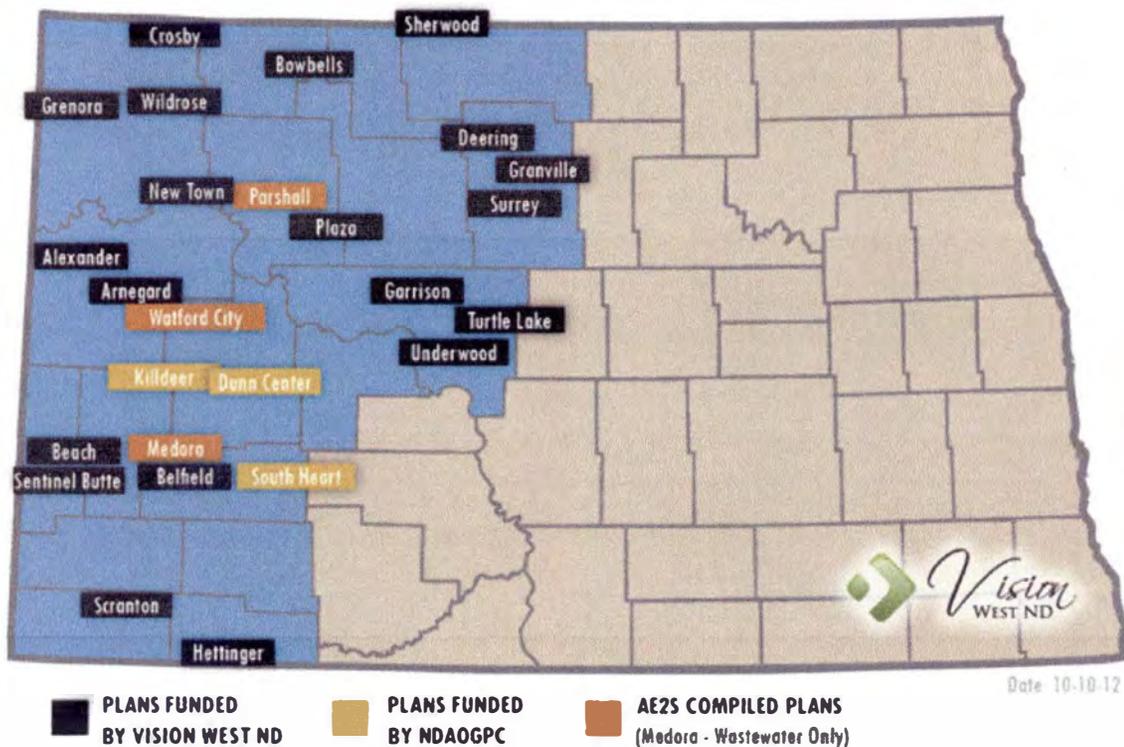
A breakdown of the identified needs for each community receiving a Vision West ND infrastructure assessment is attached. If you would like to receive more detail, we would be happy to return at later date to introduce the company that carried out the assessments. The company could share in greater detail the methods used in determining the infrastructure needs. The Vision West ND web site at www.visionwestnd.com also features the complete study.

Thank you very much for your time and your efforts in helping our western communities endure and thrive through these challenging times. If you would like further information, we would be glad to get it for you.

Dan Brosz, Chairman, Executive Committee
ND Association of Oil and Gas Producing Counties

VISION WEST ND

Municipal Infrastructure Assessments



VISION WEST ND

MUNICIPAL INFRASTRUCTURE ASSESSMENTS

25 COMMUNITIES - 2012

City	Water Treatment	Water Distribution	Wastewater Treatment	Wastewater Collection	Streets	Total
Alexander	\$ 4,920,455	\$ 6,426,545	\$ 9,783,000	\$ 3,699,000		\$ 24,829,000
Arnegard		\$ 6,813,000	\$ 5,774,000	\$ 4,426,000		\$ 17,013,000
Beach			\$ 4,391,000	\$ 2,100,000		\$ 6,491,000
Belfield		\$ 2,622,000	\$ 3,508,000	\$ 1,621,000	\$ 10,580,000	\$ 18,331,000
Bowbells		\$ 7,445,000	\$ 7,896,000	\$ 6,268,000	\$ 3,235,000	\$ 24,844,000
Crosby		\$ 1,693,000	\$ 8,240,000	\$ 1,336,000	\$ 2,816,000	\$ 14,085,000
Deering		\$ 644,000	\$ 772,000		\$ 176,000	\$ 1,592,000
Dunn Center		\$ 5,325,000	\$ 4,849,000	\$ 1,248,000		\$ 11,422,000
Garrison		\$ 2,817,000	\$ 6,706,000	\$ 4,957,000	\$ 5,143,000	\$ 19,623,000
Granville		\$ 1,046,000	\$ 129,000	\$ 1,550,000	\$ 878,000	\$ 3,603,000
Grenora		\$ 4,494,000	\$ 4,139,000	\$ 2,022,000	\$ 6,928,000	\$ 17,583,000
Hettinger		\$ 432,000	\$ 477,000	\$ 2,459,000	\$ 18,811,000	\$ 22,179,000
Killdeer		\$ 7,353,000	\$ 6,271,000	\$ 6,588,000	\$ 1,817,000	\$ 22,029,000
Medora			\$ 8,862,000			\$ 8,862,000
New Town	\$ 7,995,000		\$ 3,431,000		\$ 4,716,000	\$ 16,142,000
Parshall		\$ 80,000	\$ 3,800,000	\$ 7,124,000	\$ 16,758,000	\$ 27,762,000
Plaza		\$ 2,314,000	\$ 2,258,000	\$ 380,000	\$ 572,000	\$ 5,524,000
Scranton		0	0	0	0	\$ -
Sentinel Butte			\$ 1,105,000			\$ 1,105,000
Sherwood		\$ 1,648,000	\$ 1,004,000		\$ 3,201,000	\$ 5,853,000
South Heart		\$ 5,152,000	\$ 6,938,000	\$ 550,000		\$ 12,640,000
Surrey		\$ 3,001,000	\$ 5,669,000	\$ 752,000	\$ 4,886,000	\$ 14,308,000
Turtle Lake		\$ 1,083,000	\$ 732,000		\$ 203,000	\$ 2,018,000
Underwood		\$ 640,000	\$ 1,593,000	\$ 204,000		\$ 2,437,000
Wildrose		\$ 1,148,000	\$ 3,178,000	\$ 1,407,000		\$ 5,733,000
Totals	\$ 12,915,455	\$ 62,176,545	\$ 101,505,000	\$ 48,691,000	\$ 80,720,000	\$ 306,008,000

Tim Thorsen
SB 2013
1-10-13 #9

- Thank you Chairman Homberg and committee members for the opportunity to provide information to this budget committee. My name is Tim Thorsen, I am the current President of Airport Association of North Dakota (AAND). I am Operations Manager of Bismarck Airport since July 1996. AAND supports Governor Dalrymple's proposed \$60 Million for impacted airports in the land trust budget.
- North Dakota aviation is a vital link to all of North Dakota's major economic drivers: agriculture, energy, manufacturing, tourism, technology and healthcare. It produces nearly 2 billion dollars in annual economic benefit to the state and employs more than 19,000 people.
- The state's aviation system is severely underfunded and the state is at risk of losing a vital driver of the state's economic development, quality of life and emergency service providers.
- Here are some striking examples of impacts. At Bismarck we have had 3 consecutive enplanement records. In 2012 we had just over 196,000 passenger enplanements. This year we finished with 236,172. We have added a 4th boarding bridge, added a second screening lane and expanded our parking for a 4th time. Minot ended the year with enplanements up over 50% with over 220,000 enplanements operating in a facility 1/3 Bismarck's size. Frontier's new service in Minot will add more than 5,300 seats to Minot's market next year. Minot's seat capacity increased 53% in the last year. Williston with new Delta and United service now has 250 new seats most days in their

market and could grow from a record this year near 30,000 enplanes to potentially around 80,000 enplanes this year.

- Similar to roads which are experiencing larger vehicles and lots more of them, Airports in the oil-impacted areas are not built to handle the volume or size of larger aircraft they are experiencing now.
- General Aviation airports that have not seen significant development in 20 years are now seeing significant hangar development. Stanley just built a taxiway to facilitate the development of up to 7 hangars and all 7 hangar spots are spoken for. Watford City and has immediate needs to reconfigure for increased length, span and weight of business aircraft. Ramps are too small to taxi past aircraft on ramps. Needs of impacted GA airports are not speculative but immediate.
- I want to point out we have Minot, Williston, Dickinson, Grand Forks and Bismarck here supporting the Governor's proposal and available if you have questions.
- We have provided a handout for your later reference. I thank you for the opportunity to speak in support of the \$60 Million for impacted airports.



INVESTING IN NORTH DAKOTA'S AVIATION FUTURE

10
Tim Thorsen
SB 2013
1-10-13

North Dakota's aviation system derives nearly \$2 billion dollars in annual economic benefit and employs more than 19,000 people. The state's aviation system is severely underfunded and North Dakota is at risk of losing a vital driver of economic development, quality of life and emergency service providers.

Both commercial and general aviation airports are experiencing the same detrimental impacts as the state's road system. Increased traffic, larger, heavier planes, limited resources, and unmet financial needs threaten the stability of the state's aviation system.

Need Support the \$60 million in oil impact funds for western North Dakota oil impacted airports as proposed in the Governor's budget.

Need Add an additional \$9.45 million to the State Aeronautics Commission's General Fund.

Fact Aviation is a vital link to all of North Dakota's major economic drivers: agriculture, energy, manufacturing, tourism, technology and healthcare.

Fact Aviation funding from the General Fund has not increased since 1987. The North Dakota Aeronautics Commission supports 8 commercial service and 81 general aviation airports with only \$550,000 biannually.

Fact The North Dakota Aeronautics Commission provides grant funding through their Special Fund balance which is funded with aviation user fees (aviation fuel tax/excise sales tax, etc.).

Fact The North Dakota Aeronautics Commission is projected to have only \$8 million from both the Special and General Funds next biennium to allocate for airport grants and federal matching funds statewide.

Fact Airport traffic has increased 30% in the past two years and more than doubled over the past decade.

Fact The federal government typically funds airport projects at a 90% level pending availability of funds. Historical federal funding levels for the state are not sufficient to cover even half of the needed development for western North Dakota. Additional airport funding from the state can be used to leverage dollars from the FAA to complete the additional projects needed.

Fact Airports in eastern and central North Dakota need continued financial support due to increased growth.

Fact The Statewide Airport Capital Improvement Plan for North Dakota Airports identifies \$380 million in project needs within the next three years, specifically \$253,687,506 for western North Dakota airports.

Fact A significant funding shortfall exists, but the North Dakota Aeronautics Commission will prioritize needs assuring the most critical projects are funded. The remaining needs will be monitored and reassessed as necessary to assure critical needs are addressed. At the end of this biennium, needs will be reevaluated and present to the next legislative session.

Airport Benefits to Constituents

1. Provide necessary infrastructure to allow access for businesses, air ambulances, medical support, aerial applicators (crop sprayers), overnight cargo/freight and airlines.
2. Economic impact of the aviation industry accounts for approximately 5% of the state's Gross Domestic Product and generated more than \$31 million in annual tax revenue to the state in 2010.
3. Improves marketability of communities to outside investors.

2013 North Dakota Legislative Call to Action:

- Support the portion of the Governor's budget which implements the \$60 million in oil impact funds for western North Dakota's oil impacted airports.
- Support a bill which would add an additional \$9.45 million to the State Aeronautics Commission's General Fund.





INVESTING IN NORTH DAKOTA'S AVIATION FUTURE

Increased truck traffic deteriorates the state's road system and hinders economic development, quality of life and emergency services. Larger aircraft and higher volumes of traffic produce the same effect for aviation.

North Dakota's aviation system is funded with federal, local and state funding. Preliminary 2013-2015 financial needs according to the North Dakota Aeronautics Commission detail the unmet needs at airports to total \$146.4 million across the state.

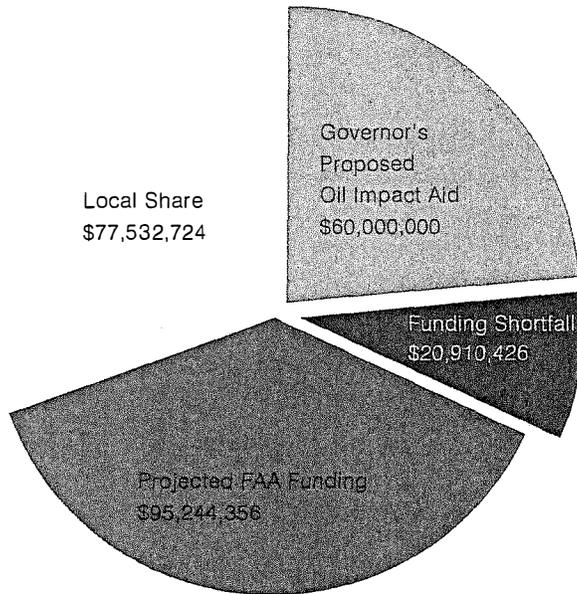
Consequence of not increasing impact funding: Airports in the oil-impacted areas were built to handle light aircraft and commuter airlines. If the airports are not upgraded to meet FAA safety standards, daily operations may be impacted and may limit airline access to western North Dakota communities.

Need: Support the \$60 million in oil impact funds for western North Dakota oil impacted airports as proposed in the Governor's budget

Need: Add an additional \$9.45 million to the State Aeronautics Commission's General Fund.

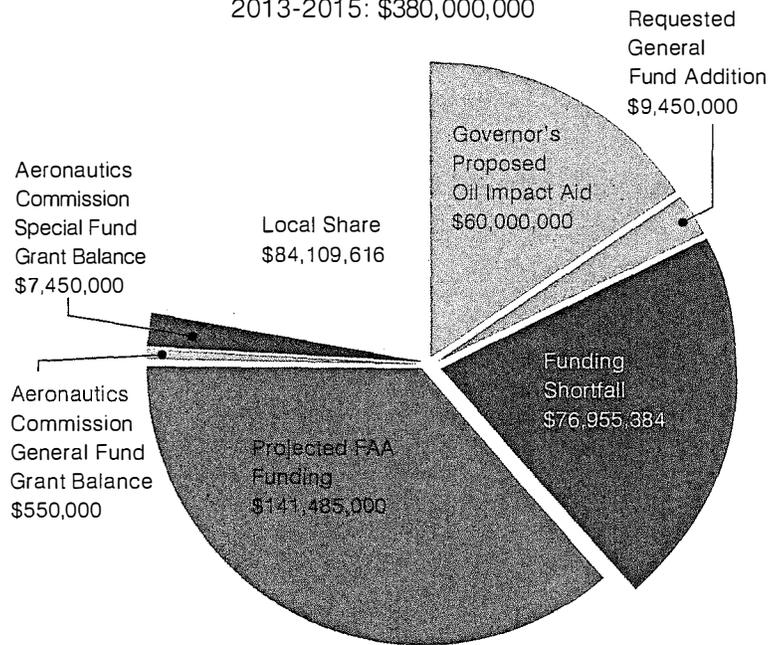
Western ND Airports Funding

Capital Improvement Plan Total Funding Needs
2013-2015: \$253,687,506

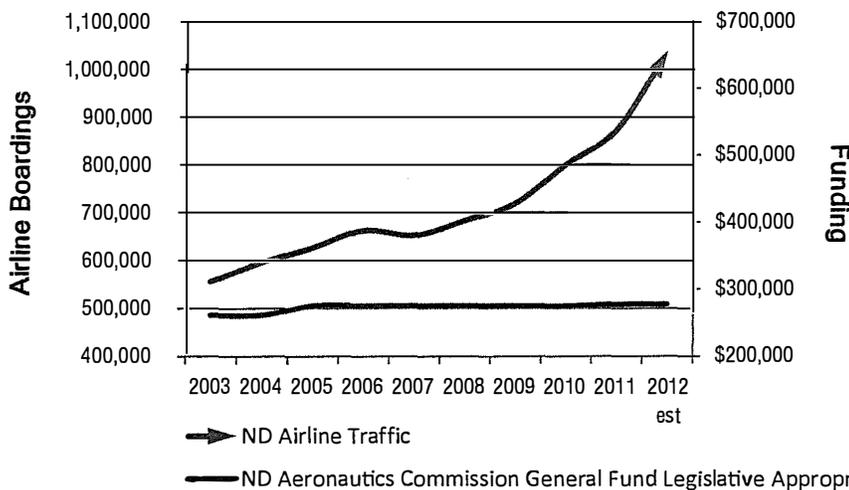


ND Airports Funding

Capital Improvement Plan Total Funding Needs
2013-2015: \$380,000,000



General Fund Appropriations Have Not Increased with Increased Passenger Boarding



For more information contact:

Tim Thorsen

President

Airport Association of North Dakota

1611 Pocatello Drive

Bismarck, ND 58504

Ph: 701 355 1808

Fx: 701 221 6886

Kayla Pulvermacher
SB 2013
1-10-13 #11



**TESTIMONY OF KAYLA PULVERMACHER,
NORTH DAKOTA EDUCATION ASSOCIATION**

SB 2013

January 10, 2013

Good morning, Chairman Holmberg and members of the Senate Appropriations Committee. My name is Kayla Pulvermacher, and I'm here representing the North Dakota Education Association. We stand in support of Senate Bill 2013.

As Commissioner Gaebe indicated in his testimony, the Department of Trust Land's chief mission is to manage the state's Trust Lands. These lands were granted to each state within their statehood act, and act like a private trust with the state's schools being the primary beneficiary.

Half the states in the country have lost their Trust Lands due to economic hardship. Today, North Dakota's trust lands bring in a significant amount of revenue that is distributed to local school districts through the Common Schools Trust Fund. Furthermore, the ever-increasing Trust Fund looks to fund North Dakota public schools for many years to come.

NDEA would like to thank Commissioner Gaebe and the Board of University and School Lands for their dedication to the mission of the trust lands, and the thoughtful decisions they make in order to keep this vital asset for North Dakota public schools beneficial for many years to come.

Denise Brew
Daryl Dukart
SB 2013
1-10-13

#12

January 8th, 2013

Dear Senate Appropriation Committee members,

SB2013:

Written testimony:

I Daryl Dukart Commissioner of Dunn County will not be present for the hearing of SB2013 which is scheduled to be held on January 9th dealing with energy impacts and the \$214 million dollars our Governor has placed in the budget. In short I believe these types of funds from the past have been put to work and are still at work in our communities. We in Dunn County continue to struggle with issues related to energy development in the western side of our County, as growth continues, we are starting to see these impacts which are now carried to other parts of the county also. Large amounts of traffic and people moving into our small rural towns keep adding to cost issues we continue to face with Infrastructure needs as well as emergency services needs for all areas. This message is very long "yet" full of information so for your convince I have underlined what I believe are the high points.

Facts:

The Killdeer Area Ambulance squad currently has 20 members. There are five paramedics, 2 EMT-Intermediates, 6 EMT- Basics, 5 First Responders, and 3 members who are CPR certified.

Only two members of the squad are full time employees. There are eleven members of this squad that are active as far as taking call and responding to pages.

The Killdeer Area Ambulance at the present time has the responsibility of covering 467,067.71 acres of land in Dunn County. This works out to 730 square miles inside the borders of Dunn County.

KAA also responds to McKenzie and Billings Counties.

65 square miles in McKenzie County. 33 square miles in Billings County.

The following are the actual statistics of the Killdeer Area Ambulance responses in the past few years:

2010 - 174 total calls – 64 Trauma Calls, 19 falls, 6 assaults, 26 Motor vehicle Collisions, 11 misc. and 2 Gunshot wounds, of these calls 154 were considered advanced life support, meaning we had a paramedic or EMT-Intermediate on board.

2011 – As of completing this report the Killdeer Ambulance squad was at 200 total calls for the year, Following is a breakdown:

2012: Killdeer Ambulance has responded to 288 calls. This is 88 more than last year.

HALLIDAY AMBULANCE

Squad Members: 24

EMT Basics: 8

Advanced First Aid: Six

First Responders: Nine

Certified Driver: One

Halliday Ambulance Squad: This squad covers 262,419 acres of land, or 410 square miles within Dunn County and 109.6 square miles within Mercer County.

This squad is all volunteer members.

The run history for them is as follows;

2011: 36 at the present time: 2010: 40 Runs

Denise Brew our EMS manager spoke with a gentleman by the name of Bob Oshefske with the DOT to assist us with acquiring some numbers for the traffic in Dunn County. We used Killdeer for the numbers search. In July of 2009; 3,325 vehicles passed through the town of Killdeer. In July of 2006 the number was 2,050. In October of 2011 the total passing through Killdeer was 6700.

As of today January 9, 2013 there are 35 oil rigs actively drilling within Dunn County. The ND Oil and Gas Division told me they generally estimate from 80-120 personnel on each rig, so if we figured 120 persons per rig that is approximately 4440 personnel in Dunn County working on these 35 rigs alone. We know that all 4200 personnel are not living in Dunn County but if something happens in our ambulance jurisdiction it is our responsibility to answer the call and respond to assist them.

We as an ambulance squad are responding to changes in our calls. There are increasing numbers in 911 calls being placed in vehicles for assistance, most of these are personnel who work in Dunn County but are not residents.

Another issue we are seeing is an increase in the calls we respond to only to determine it is not a necessary transport. It may not require transport, yet our squad has responded and done medical assessment. Many of the 911 calls being placed on cell phones are from out of state cell phone. This means the 911 fee does not remain in our state; these are monies that are funneling out of state.

A travel concern right now is when we are responding to a rural address; the speed at which we wish to be traveling is impeded by the conditions of our roads. The current speed limit on most roads in Dunn County is 45/MPH. There are a few posted at 35/MPH. Even on some of the roads posted at 45/MPH our ambulance cannot travel at that speed. It is risking our rig and our staff. The weather conditions also make a difference; we are educated to always be conscious of the situation.

The biggest challenge both squads face at the present time is people. Both squads are made up primarily of volunteers, and they in turn each have jobs. It is honorable that most of the employers are supportive and allow them to leave work and respond to the ambulance pages, yet how much longer will this be

tolerated? There is also a shortage of people on the squads. It takes a lot of dedication from these people to cover the calendar 24-7.

The other concern is keeping up with all of the equipment that is required as the changes in the types of calls continue to evolve. New equipment is very expensive and there is always another tool being discovered that can benefit our response.

Another challenge is communication, as of January 1, 2013 a requirement by the Federal Government and FCC will require all first responders to upgrade to a Narrow banding communication system. This is being accomplished but has been a challenge.

Working with emergency management has enabled the purchase of equipment, and obtaining funding for programming.

As I submit this report to you, we have surpassed the January 1, 2013 date, and all communication equipment for the first responders in the county was acquired and updated. As we move forward into the New Year, we are soon going to be transitioning to a new dispatch system. Dunn County will be switching to State Radio dispatch by the 15th of January. We have also taken on the added responsibility of 911 coordinator within Dunn County. One of the biggest challenges that emergency response is facing is the ever increasing number of calls that our entities need to respond to and complete, and we have some dwindling numbers in our volunteers. The ambulance squad still remains a volunteer squad, but covering the needs is a challenge. Burn out and frustration is a major concern I have as the Emergency Manager. Our needs are increasing and yet the people are not. A volunteer first responder is not something you can go to Wal-Mart and pick up. This is a person who must be willing to sacrifice time, and risk a lot to ensure safety of the people who dial 911

WE ARE A TEAM, one that you don't find just anywhere. I can safely say there I feel we can respond and take care of every challenge. We trust that those in charge know our needs, and I cannot state enough that Emergency Response is the most important problem in the oil impacted counties. Our response saves lives, and protects the others.

We could not cover what the fire and rescue squads have done in this e-mail.

Respectfully,

Denise Brew

Dunn County Emergency Manager/911 Coordinator and EMT with Killdeer Area Ambulance.

Daryl Dukart

Dunn County Commissioner

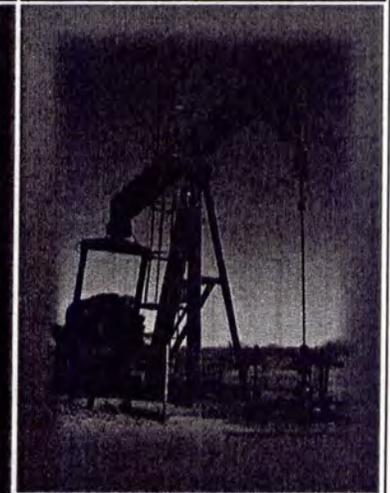
North Dakota State University
Upper Great Plains Transportation Institute

A case for why public investment is critically needed NOW for airports in North Dakota

Riaz A. Aziz



2013

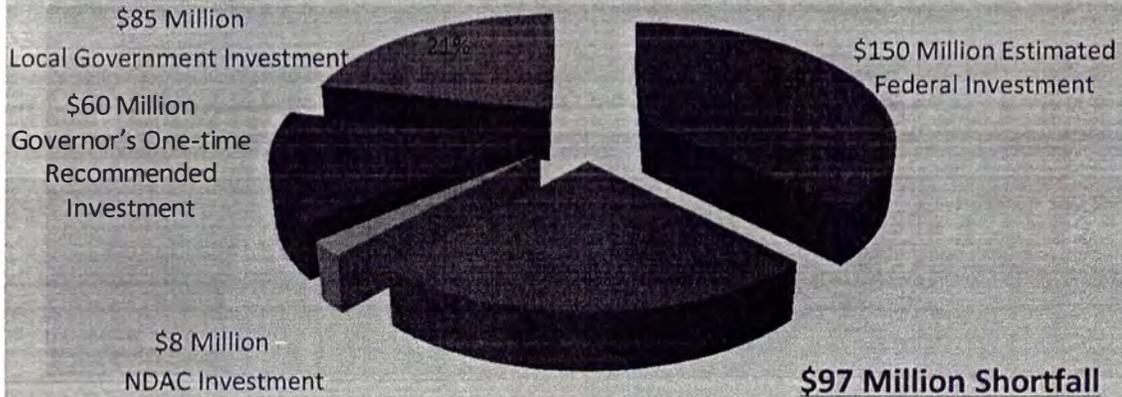


NORTH DAKOTA STATE UNIVERSITY

THE FUTURE OF AVIATION IN NORTH DAKOTA

"A CASE FOR WHY PUBLIC INVESTMENT IS CRITICALLY NEEDED NOW"
\$2,000,000,000 IN ANNUAL ECONOMIC IMPACT

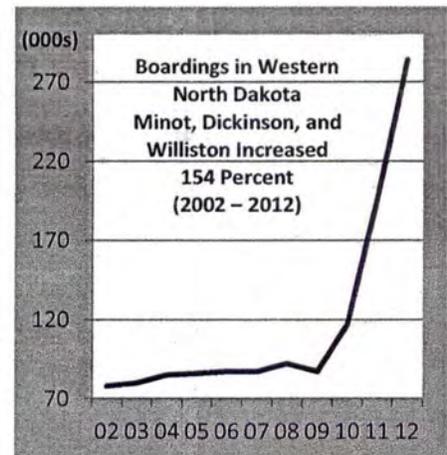
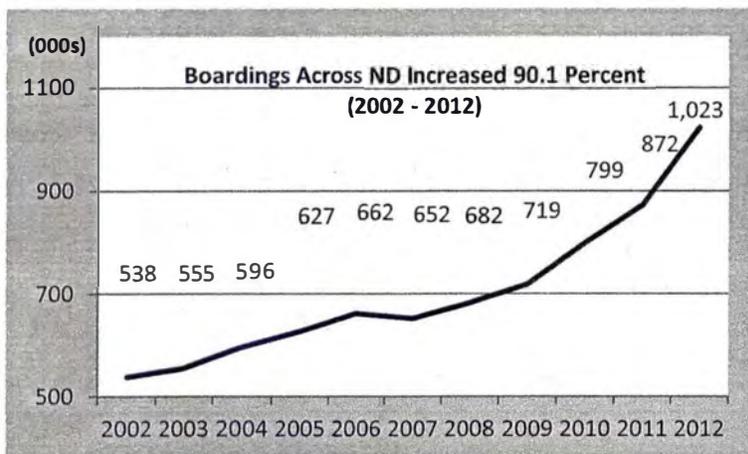
\$400 Million Capital Investment Needed Now - 2013 to 2015



FEDERAL GOVERNMENT'S INVESTMENT IN AVIATION INFRASTRUCTURE

The Federal Aviation Administration provides essential funding for the State's aviation infrastructure. In 2012, the federal government provided a record level of airport infrastructure grants for North Dakota in the amount of \$51.1 million. This was an increase of \$22.6 million or 79 percent over the average of the previous 5 year (2007-2011).

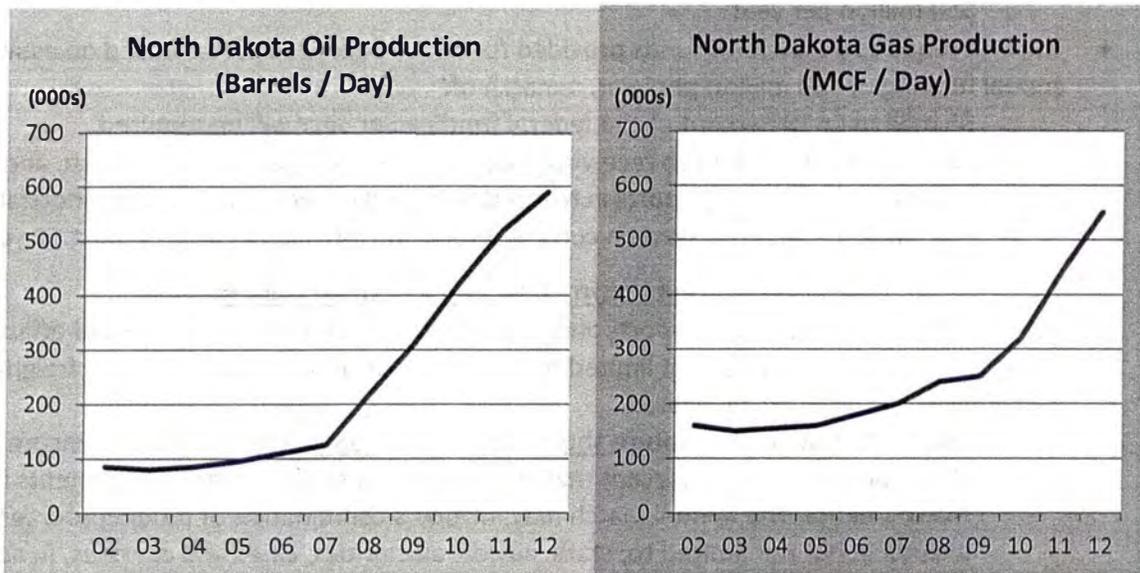
BOARDINGS AT NORTH DAKOTA'S AIRPORTS HAVE EXPLODED, NEARLY DOUBLING WITHIN A DECADE





NORTH DAKOTA IS SET TO LEAD THE NATION IN OIL AND GAS PRODUCTION / EXTRACTION

It is estimated the nearly 600,000 barrels of oil and 600,000 MCF of Natural Gas will be extracted per day by 2020 (ND Department of Mineral Resources 2011).



- The aviation industry is an essential player in the State's economic vitality. Just as state highways and roads connect oil and gas production facilities, airports transport travelers and equipment in the oil and gas industry between North Dakota and the rest of the world.
- North Dakota Legislature recognized the impact of oil and gas production on surface transportation and committed monies from the Permanent Oil Tax Trust Fund (POTTF):
 - \$369 million for highways and roads
- North Dakota Legislature has funded the North Dakota Aeronautics Commission (NDAC) at the 1987 level to support the state's 89 public airports with annual funding of:
 - \$550,000
- Governor Dalrymple took the proactive step of recommending the legislature appropriate a one-time investment for airports in the western region of the state:
 - \$60 million
- While the Governor's recommendation will have a significant and positive impact towards meeting the capital needs of airports in the western region, the State's airports will still fall short by:
 - \$97 million over the next three years



WHILE OIL AND GAS PRODUCTION BRINGS ECONOMIC BENEFIT TO NORTH DAKOTA, THERE ARE COSTS AS WELL

- Based on historical trends, North Dakota is likely to receive federal funds for airports, provided the U.S. Congress approves funding for the Federal Aviation Administration (FAA). North Dakota could receive:
 - \$50 million per year
- The FAA requires a match for funds provided for North Dakota airports. Based on estimated annual funding of \$50 million per year, a match of:
 - \$5 million or 10 percent of the federal funding per year will be required
- It is estimated that in addition to receiving federal funds, local government match, and special grant / general fund, airports in North Dakota will experience a funding shortfall of:
 - \$50 million a year to maintain current airport infrastructure over the next 10 years

BEST RETURN ON INVESTMENT - CONCLUSIONS AND RECOMMENDATIONS

- To ensure that North Dakota airports and related infrastructure provide safe and effective transportation, including but not limited to passenger air service, air charter, air freight, air ambulance, and agriculture services.
 - The North Dakota Legislature should appropriate \$5 million annually to ensure the state can meet the 10 percent match necessary to secure federal investments in North Dakota. The annual match may include a combination of funding sources, including, but not limited to; state, airport authorities, cities and counties. In addition, the annual appropriations would facilitate leveraging increased federal funding for airport projects that are a high priority to the State and help fund projects that the federal government may not fund.
- To ensure that public investment in air transportation infrastructure, including, but not limited to runways, taxiways, terminals, parking, and security are maintained at current and future safety standards and provide an adequate return on investment to the tax payers of the State:
 - The North Dakota Legislature should appropriate \$50 million per year for the next 9 years (excluding 2013 in lieu of the Governor's one-time recommended investment) from the Permanent Oil Tax Trust Fund (POTTF) to secure the future of the State's airports and related infrastructures.
 - Monies from the POTTF should be distributed to airports by the North Dakota Aeronautics Commission (NDAC) based on current standards that require the NDAC to quantify and qualify each distribution and to report to the Governor and Legislature a summary detailing distribution and projects funded.

For additional information, please contact

Riaz A. Aziz

North Dakota State University • Upper Great Plains Transportation Institute • Air Service Planning Center
Dept. 2880, Box 6050 • Fargo, ND 58108-6050 • Email: riaz.aziz@ndsu.edu • Phone: 701-231-5607



TAX RELIEF PROGRAMS - 2009-11 THROUGH 2013-15 BIENNIUMS

1-10-13 #14
SB 2013

The schedule below provides information on tax relief programs provided by the Legislative Assembly for the 2009-11 biennium through the 2013-15 biennium.

	Actual	Estimated Fiscal Impact		
	2009-11 Biennium	2011-13 Biennium	2013-15 Biennium	Total
Mill levy reduction grants	\$299,233,000 ¹	\$341,790,000 ²		\$641,023,000
Integrated school aid formula - Property tax relief component			\$714,173,838 ³	714,173,838
Homestead property tax credit program	10,774,000 ⁴	8,792,788 ⁴	30,685,000 ⁴	50,251,788
Disabled veterans credit		5,225,775 ⁵	7,178,000 ⁵	12,403,775
Individual income tax relief	90,000,000 ⁶	120,000,000 ⁶	100,000,000	310,000,000
Corporate income tax relief	10,000,000 ⁷	25,000,000 ⁷	25,000,000	60,000,000
Total	\$410,007,000	\$500,808,563	\$877,036,838	\$1,787,852,401

¹Appropriation from the general fund and the property tax relief sustainability fund.

²Appropriation from the general fund.

³Appropriation from the property tax relief sustainability fund.

⁴Appropriation from the general fund. The amount shown for the 2013-15 biennium includes \$20 million provided in the 2013-15 executive recommendation to expand the current homestead tax credit program.

⁵Appropriation from the general fund. The amount shown for the 2011-13 biennium includes \$4.2 million appropriated by the Legislative Assembly in 2011 and \$981,855 included as supplemental funding in the 2013-15 executive recommendation.

⁶The Legislative Assembly in 2009 reduced rates in all individual income tax brackets from a range of 2.1 to 5.54 percent to a range of 1.84 to 4.86 percent of taxable income. The individual rate reductions provided a uniform reduction of approximately 13.4 percent in all brackets. The individual income tax rate reductions were anticipated to provide individual income tax relief of \$90 million for the 2009-11 biennium. The Legislative Assembly in 2011 further reduced individual income tax rates by 17.9 percent which is anticipated to reduce state general fund revenues by an additional \$120 million for the 2011-13 biennium. The 2013-15 executive recommendation provides \$100 million for individual income tax relief by reducing all tax brackets by 25 basis points, or .25 percent, from a range of 1.51 to 3.99 percent to a range of 1.26 to 3.74 percent.

⁷The Legislative Assembly in 2009 reduced the number of corporate income tax brackets from five to three and reduced the rates from a range of 2.6 to 6.5 percent to a range of 2.1 to 6.4 percent of taxable income. The corporate income tax reductions were anticipated to provide corporate income tax relief of \$10 million for the 2009-11 biennium. The Legislative Assembly in 2011 further reduced corporate income tax rates by 19.5 percent which is anticipated to reduce state general fund revenue by an additional \$25 million for the 2011-13 biennium. The 2013-15 executive recommendation provides \$25 million for income tax relief for the 2013-15 biennium.

NOTE: The Legislative Assembly in 2011 provided for the allocation of up to \$341,790,000 of oil tax revenues for deposit in the property tax relief sustainability fund during the 2011-13 biennium to make funding available for property tax relief during the 2013-15 biennium to be determined by the Legislative Assembly in 2013. The 2013-15 executive recommendation provides \$714.2 million for the property tax relief component of the new integrated school aid formula for the 2013-15 biennium.

PROPOSED AMENDMENTS TO SENATE BILL NO. 2013

Page 1, replace line 19 with:

"Energy infrastructure and impact office	0	229,000,000	229,000,000"
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Page 1, replace line 21 with:

"Total special funds	\$105,455,189	\$131,049,097	\$236,504,286"
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Page 2, after line 8, insert:

"Energy impact grants - dust control	15,000,000"
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Page 2, replace lines 11 and 12 with:

"Total all funds	\$65,010,000	\$79,065,550
Less estimated income	<u>35,010,000</u>	<u>79,065,550"</u>

Page 4, after line 2, insert:

"SECTION 9. OIL AND GAS IMPACT GRANT DISTRIBUTION FOR DUST CONTROL - 2013-15 BIENNIUM. The energy infrastructure and impact office line item in section 1 of this Act includes \$15,000,000 for grants to counties in oil-impacted areas for dust control. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for distribution of grants under this section. Grants distributed pursuant to this section are not to be considered in making grant recommendations under section 57-62-05."

Page 4, line 16, replace "fourteen" with "twenty-nine"

Page 5, line 18, replace "10" with "11"

Page 5, line 20, replace "9" with "10"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$5,312,873		\$5,312,873
Operating expenses	1,925,863		1,925,863
Capital assets	65,550		65,550
Energy infrastructure and impact office	214,000,000	15,000,000	229,000,000
Contingencies	<u>200,000</u>		<u>200,000</u>
Total all funds	\$221,504,286	\$15,000,000	\$236,504,286
Less estimated income	<u>221,504,286</u>	15,000,000	<u>236,504,286</u>
General fund	\$0	\$0	\$0
FTE	31.00	0.00	31.00

Department No. 226 - Department of Trust Lands - Detail of Senate Changes

	Increases funding for energy impact grants ¹	Total Senate Changes
Salaries and wages		
Operating expenses		
Capital assets		
Energy infrastructure and impact office	15,000,000	15,000,000
Contingencies		
Total all funds	\$15,000,000	\$15,000,000
Less estimated income	15,000,000	15,000,000
General fund	\$0	\$0
FTE	0.00	0.00

¹ This amendment adds \$15 million to the energy infrastructure and impact office line item for grants for dust control.

This amendment:

- Increases the allocation of oil and gas gross production tax revenues to the oil and gas impact grant fund by \$15 million.
- Creates a section to provide for oil and gas impact grant funding for grants to counties in oil-impacted areas to control dust.
- Adds \$15 million for dust control grants to the one-time funding section of the bill.

Subcommittee 2013 2-20-13

PROPOSED AMENDMENTS TO SENATE BILL NO. 2013

Page 3, line 21, replace "may" with "shall"

Page 3, line 22, replace "may" with "shall"

Page 3, line 23, after "requirements" insert a period

Page 3, line 23, replace "based on" with "Cost share requirements shall consider"

Page 3, line 23, remove "federal and"

Page 3, line 23, after "project." insert "Grant funds shall only be distributed for projects which have been awarded federal funding."

Renumber accordingly

PROPOSED AMENDMENTS TO SENATE BILL NO. 2013

Page 1, line 5, remove "and"

Page 1, line 5, after "date" insert "; and to declare an emergency"

Page 1, replace line 15 with:

"Salaries and wages	\$4,145,824	\$1,173,727	\$5,319,551"
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Page 1, replace line 19 with:

"Energy infrastructure and impact office	0	224,000,000	224,000,000"
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Page 1, replace line 21 with:

"Total special funds	\$105,455,189	\$126,055,775	\$231,510,964"
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Page 2, after line 8, insert:

"Energy impact grants - dust control		0	10,000,000"
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Page 2, replace lines 11 and 12 with:

"Total all funds		\$65,010,000	\$74,065,550
Less estimated income		<u>35,010,000</u>	<u>74,065,550</u> "

Page 3, line 21, replace "may develop" with "shall adopt"

Page 3, line 22, replace "may" with "must"

Page 3, line 23, replace "based on" with ". Cost-share requirements must consider"

Page 3, line 23, remove "federal and"

Page 3, line 23, after the period insert "Grant funds must be distributed giving priority to projects that have been awarded or are eligible to receive federal funding."

Page 4, after line 2, insert:

"SECTION 9. PILOT PROJECT - DUST CONTROL. The energy infrastructure and impact office line item in section 1 of this Act includes \$3,000,000 for grants of \$1,000,000 each to three counties in oil-impacted areas for a pilot project for dust control for the period beginning with the effective date of this Act and ending June 30, 2015. The county commission from each county shall file a report with the department of trust lands by August 1, 2013, regarding any product used to control dust and the success or failure of the product in controlling dust. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for distribution of grants under this section. Grants distributed pursuant to this section are not to be considered in making grant recommendations under section 57-62-05.

SECTION 10. OIL AND GAS IMPACT GRANT DISTRIBUTION FOR DUST CONTROL - CONTINGENCY. The energy infrastructure and impact office line item in

section 1 of this Act includes \$7,000,000 for grants to counties in oil-impacted areas for dust control for the period beginning with the effective date of this Act and ending June 30, 2015. If the pilot project for dust control included in section 9 of this Act identifies products that are successful in controlling dust, the energy infrastructure and impact office may provide grants to other counties in oil-impacted areas for dust control. The director of the energy infrastructure and impact office may develop grant procedures and requirements necessary for distribution of grants under this section. Grants distributed pursuant to this section are not to be considered in making grant recommendations under section 57-62-05."

Page 4, line 16, replace "fourteen" with "twenty-four"

Page 5, line 18, replace "10" with "12"

Page 5, line 20, replace "9" with "11"

Page 5, after line 21, insert:

"SECTION 16. EMERGENCY. The sum of \$10,000,000 included in the energy infrastructure and impact office line item in section 1 of this Act and sections 9 and 10 of this Act are declared to be an emergency measure."

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$5,312,873	\$6,678	\$5,319,551
Operating expenses	1,925,863		1,925,863
Capital assets	65,550		65,550
Energy infrastructure and impact office	214,000,000	10,000,000	224,000,000
Contingencies	200,000		200,000
Total all funds	\$221,504,286	\$10,006,678	\$231,510,964
Less estimated income	221,504,286	10,006,678	231,510,964
General fund	\$0	\$0	\$0
FTE	31.00	0.00	31.00

Department No. 226 - Department of Trust Lands - Detail of Senate Changes

	Corrects Executive Compensation Package ¹	Increases Funding for Energy Impact Grants ¹	Total Senate Changes
Salaries and wages	\$6,678		\$6,678
Operating expenses			
Capital assets			
Energy infrastructure and impact office		10,000,000	10,000,000
Contingencies			
Total all funds	\$6,678	\$10,000,000	\$10,006,678
Less estimated income	6,678	10,000,000	10,006,678
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹Funding is added due to a calculation error in the executive compensation package.

²Funding is added to the Energy Infrastructure and Impact Office line item for a pilot project in Bowman, Dunn, and Mountrail Counties and for additional grants for dust control.

This amendment also:

- Adds a section as an emergency to provide for a pilot project for dust control in Bowman, Dunn, and Mountrail Counties.
- Adds a section for a grant program for dust control if the pilot project identifies products that are successful in controlling dust.
- Amends Section 7 of the bill relating to oil impact grants to airports.
- Increases the allocation of oil and gas tax revenue to the oil and gas impact grant fund to \$224 million. The executive budget recommendation increased the allocation from \$100 million to \$214 million.

SB2013
March 19, 2013
Attachment 1

**TESTIMONY OF LANCE GAEBE
COMMISSIONER
North Dakota Department of Trust Lands**

IN SUPPORT OF SENATE BILL 2013

**HOUSE APPROPRIATIONS COMMITTEE
Government Operations subcommittee
March 19, 2013**

Chairman Thoreson, and members of the House Appropriations Sub-Committee, I am Lance Gaebe, Secretary for the Board of University and School Lands (Land Board), and Commissioner for the Department of Trust Lands.

I am here to testify in support of the Department of Trust Lands' requested total special funds appropriation found in SB 2013. 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.

The primary responsibility of the Land Board and the Department is to manage the Common Schools Trust Fund and 12 other permanent educational trust funds that are governed by Article IX of the North Dakota Constitution. These trust funds were established at statehood when the Federal Government granted 3.2 million acres of land to the state "for the support of common schools" and other public institutions. The State Constitution and statutes provide that the Land Board shall manage the land, minerals and proceeds of these trust funds for exclusive benefit of beneficiaries.

Other prominent roles within the Department are:

- Management of four additional funds
 - The Strategic Investment and Improvements Fund
 - The Coal Development Trust Fund
 - The Capitol Building Trust Fund
 - The Indian Cultural Education Trust
- Administration of the Unclaimed Property Division, which serves as the repository for financial accounts, cash assets, and securities that have been forgotten or abandoned by the rightful owner
- Administration of the Energy Infrastructure and Impact Office, which manages
 - Coal impact loans
 - The oil and gas impact grant fund allocation and distribution
 - A one-time flood impacted infrastructure grant program

The Department has 24.75 authorized FTEs for these responsibilities.

MISSION OF THE DEPARTMENT OF TRUST LANDS

Support for Education

The chief mission of the Department of Trust Lands is managing permanent trust assets to fund education and other governmental functions. The Department of Trust Lands manages 708,000 surface acres, which are leased to ranchers and farmers across the state. It oversees 2.5 million mineral acres, which are offered for oil, gas, coal, gravel and subsurface mineral leasing. Revenues from all sources are deposited in trust funds and are invested in a diversified portfolio of financial assets.

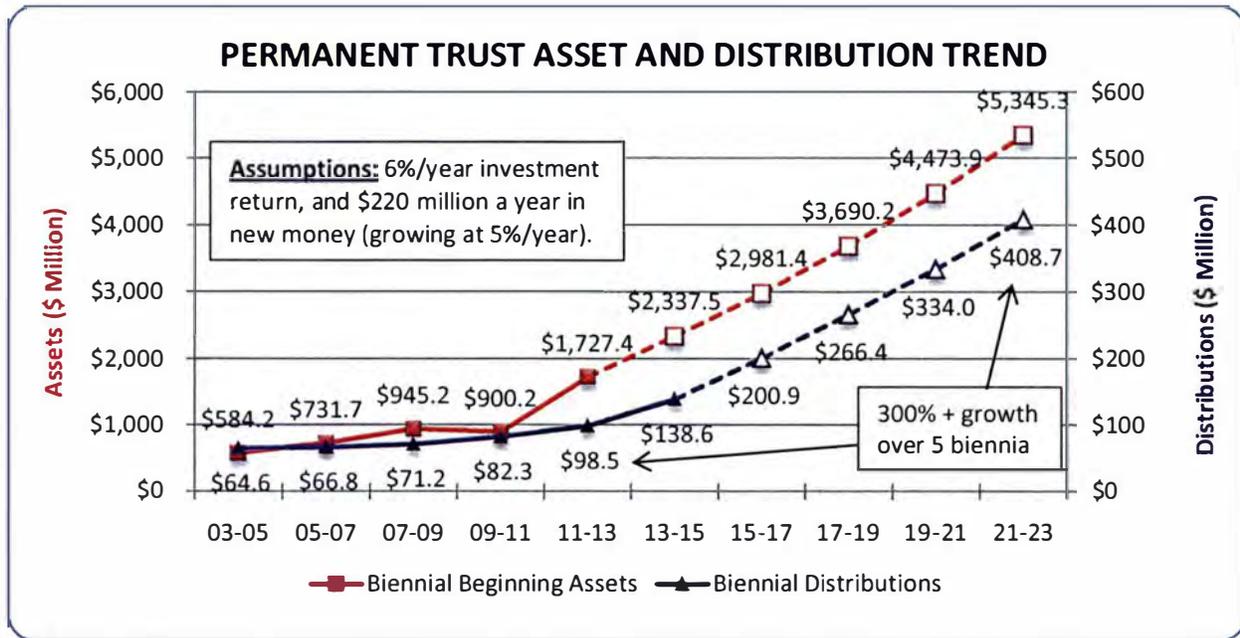
According to Article IX of the North Dakota Constitution, biennial distributions from the permanent trust funds must be ten percent of the five-year average value of trust assets, excluding the value of lands and minerals. Equal amounts must be distributed during each year of the biennium. Distributions from the other funds managed by the Land Board are made in accordance with legislative appropriations.

The following is a list of distributions that will occur from the various permanent trust funds in the 2013-2015 biennium. Distributions from the trust funds to beneficiaries will be up 41% over distributions in the current biennium. The Common Schools Trust Fund distribution to the state's public schools will be \$130.3 million; which is \$37.8 million more than the 2011-2013 biennium. The biennial distributions from the 12 other permanent trusts (shown below) will increase in a similar ratio:

Trust Fund	2011-2013 Distributions	To be Appropriated 2013-2015 Bi. Distributions	Increase in Distributions	Percentage Increase in Distributions
Common Schools	\$ 92,514,000	\$ 130,326,000	\$ 37,812,000	40.9%
NDSU	1,424,000	2,066,000	642,000	45.1%
School for the Blind	216,000	282,000	66,000	30.6%
School for the Deaf	454,000	720,000	266,000	58.6%
State Hospital	572,000	754,000	182,000	31.8%
Ellendale*	220,000	345,996	125,996	57.3%
Valley City	286,000	372,000	86,000	30.1%
Mayville	184,000	236,000	52,000	28.3%
Industrial School	528,000	810,000	282,000	53.4%
School of Science	492,000	682,000	190,000	38.6%
School of Mines	560,000	794,000	234,000	41.8%
Veteran's Home	248,000	276,000	28,000	11.3%
UND	750,000	1,020,000	270,000	36.0%
TOTAL	\$ 98,448,000	\$ 138,683,996	40,235,996	40.9%

* The Ellendale State College Trust is split equally between seven beneficiaries: Dickinson State University, Minot State University, Dakota College at Bottineau, Veteran's Home, School for the Blind, State Hospital, and State College of Science.

The escalating balances of the permanent trust funds will lead to even more money being distributed to beneficiaries in future years, particularly to the local school districts through the common schools' allocation.



In addition to the constitutional trust funds, the Land Board also manages the

- Indian Cultural Education Trust
- Coal Development Trust Fund
- Capitol Building Fund
- The Strategic Investment and Improvements Fund (SIIF).

In accordance with HB 1451(2011 Legislative session) once the unobligated balance of the SIIF exceeds \$300 million, 25% of all oil taxes received for deposit in the fund and 25% of the revenues generated by the sovereign minerals held in the fund will be deposited instead into the Legacy Fund. The SIIF's unobligated balance exceeded \$300 million in January, even after a \$305 million transfer to the General Fund was completed.

It is expected that the SIIF will end the 2011-13 biennium with a balance of \$709.2 million (not considering bills currently under legislative consideration). The executive budget projects a balance of \$1.35 billion for the SIIF at the end of the 2013-15 biennium.

Total Funds

Total financial assets managed by the Land Board increased 145% in three years, growing from \$996 million in June 2009 to \$2.44 billion at the end of FY12.

2011-13 Appropriation and Spending

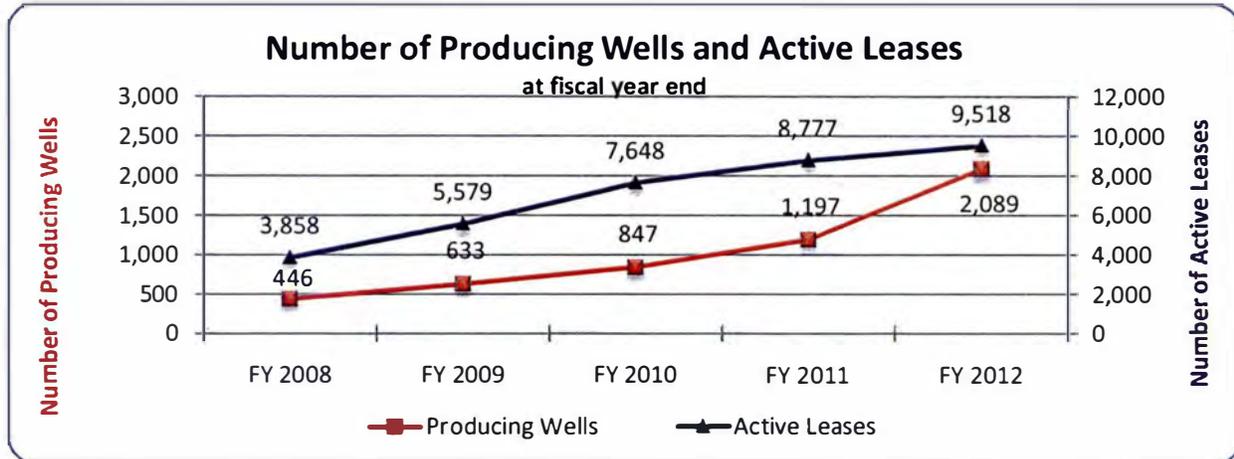
Overall operating expenditures have increased predominantly because of the growth in energy activity, which has increased expenditures for travel, professional and legal services, and office operation costs.

The 2011 budget anticipated this growth and subsequent expansion in Department activities and the Legislature authorized additional operating and salary appropriation authority.

The growth in energy activity, has affected all divisions within the Department: Mineral Management, Surface Management, Financial Services and Investments, Administrative and IT Functions, Unclaimed Property and the Energy Impact Office. The expansion has been rapid in terms of both the growth in trust assets and growth in the Department's workload, and this will continue.

The Department manages 704,750 sovereign mineral acres and 1.7 million acres of minerals for the permanent trusts.

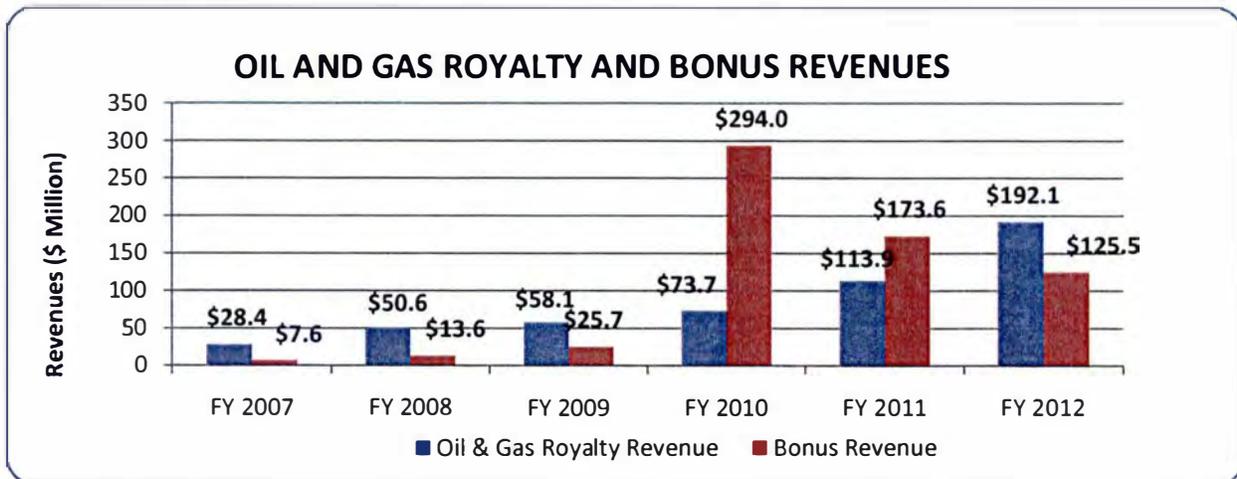
During FY11, a total of 1,886 oil and gas leases were issued on 143,840 mineral acres; during FY12, a total of 1,133 leases involving 95,039 mineral acres were issued. A total of 850,000 mineral acres are under lease.



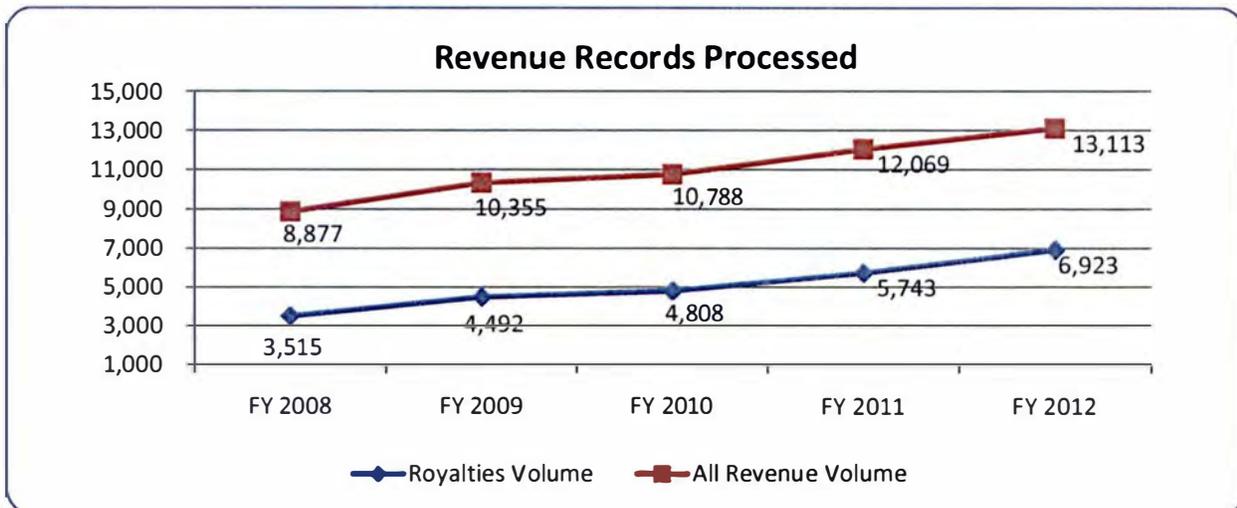
As of June 30, 2011, the total number of active leases managed by the Department was 8,777; on June 30, 2012 the number of active leases managed was 9,518.

As of June 30, 2012, the Department monitored production from 2,089 producing wells, up from approximately 450 four years earlier. Over the past six months the Department has added over 600 wells to the inventory of producing wells. The Department is involved in approximately 28% of the producing properties in the state.

During FY12 the Department collected oil and gas royalty revenue of \$192.1 million, a 69% increase over the \$113.9 million collected during FY11. Total oil and gas royalty collections in FY12 were 280% higher than they were just four years earlier.



The Department staff processed over 13,000 revenue records during FY12, of which approximately 6,900 were royalty revenue. Over the past four years total revenue records processed has increased by 48%, while total royalty records processed have increased by 97%.

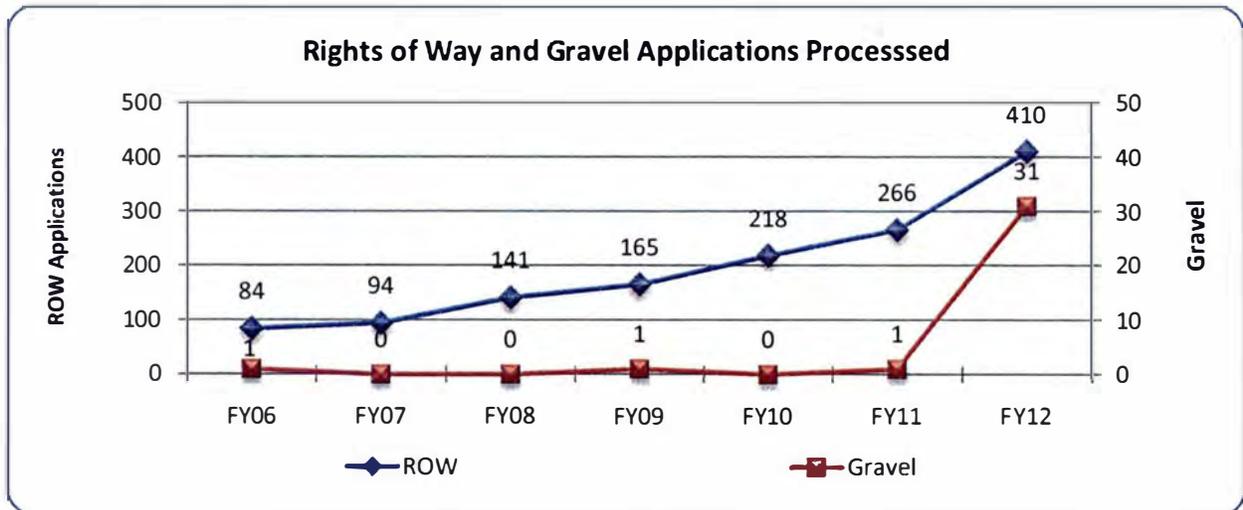


The Revenue Compliance Division is responsible for the collection of more than \$6 million of additional royalties and late payment penalties during FY12 as a result of revenue compliance efforts.

The Department's Surface Management Division saw more than a 99% leasing rate for agricultural tracts. Land improvement projects such as biological weed control and the range improvement program contributed to improved conditions of trust lands.

The number of rights-of-way requests and gravel applications processed has increased dramatically over the past few years. The number of applications has increased steadily over the years; however, the number of gravel applications, which has averaged about

1 per year, jumped to 34 during FY12, as demand for gravel in western North Dakota increased.



Right-of-way applications and field inspections are electronically submitted and managed. Enhanced technology, automated programs and GIS data systems assist the Department in management of trust acreage. Four field employees work from home based offices outside of Bismarck but are fully integrated into the Department's computer systems and programs thus increasing responsiveness to energy industry requests and reducing travel time and expense.

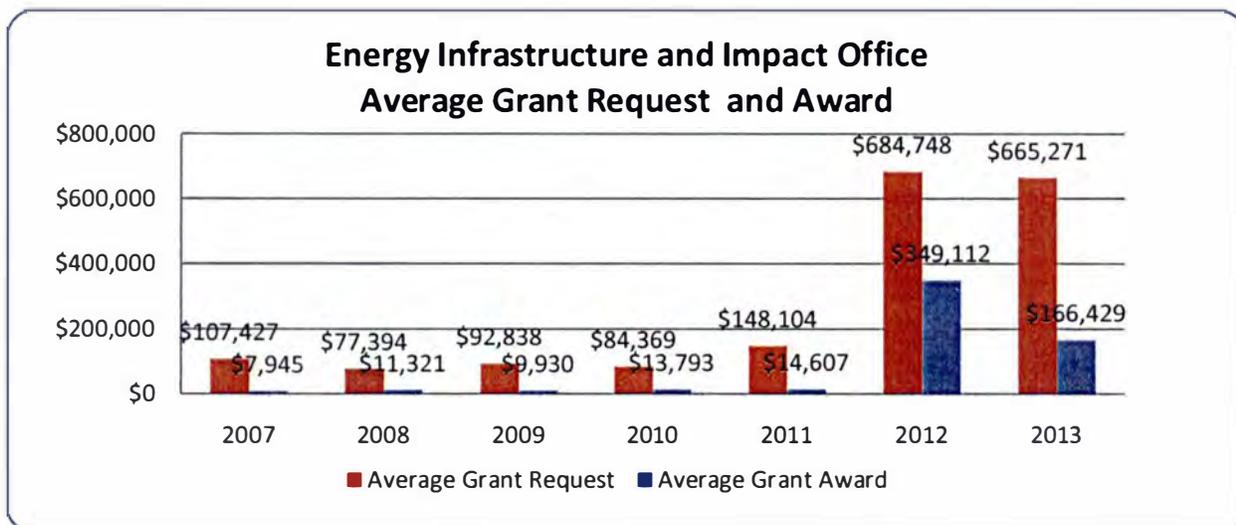
Since 1975 the Land Board has also been responsible for administration of the Uniform Unclaimed Property Act. The Department serves as a centralized custodial repository for unclaimed property (predominantly financial assets), with the objective to return the property to the rightful owner, their heirs or assigns. Once property is received and posted, the Department works to make the public aware of its unclaimed property and initiate the claim process.

The Department's searchable website and the states' national database (www.missingmoney.com) are currently holding over 74,000 names – an increase of 8,500 names from a year earlier. Besides the internet postings, newly reported names will also be published in newspapers statewide throughout 2013. Claim activity was brisk in FY12, resulting in 3,700 properties, totaling \$1.8 million, being returned to rightful owners.

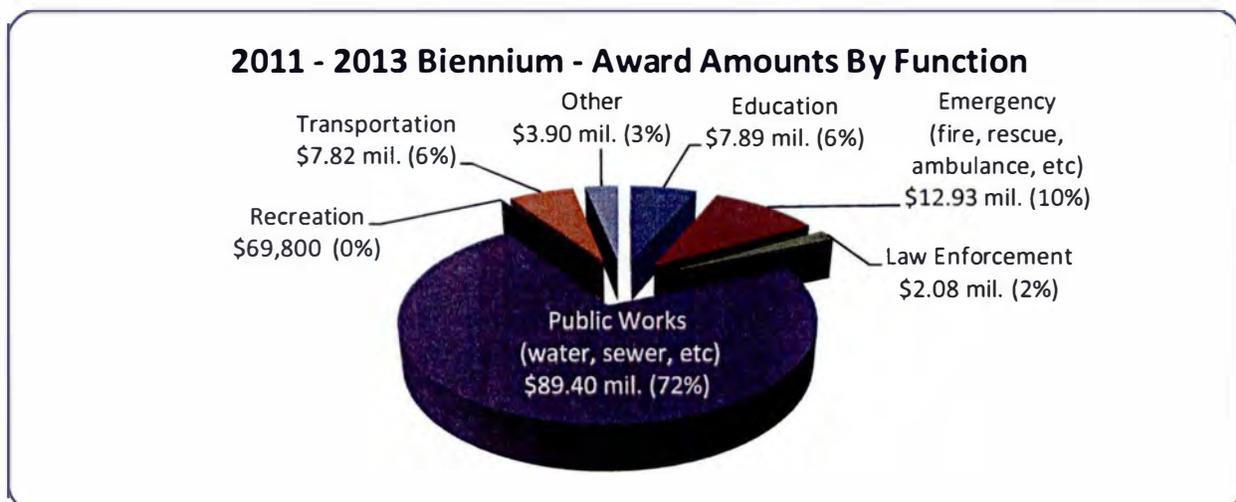
The Energy Infrastructure and Impact Office consists of myself, as a half time director and one additional FTE serving as the deputy director (authorized in the current biennium as an office assistant). The office is responsible for administering the \$130 million grant program to assist cities, townships, emergency services and other political subdivisions realizing direct impacts to public infrastructure from oil and gas development. The office previously distributed \$8 million each biennium. 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 Energy Infrastructure and Impact Office processed 422 applications in FY 2012 and 503 thus far in 2013. Grant requests totaled nearly \$662 million biennium to date; 504 grants totaling \$124 million have been awarded during the 2011-2013 biennium. The average grant request was over \$650,000 in both FY12 and FY13, well above the average grant request received in past years. The average grant awarded has also been far higher the past two years than it has been in the past.



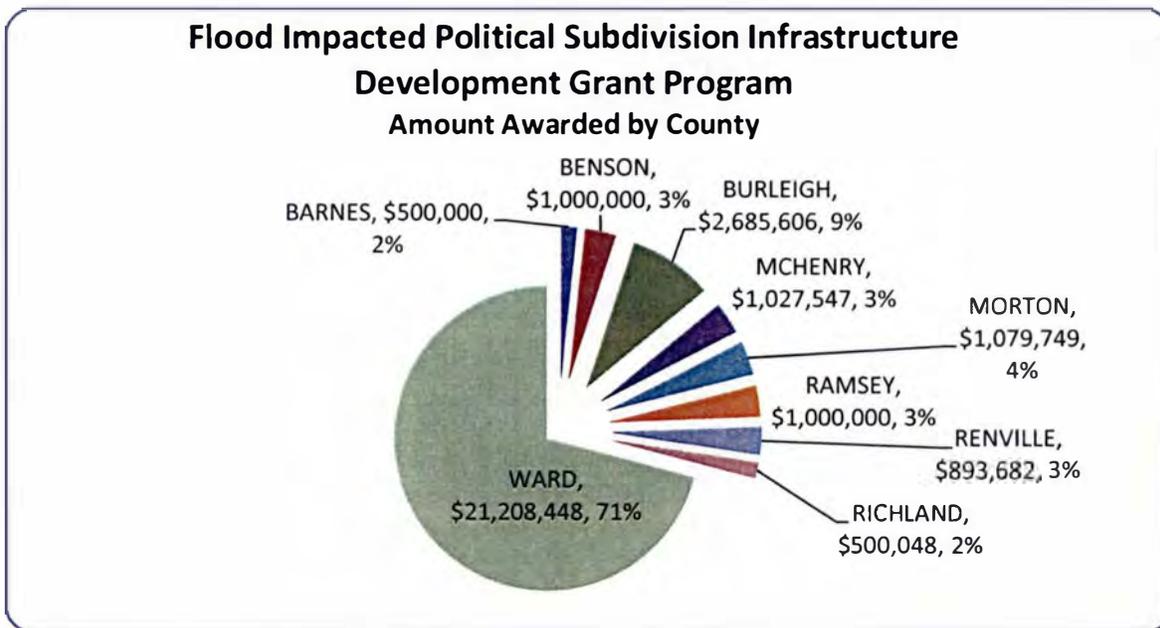
Grants approved by the Land Board largely focused on assisting with infrastructure to provide for permanent housing and public safety improvements. Some funds were also provided for rural transportation projects as well as critical education and childcare projects. At the direction of the 2011 Special Legislative Session, emergency services agencies received a priority and 174 awards totaling \$16 million were awarded for these emergency response needs.



The number of grant rounds annually increased from 1 in 2011 to 5 in 2012 and already five rounds in FY 2013, with nearly all of the funds allocated for the biennium now awarded.

The office also administers a loan program for coal development impacted political subdivisions from funds in the coal development trust fund.

During the special session in November 2011, the EIO was tasked with establishing procedures and policies to implement a one-time \$30 million Flood Impacted Political Subdivision Infrastructure Development Grant Program to assist communities and other political subdivisions in responding to flood repairs and relocation needs. During FY 2012 the Land Board awarded 141 grants to political subdivisions, totaling nearly \$30 million for flood-related infrastructure improvements.



PROPOSED 2013-2015 BUDGET

The three most significant budget changes proposed in SB 2013 are a marked increase in the funds to be distributed to trust beneficiaries, the addition of six FTEs, and the substantial increase of the Energy Infrastructure and Impact Office grant funding. There are also minor increases related to operations expenses and capital assets.

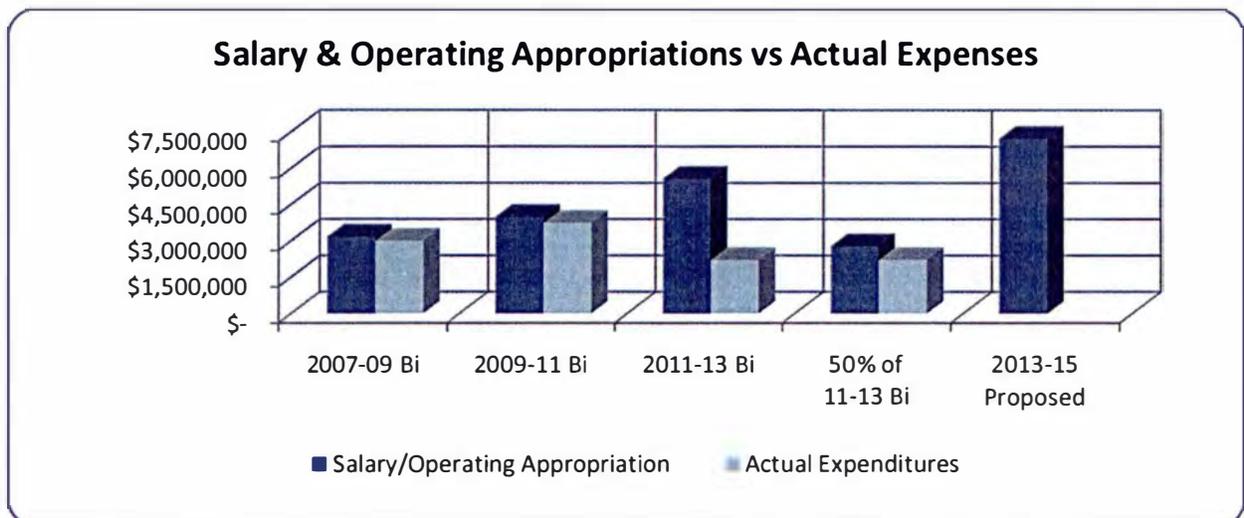
Distributions

I have already discussed the anticipated 41% increase 2013-2015 distributions to beneficiaries, the receiving institutions and the amounts that they will receive are listed in section 6 of SB 2013.

Staff and salaries

The new positions included in the budget are necessary due to the increasing workload involved in managing the oil and gas mineral leasing and production activity and related surface occupancy and easement work, managing the financial assets and transactions of the trusts and other funds, and implementing an expanded oil and gas impact grant program.

The Executive budget recommends adding 4.25 FTE and related operating, along with additional temporary salaries, to support the land and minerals management functions of the Department of Trust Lands. It also recommends an additional 2.00 FTE and related operating, along with additional temporary salaries to support the activities of the Energy Infrastructure and Impact Office. The budget also includes an additional \$318,395 for the executive compensation package adjustment.



The budget includes additional FTEs to help with the growing workload in the minerals, financial management, unclaimed property compliance and investment areas of the Department. The dramatic growth in revenues will require new systems and employees to help the Land Board and the Department better fulfill its fiduciary responsibilities to trust beneficiaries.

The Department's revenues have multiplied in recent years, increasing workload in terms of dollars received and number of transactions being processed. This is coupled with a dramatic increase in the EIO office with more money, applications and grants being processed.

Following is a summary of the 6.25 additional FTEs included within Governor Dalrymple's budget recommendation and included in Engrossed SB 2013:

1. Soils and Natural Resource Management Specialist: To assist with requests for energy related rights-of-way, special requests for aggregate, clay, and fill material and reclamation compliance inspections for all of the surface impacting activities.

2. Minerals Title Specialist: To assist in the management of nearly 10,000 active oil and gas leases issued by the Department. The person will serve as a 'landman' to assist in the increased need for verification of complex historical mineral ownership and transaction documents and to review complicated lease provisions, overrides and lease assignments.
3. Audit Technician: To assist with royalty and other revenue collection and documentation workload. Collection and tabulation of expanding lease collections, royalties, rental payments, salt water disposal payments, and surface damage payments will be a key part of this person's role.
4. Administrative Assistant: To assist all divisions with the growth in workload and responsibilities. The existing support staff 'pool' has accepted expanded responsibilities. This staff person would support the expanded records management, document tracking and clerical work of the Department.
5. Administrative Assistant (1/4): A present administrative support position is only authorized as a $\frac{3}{4}$ FTE and the executive budget recommends shifting that to a full FTE to enhance recruitment if necessary.
6. Grants Administrator: To assist with the expanded EIO program. Responsibilities will include software system enhancements and user interface, grant progress tracking, data summarization, reporting as necessary in all phases of the grant process including application processing, information gathering, award analysis and scoring, and reimbursement compliance review.
7. Accountant: To serve the energy impact office accounting and office support functions related to budget management, grant administration and reimbursement verification.

Three additional positions that are not included within SB 2013, but that the Department requests your consideration of authorizing in addition to those already mentioned:

1. Unclaimed Property Auditor: A position previously utilized within the Department but reassigned during the expansion in energy activities. The FTE would assist in outreach and compliance with statutory requirements for submission of unclaimed property. *A recent audit finding indicated a lack of "audit function in place in the Unclaimed Property Division to ensure North Dakota businesses are appropriately submitting unclaimed property and that penalties are appropriated assessed for noncompliance."*
2. Investment Assistant: To assist in all aspects of the investment program, to help with base level operations and investment transactions, allowing the Investment Director to focus on higher level investment functions and analysis as well as his duties of chief financial officer and deputy commissioner.

3. Land Management Specialist: To further assist in the inspection of pipeline, power line and road related right-of-way requests and reclamation efforts.

Operations

The Governor's Budget recommends an increase of the Department operations expenses line for the anticipated inflation and continued growth of expenditures such as professional services, advertising, information technology, legal fees, temporary salaries and building occupancy costs. The contingency line also increases by \$100,000 to the contingencies line item to be used for additional temporary salaries if determined necessary during the 2013-15 biennium. If additional positions are provided to the Department over and above the Governor's recommendation, additional operating funds would also be needed.

All collective operating expenses and salaries within the Department are paid by the trusts on a prorated basis, except for the EIIO expenses and salaries, which are paid from the Oil and Gas Impact Grant Fund.

Energy Infrastructure and Impact Office

The increase in the energy impact grants included in the Governor's Budget is in response to growing infrastructure and impact needs in the oil producing communities and counties. The EIIO increases from a grant program of \$100 million of special funds and \$30 million of general funds; to a recommended \$214 million of special funds:

- \$150 million to political subdivisions on a permanent basis
- \$60 million for airport needs (one time inclusion)
- \$4 million for energy impacted higher education needs (one time inclusion)

The Senate added an additional \$10 million for dust control:

- Added \$3 million as an emergency for a pilot project for dust control in three counties
- Includes \$7 million for a dust control grant program if the pilot project identifies successful products

One additional change that the bill includes relates to the EIIO. The Grants line is replaced by an appropriation to the Energy Impact Office allowing the Land Board of the University and School Lands to expend from the Oil and Gas Impact Grant fund the amounts necessary to run the program.

As the EIIO is structured under law, the Director has the responsibility for making the annual energy impact response plan and making grant recommendations to the Land Board for grant awards. As mentioned, the staff and Land Board have utilized an advisory team in this process. The Land Board has discussed also adding an education representative to that committee.

CONCLUSION

The Land Board's responsibility to preserve the trusts and maintain income stability for the trust beneficiaries continues to be met. All permanent and other trust funds remain in sound financial condition despite turmoil in the financial markets. Land is prudently managed providing for a fair market return of grazing lease income. Mineral leasing and development activity continues to be very active with large bonuses being collected, and as development occurs, production will enhance trust balances with royalties received.

Significant growth will continue to occur for the benefit of trust fund beneficiaries as mineral and energy development grows. Unclaimed property continues to be safeguarded and returned to owners via improved technologies and expanded outreach efforts.

The future for the trusts is very bright. I respectfully request your consideration to provide the Department with the authority to manage the assets under the control of the Land Board as efficiently and effectively as possible.

The enhanced role of considering funding requests from energy development communities, counties, schools and townships has grown into a major responsibility for the staff and Board. It is a task that is given careful attention, but one that continues grow as the needs and requests increase.

I look forward to working with the committee to explain how the tasks have grown within this important Department and how the broadened budget and requested positions will allow the Department to continue funding education in the state. It is a positive and dynamic time and the Department of Trust Lands is working in the heart of the activity related to energy growth, agricultural success, educating kids and growing western infrastructure. But we need your support in approving the special fund items that will allow the professional and dedicated staff the resources to continue to do a good job for the state in these areas.

*SB2013
March 19, 2013
Attachment 2*

**Testimony to the House Appropriations Committee – Government Operations Division
Chairman Blair Thoreson
Prepared and Presented by David Waind, City Manager, on behalf of Curt Zimbleman,
Mayor
City of Minot
mayor@minotnd.org**

SENATE BILL 2013

Chairman Thoreson, and Government Operations Division members of the House Appropriations Committee, my name is David Waind and I am the City Manager of the City of Minot. Mayor Curt Zimbleman is unable to be here today, so I am representing the City of Minot to encourage funding of Senate Bill 2013.

In my testimony that is being handed out, I have included a brochure titled “Energy Impacts to Minot”. This document details how the City of Minot is being impacted by growth due to energy development in western North Dakota.

The City of Minot has a two-fold interest in and support for Senate Bill 2013. The first is in Section 7 – Oil and Gas Impact Grant Distribution for Airports. The bill recommends funding sixty-million dollars (\$60,000,000) for grants to airports impacted by oil and gas development. The Minot International Airport has been, and continues to be impacted greatly by oil and gas development. In 2009 the enplanements at the airport were 69,820. For 2012 the enplanements were over 220,000. That’s a growth rate of 315 percent in three years. It is anticipated by 2021 the enplanements will be 400,000. A review of the license plates in the airport parking lot on an average day shows that more than seventy (70) percent of the vehicles are from out-of-state or Canada.

On pages six through nine of the Energy Impacts brochure you will see more specifics on how oil development is impacting the Minot International Airport. The City of Minot is moving forward with building a new terminal to meet the needs. The current terminal was finished in 1991 with approximately 34,000 square feet. The new terminal will be approximately 100,000 square feet; however, the City needs the funding proposed in this bill to ensure timely completion of the terminal. It is also important that **both** federal and local funds are eligible for a match to the state funds. As you can see by the pie chart at the top of page seven, the City and the FAA are putting significant funding toward this project. Due to the urgent nature of the expansion, as a result of energy impacts and development growth, the state funding is requested

to ensure we serve that growth as well as long-time residents in a manner that reflects their use of the airport.

Our second area of interest is in Section 9, as an amendment to the Century Code, it would provide continued funding for each city in an oil-producing county which has a population of seven-thousand five-hundred (7,500) or more and at least two percent of its private sector employment derived from the mining industry. We have been meeting that threshold in Minot and urge the committee to support Section 9 and continue the funding. We will utilize these funds for water, sewer or streets as the City deems appropriate to offset some of the impact from oil development.

The Section 9 amendment provides two-hundred twenty-four (224) million dollars for oil impact. I strongly encourage that this funding be approved at this level or higher. Again, the oil and energy development impact to Minot has been very significant. The City of Minot population in the 2010 Census was 40,888. Our current estimate is 50,000 with another 2,000 to 3,000 long-term stay individuals in hotels. The number of hotel rooms in our community has gone from approximately 1,800 to nearly 3,000 in the last two years. There were eleven hotels built in 2012 and more planned for 2013. Occupancy remained at over 80 percent through November. Building permits have tripled in the last three years. In fact, I can tell you that the value of building permits issued in Minot in 2012 exceeded the combined value of all of the building permits issued in our community in the 9 year period (1997 – 2005).

The City and its residents have already borne a large portion of the oil impact burden. In order to keep up with water, garbage and sewer demands, the City Council approved a 22 percent utility cost increase for 2013. This is still not enough to offset the millions of dollars needed for water and sewer projects. Along with this increase, our Council added 31 new positions to City staff under the 2013 budget.

The immediate infrastructure needs for the City include trunk water and sewer lines, storm sewer and road repairs. Future needs include public facilities in the areas of waste water treatment, public works expansion, landfill expansion (regional landfill) and public safety.

The brochure you have in front of you details the immediate water and sewer needs for the City at just over seventy-three million dollars (\$73,448,163). From 2013 to 2015 the City needs to spend twenty million (\$20,000,000) to upgrade water lines, water towers, and the water treatment plant.

Over the next three years, the City needs to spend more than forty-five million (\$45,000,000) in new and upgraded sewer lines on the north and south sides of Minot to support our growth.

Since 2008, Minot has added 43 miles of new centerline road to the city. Over the last three years, the City and NDDOT have reconstructed 9.7 miles of roads. The City projects a need, in 2013 alone, of reconstructing 10 miles of roads. The demands on the City as the oil development brings in more employees and their families, along with the additional oil related truck traffic on City streets far outweigh our ability to properly maintain existing roads and build for on-going growth.

As you review the "Energy Impacts to Minot" brochure you will see the impact oil development has had and is continuing to have on the City of Minot. Minot is seeking at least fifteen million (\$15,000,000) from the Oil Impact Fund and would support continued allocation to the large western cities. We recognize that you must reconcile this bill with other efforts to provide adequate funding for counties and cities impacted by oil and gas development. As you proceed with this bill and that reconciliation process, we encourage you to adopt and fund Senate Bill 2013 or otherwise ensure that the funding levels presented in that bill are preserved and directed to take care of the extraordinary needs of Minot and other political subdivisions.

Thank you for allowing me time to detail our support for this bill and concerns as it relates to oil and energy impacts to The Magic City.

ENERGY IMPACTS

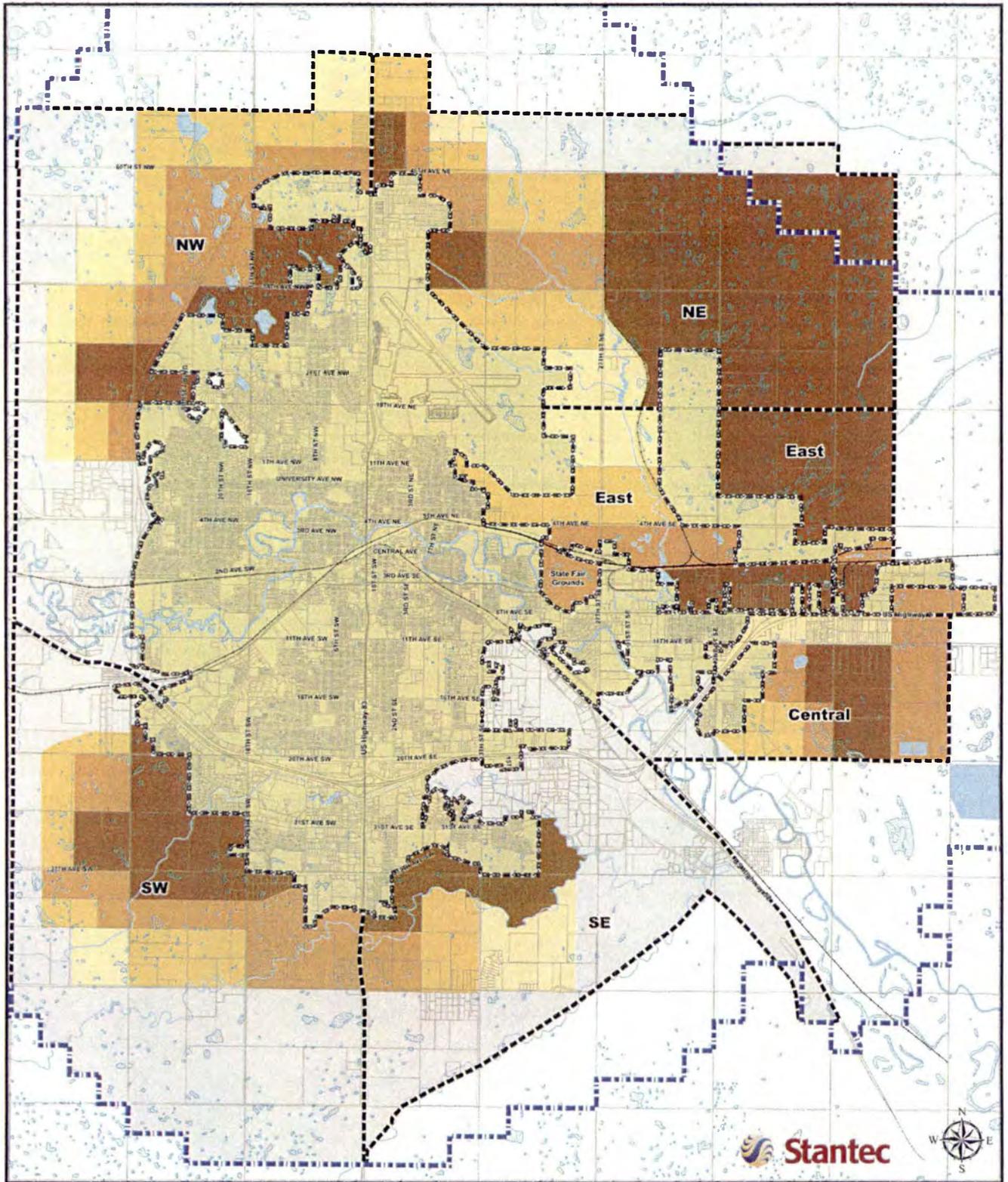
To Minot

2013 North Dakota Legislature



Future Growth Areas

City of Minot



 **Stantec**



- | | | | |
|--|---|--|--|
|  2-Mile Jurisdictional Boundary |  Phase 1 |  Phase 4 |  Streams |
|  Growth Area Boundaries |  Phase 2 |  Phase 5 |  Open Water |
|  City of Minot (2011) |  Phase 3 |  Railroad |  Wetlands |

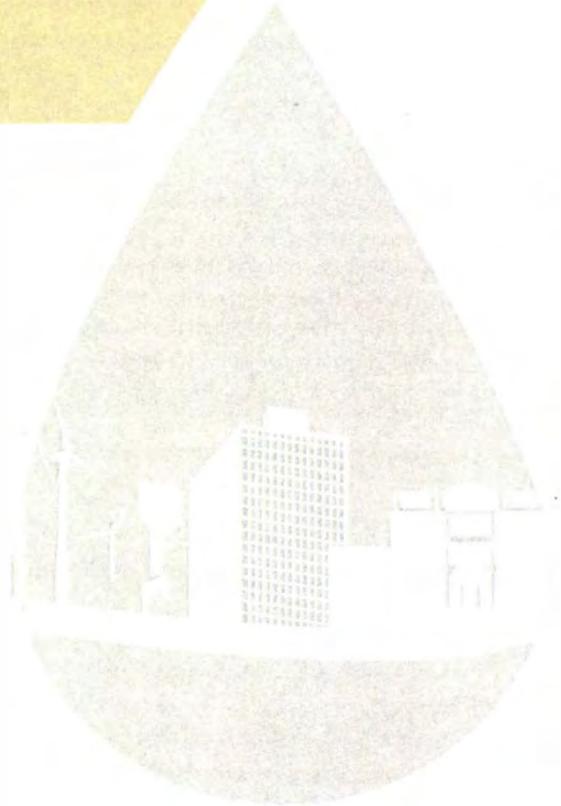
The City of Minot has identified \$350 Million in impacts from oil for 2013-2015

Amazing growth is underway in Minot. Despite a devastating flood in 2011 the City population has ballooned to nearly 50,000, with schools, hotels, roads and businesses feeling an obvious oil impact. The increase in traffic, energy companies, airport boardings, garbage collection and building permits makes for some very difficult “development pains” within the City. As Minot is a regional commercial, travel and population hub for North Dakota, significant outside assistance is needed if the City is to sustain the high quality of life and service to both long-time and new residents.

Many of the needs in Minot revolve around one of five categories: water and sewer, airport, major roads and intersections, public safety, and public facilities. The key to solving one of the area’s largest problems, the ongoing regional housing crunch, is through adequate water, sewer and road infrastructure. With the additional population comes a need to ensure adequate law enforcement, fire department and airport services. Addressing these various challenges now will help ensure the City of Minot can appropriately handle the impact of oil development in this region for years to come.

To date, the City and its residents have already borne a large portion of the oil impact burden. In order to keep up with water, garbage and sewer demands, the City Council approved a 22 percent utility cost increase for 2013. Residents who were paying an average bill of \$72.68 will now be paying \$88.82. This is still not enough to offset the millions of dollars needed for water and sewer projects. Along with this increase, the Council added additional manpower and salaries to the existing staff, in an effort to retain and hire employees as well as address the extreme strain on services. The value of a mill increased from 116 to 143 per \$1,000 of mill levy from 2012 to 2013 (due mostly to higher property values) yet the City still needed to raise the mill levy 13 percent for the upcoming year to offset the oil growth impact.

During the last biennium (2011-2013) the City



The City is working overtime to handle projects, needs and growth but simply can’t fund the large cost of these endeavors on its own. Addressing the challenges now, with oil impact funding, will help ensure the City of Minot can appropriately handle the impact of development in this region.

Contents

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- Airport Expansion.....6-9
- Road Repairs & Intersections.....10-13
- Public Safety.....14-15
- Public Facilities.....16-17
- Oil Impact Needs.....18

Impact by the Numbers: Minot's growth due to Oil/Energy

People

2000 Census – 36,500
 2010 Census – 40,888
 2012 Estimate – 45,000 to 50,000

Airport Usage

2009 – 3 Daily Flights, 70,000 boardings
 2011 – 8 Daily Flights, 150,000 boardings
 2012 – 12 Daily Flights, 220,000+ boardings

Hotel/Lodging

Start of 2011 – 1,800 rooms available
 End of 2013 – projected 3,500 rooms
 (85% occupancy even with the growth)
 Ten new hotels opened in 2012 (800+ rooms)

General Traffic

So. Broadway (U.S. 2 & 52 ramp) Traffic Counts
 2008 – 20,910
 2011 – 35,510

Garbage Count

2008 Residential Garbage – 220 tons/week
 2011 Residential Garbage – 320 tons/week
 2008 MSW at Landfill – 42,000 tons
 2011 MSW at Landfill – 75,000 tons

*The 2011 count does not include Mouse River Flood debris.

Energy/Oil Companies

2010 – 17 companies with 560 employees
 2012 – 53 companies with 2,901 employees

School Enrollments

Overall Enrollment

2008 – 6,216 students
 2010 – 6,548 students
 2012 – 7,158 students

Kindergarten Enrollment

2008 – 560
 2010 – 619
 2012 – 752

Building Permits

Dwelling Units

2010 – 652
 2011 – 1,132
 Through November 2012 – 1,364

Single-Family Permits

2010 – 134
 2011 – 286
 Through November 2012 – 358

Apartment Permits

2010 – \$29.8 million
 2011 – \$43.2 million
 Through November 2012 - \$49.5 million

Overall Permit Activity

2009 – \$65.9 million
 2010 – \$100 million
 2011 – \$204.5 million
 Through December 15, 2012 - \$297.2 million



WATER & SEWER

In order to properly provide for additional housing and retail developments due to energy impact, the City of Minot needs to expand water and sewer lines. The current system is set up to drain waste water from the hills on the north and south sides of Minot into the valley, through gravity lines, and then use a force main line to pump the waste out to the City's lagoons southeast of town. This system is full. Some upgrades are being done to pump more waste through the valley – but even those lines can only serve so many housing developments. The City in 2012 had to turn away almost 700 acres of housing projects and retail developments or slow down their desired growth because of a lack of water and sewer lines.

For this reason, the City of Minot needs to spend more than \$45 million over the next three years in new and upgraded sewer lines. The largest project is the North Minot Sewer Project. This 8-mile line of new sewer will provide for upwards of 13,000 new acres of development in north and east Minot. This would provide space for 15-30,000 new residents. State funding is being requested for this project, and others, because the primary method for paying for large new sewer or water lines is utility bonding. If the City of Minot has to bond for these new projects, it would be required to place this burden on residents' utility bills – raising them by 20 to 40 percent.

The City also needs to spend more than \$20 million from 2013 to 2015 to upgrade water lines, water towers and the water treatment plant. Some of these costly efforts can be supported by Northwest Area Water Supply project funding, but Minot estimates that almost \$15 million will not be funded through NAWS. Again, like the sewer improvements, the primary way for the City to pay for these needed improvements is through utility bonding. This funding source will cause an excessive burden on the residents of Minot because their utility bills would go up significantly to cover the energy development growth happening in Minot.

PROJECT	ESTIMATED COST
North Minot Sewer Improvements	\$28,415,000
NE Transmission - 27th St from 30th to 46th Ave - 27th St along NE bypass	\$3,750,000
SW Sewer Improvements	\$8,500,000
NE Water Tower	\$2,300,000
SW Water Tower	\$2,300,000
Puppy Dog Improvements Phase V	\$4,548,000
16th Ave SE Watermain Upsizing (42nd to 46th)	\$750,000
NE Transmission - 27th St to 55th St along 46th Ave & South to 30th Ave along 55th St	\$2,300,000
Hwy 2 West from 33rd St to 54th St (Sewer)	\$1,750,000
Hwy 2 West from 33rd St to 54th St (Water)	\$1,000,000
South Minot Distribution Improvements (Water)	\$1,000,000
30th Ave NW Sewer Extension	\$695,000
42nd St NE Sewer Extension (30th - 46th Ave)	\$1,250,000
37th Ave SE - 11th St to 2nd St	\$275,000
27th St Water Line - 30th Ave to CR12	\$200,000
13th St SE - Puppy Dog Coulee to 31st Ave	\$200,000
30th Ave NE - 27th to 42nd St	\$3,764,436
30th Ave to 13th St NE Transmission	\$1,500,000
6th St Underpass Water/Sanitary/Storm Sewer	\$4,754,075
4th St SW - 31st Ave to 37th Ave	\$821,652
18th Ave SW - Broadway To West	\$775,000
10th St SW at 31st Ave	\$850,000
16th St SW - 12th to 20th Ave	\$1,750,000
Total:	\$73,448,163

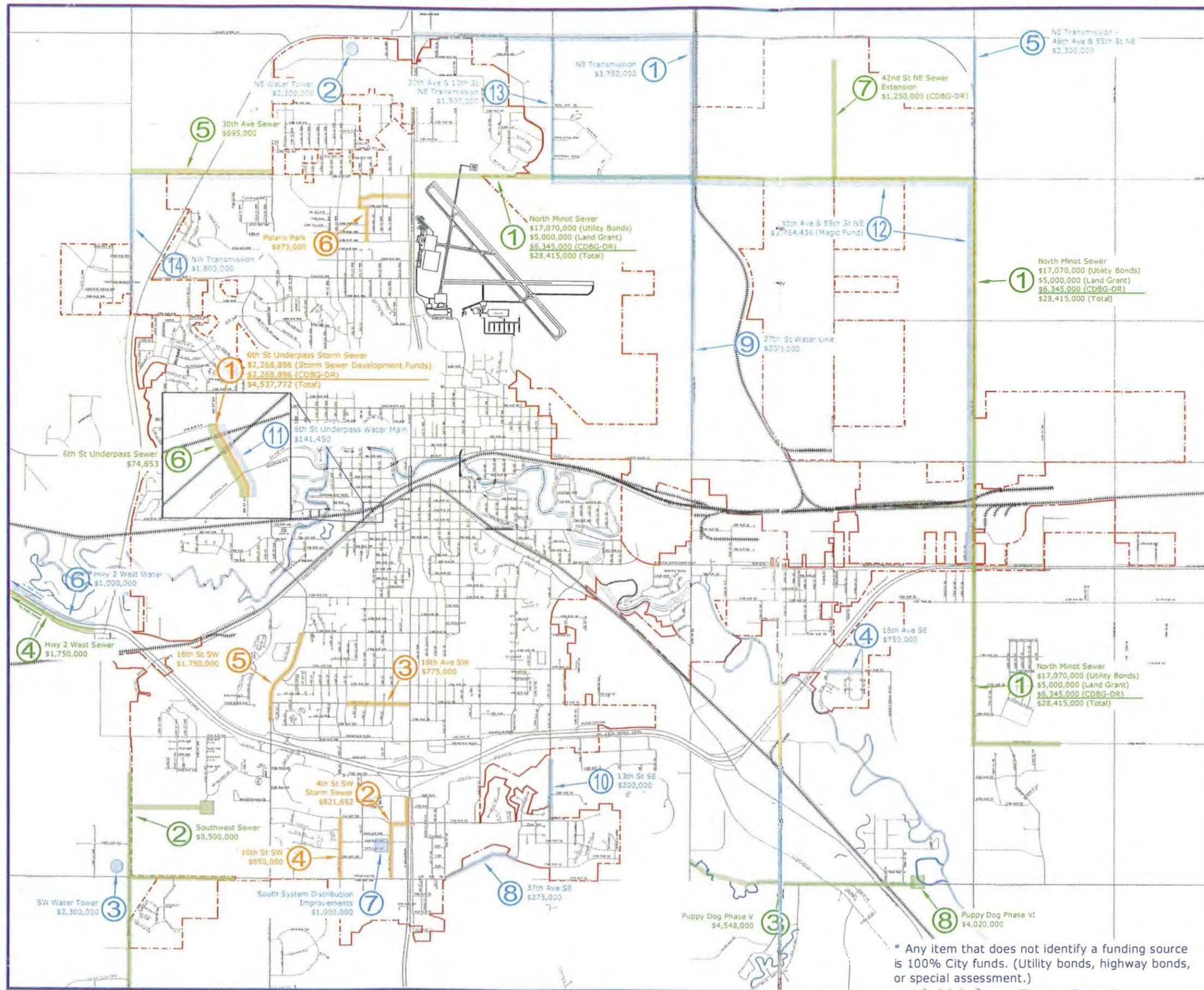
The Governor's Budget recommendation consists of a \$214 million funding request toward the Oil & Gas Impact Grant Fund. Of that amount, the City would

like to see \$15 million appropriated or earmarked for the City of Minot to address water, sewer and other infrastructure needs.

City of Minot

N
Scale: 1" = 3500'
Created November 8, 2012

- Projects
- Sanitary Sewer
 - Lift Station
 - Storm Sewer
 - Water
 - Water Facilities
 - Water Tower



Sanitary Sewer Projects

#	Project Title	Cost
1	North Minot Sewer	\$28,415,000.00
2	Southwest Sewer Improvements	\$8,500,000.00
3	Puppy Dog Improvements Phase V	\$4,548,000.00
4	Hwy 2 West from 33rd St to 54th St	\$1,750,000.00
5	30th Ave NW Sewer Extension	\$695,000.00
6	6th St Underpass Sanitary Sewer	\$74,853.00
7	42nd St NE Sewer Extension (30th - 46th Ave)	\$1,250,000.00
Total		\$45,232,853.00

Storm Sewer Projects

#	Project Title	Cost
1	6th St Underpass Storm Sewer	\$4,537,772.00
2	4th St SW - 31st Ave to 37th Ave	\$821,652.00
3	18th Ave SW - Broadway To West	\$775,000.00
4	10th St SW at 31st Ave	\$850,000.00
5	16th St SW - 12th to 20th Ave	\$1,750,000.00
Total		\$8,734,424.00

Water Projects

#	Project Title	Cost
1	Transmission Line - North Broadway to 27th St along NE Bypass & 27th St from 30th to 46th Ave	\$3,750,000.00
2	NE Water Tower	\$2,300,000.00
3	SW Water Tower	\$2,300,000.00
4	16th Ave SE Watermain Upsizing (42nd to 46th)	\$750,000.00
5	NE Trans. - 27th St to 55th St along 46th Ave & South to 30th Ave along 55th St	\$2,300,000.00
6	Hwy 2 West from 33rd St to 54th St	\$1,000,000.00
7	South Minot Distribution Improvements	\$1,000,000.00
8	37th Ave SE - 11th St to 2nd St	\$275,000.00
9	27th St Water Line - 30th Ave to CR12	\$200,000.00
10	13th St SE - Puppy Dog Coulee to 31st Ave	\$200,000.00
11	6th St Underpass Water Main	\$141,450.00
12	30th Ave and 55th St NE Transmission Line	\$3,764,436.00
13	30th Ave and 13th St NE Transmission Line	\$1,500,000.00
Total		\$19,480,886.00

Grand Total **\$73,448,163.00**

* Any item that does not identify a funding source is 100% City funds. (Utility bonds, highway bonds, or special assessment.)

AIRPORT EXPANSION

The Minot International Airport is located on the northeast side of the city and has experienced incredible growth in the past four years. Enplanements have grown 50 percent every year, since 2009. It is projected that the Airport will top 220,000 boardings in 2012, more than three times the number in 2009. A conservative projection of growth over the next ten years, has the Airport handling 400,000 enplanements by 2021.

The current airport terminal was finished in 1991, has a small ramp, two gates and is designed, at 34,000 square feet, to handle up to 100,000 passenger boardings a year. It was not built to be easily expanded. For close to two decades the airport averaged 70,000 passengers a year and handled three daily flights to Minneapolis.

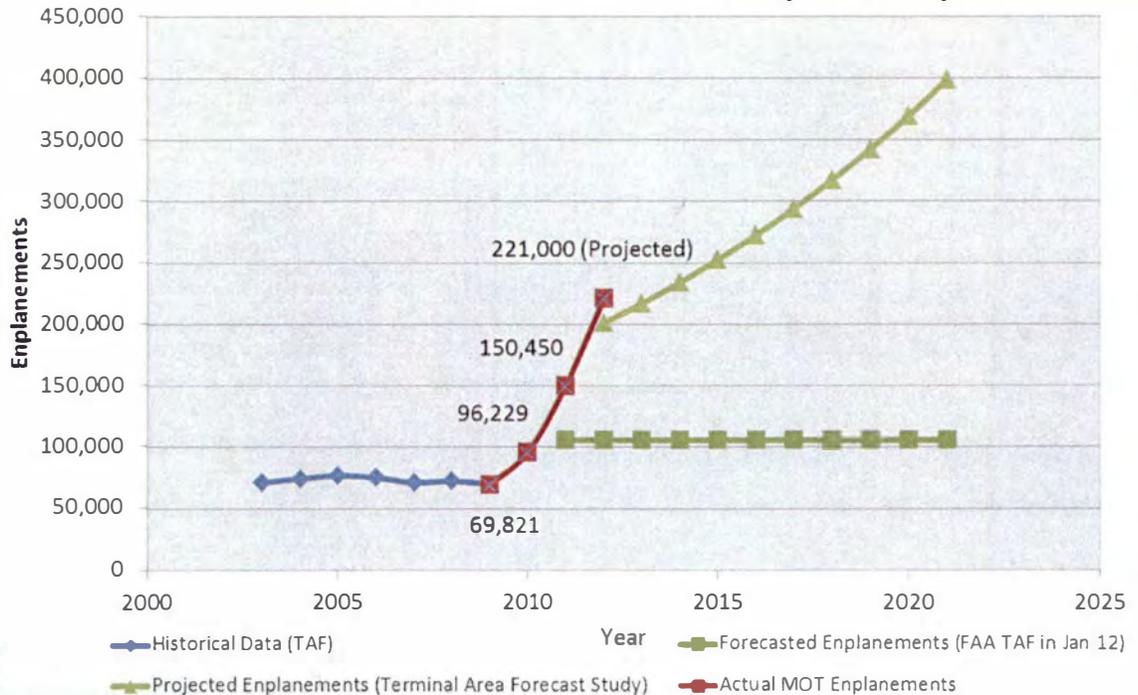
Today, the same terminal building is bursting at the seams, handling more than 20,000 enplaned passengers a month. Passengers are now going to Denver and Minneapolis on 12 daily flights, and Phoenix, Las Vegas and Denver on low-cost flights multiple times a week. A quick count of the current vehicles in the quickly-enlarged parking lots indicates who is using the airport. With between 70 and 75 percent of license plates showing an out-of-state license, it is easy to conclude that the growth at the Minot International Airport is coming directly from our state's energy boom.

License Plates on cars parking at MOT

North Dakota	291
Other states	577
Canada	132

Done on a typical Friday afternoon, 1,000 vehicles

Minot International Airport Enplanements

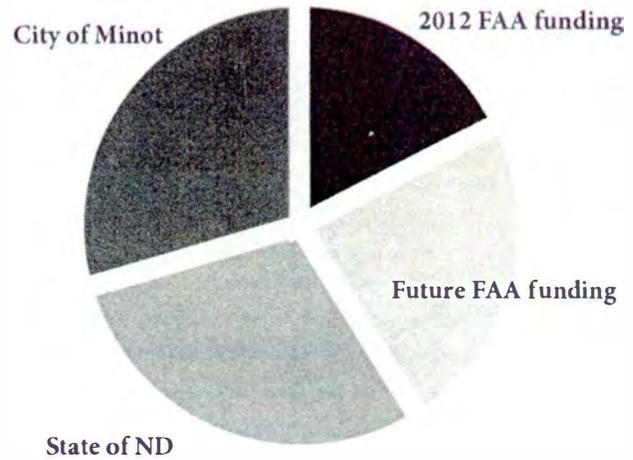


The projected number of passengers over the next ten years will put Minot on pace to handle roughly the same number of people as airports in Sioux Falls and Fargo. These terminals are between 118,000 and 175,000 square feet, have four or more gates and more than 1,000 parking spaces. In researching the fastest, most cost-effective way to keep up with oil boom growth, Minot received a thorough review of the options as researched by professional consultants hired by the City of Minot.

A cost and time analysis was done on moving the entire airport complex (terminal, parking lots, runways and all associated buildings) to a location 5-8 miles outside of town. This cost came in at roughly \$350 million and would take a minimum of 7 to 10 years to accomplish.

A cost and time analysis was done on the option of expanding the current 20-year-old terminal building on both the east and west ends. Due to the current location of baggage check-in, security and other operations, the cost came in at approximately \$100-115 million and would not be finished until 2016 or later.

The third option of building a new terminal near the current facility, taking advantage of many existing buildings, runways and parking lots, proved to be the most cost-effective and timely. Design and engineering is currently underway on a project that will cost roughly \$85 million and is scheduled to be completed in 2015.

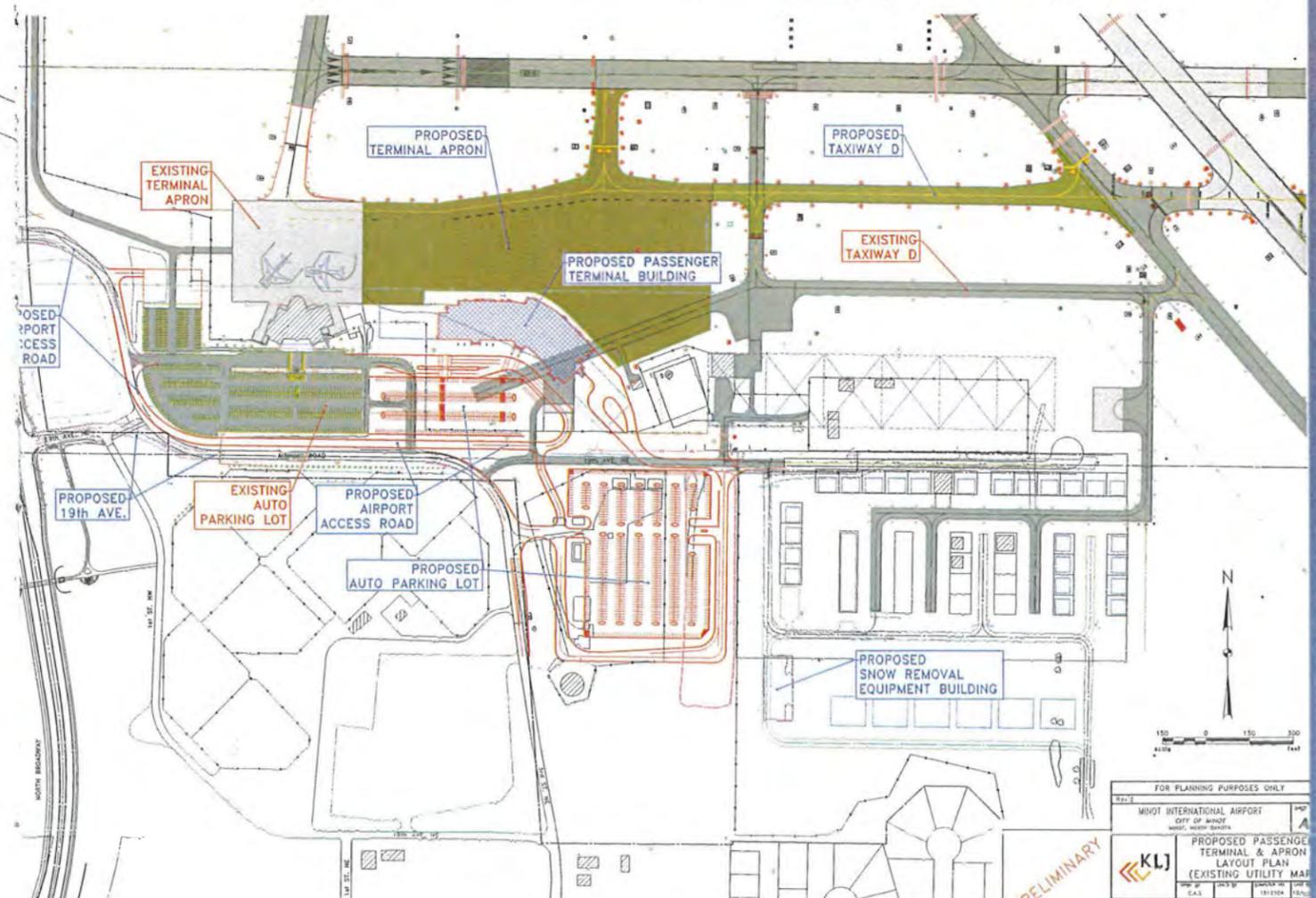
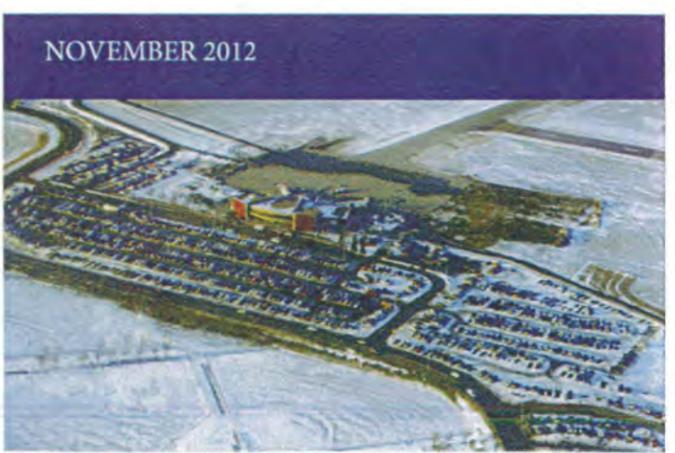
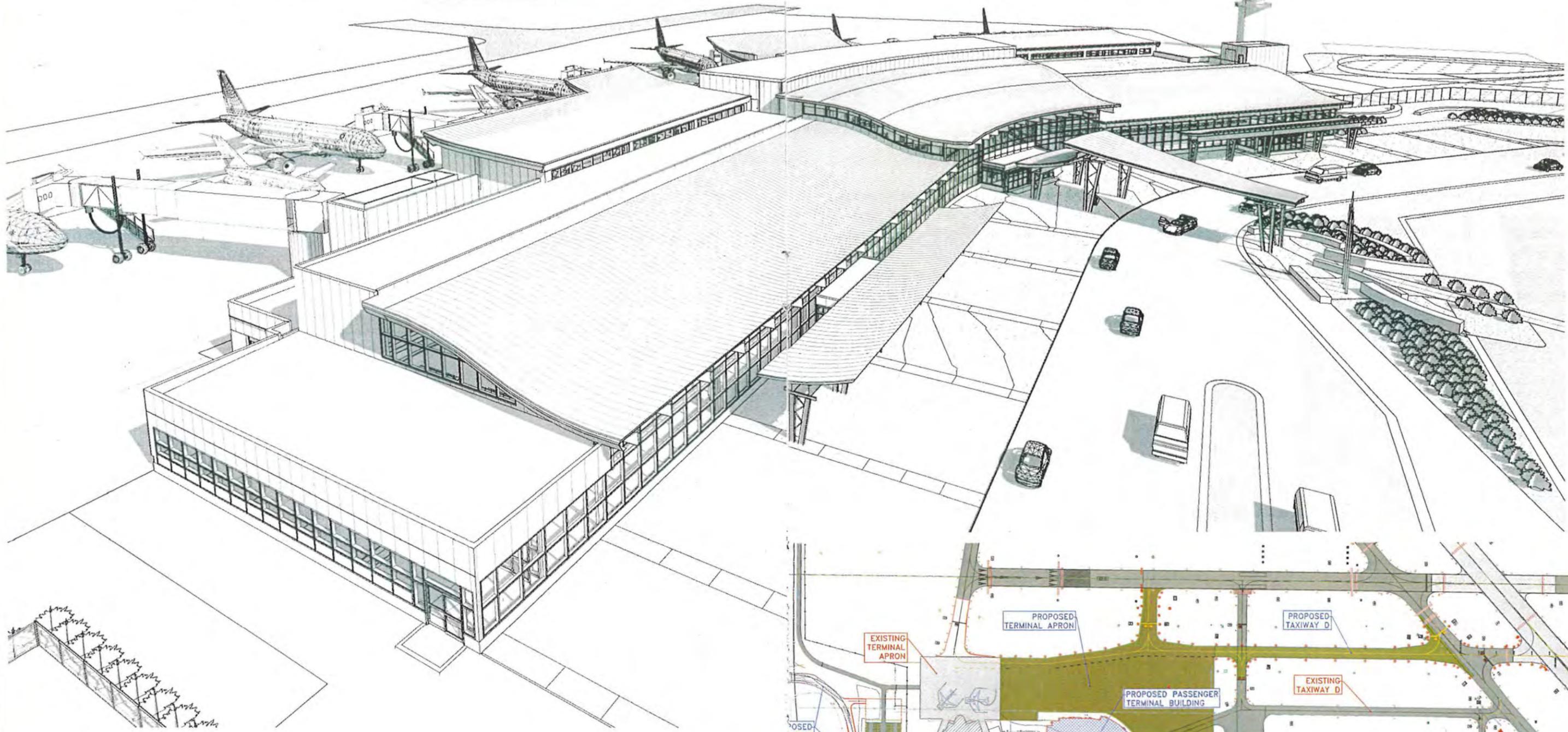


\$15 million – 2012 FAA funding
 \$20 million – Future FAA funding
 \$25 million – City of Minot
 \$25 million – State of North Dakota

The Governor's Budget request includes \$60 million targeted to oil-impacted airports to address growth challenges. The Governor's Budget proposes this funding through the Oil & Gas Impact Grant Fund. The City of Minot is seeking a minimum of \$25 million from this allocation to ensure that its proposed airport expansion can be completed by 2015.

PROJECT	ESTIMATED COST	FUNDING SOURCES
2012 Contracts	\$15,220,505	FAA, NDAC, Airport, Non-federal
Passenger terminal building	\$37,000,000	FAA, NDAC, Airport, Non-federal
Baggage handling system	\$3,250,000	Airport, Non-federal
Passenger boarding bridges	\$1,600,000	Airport
Furniture	\$500,000	FAA, NDAC, Airport, Non-federal
Passenger terminal apron	\$16,111,000	FAA, NDAC, Airport
Passenger terminal access road	\$3,300,000	FAA, NDAC, Airport, Non-federal
Passenger terminal parking lot	\$4,500,000	Airport, Non-federal
Remodel existing terminal	\$3,580,000	Airport, Non-federal
Total	\$85,061,505	

All of the above identified projects will require approximately \$85 million dollars. \$15.2 million has already been secured from the 2012 FAA budget. The \$70 million shortfall can be addressed with the proposed cost share over the next biennium (see pie chart). The City of Minot supports the increased funding proposed in the Governor's Budget for Oil & Gas Impact Grant Funds to support oil-impacted airports. Minot is currently working with all airports statewide to appropriately address the greatest needs within the North Dakota aviation community. The City feels that properly funding the new terminal construction and associated costs is a critical response to the oil impact felt at the Minot International Airport. This will help sustain and better serve the needs of North Dakotans.



FOR PLANNING PURPOSES ONLY
 MVOT INTERNATIONAL AIRPORT
 CITY OF MOORE
 MOORE, OKLAHOMA
 PROPOSED PASSENGER
 TERMINAL & APRON
 LAYOUT PLAN
 (EXISTING UTILITY MAP)
 KLJ
 PRELIMINARY

ROAD REPAIRS



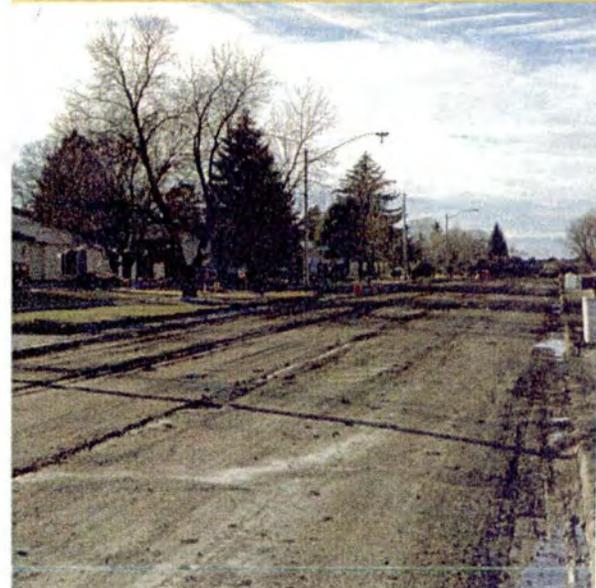
New roads and a growing City means more damage, more maintenance, more engineering, and more time spent on projects than in previous years. The City has an average annual budget for road reconstruction and improvements of \$2 million. The demands on the City as the oil boom brings in more employees and their families on City streets far outweigh the ability of Minot to properly maintain existing roads and build for on-going growth. With the immediate identified need of \$185 million, many of these on larger arterial roads in Minot, the City would request as much legislative and NDDOT support as possible in meeting the needs of Minot and its residents.

As of the end of 2012, Minot has approximately 264 miles of roads within its City limits. Of this total, 43 new miles of centerline road were added to the City from 2008 to 2012. Some of these roads came due to annexing existing roads as the City grows and others were newly constructed roads. This means the City roads grew by nearly 20 percent in just the past four years.

Over the last three years, the City and/or NDDOT have reconstructed 9.7 miles of roads. The City projects a need in 2013 alone of reconstructing 10 miles of roads. This does not include some of the largest projects proposed on the chart seen on the next page. If it is approved, the new SW Bypass project will require 6 miles of road improvements at a cost of roughly \$19 million.

Average daily traffic counts at major intersections along U.S. Highway 83 (Broadway), which runs north and south through the center of Minot, have jumped between 20 and 70 percent over the last three to five years. On an average year, the City expected between two and three percent growth in daily traffic counts. Unprecedented increases in additional cars and trucks out on City roads shortens the lifespan of a road and frazzles the nerves of everyone trying to use this critical piece of infrastructure.

The City of Minot seeks as much state support as possible within the biennium budget for statewide transportation upgrades.



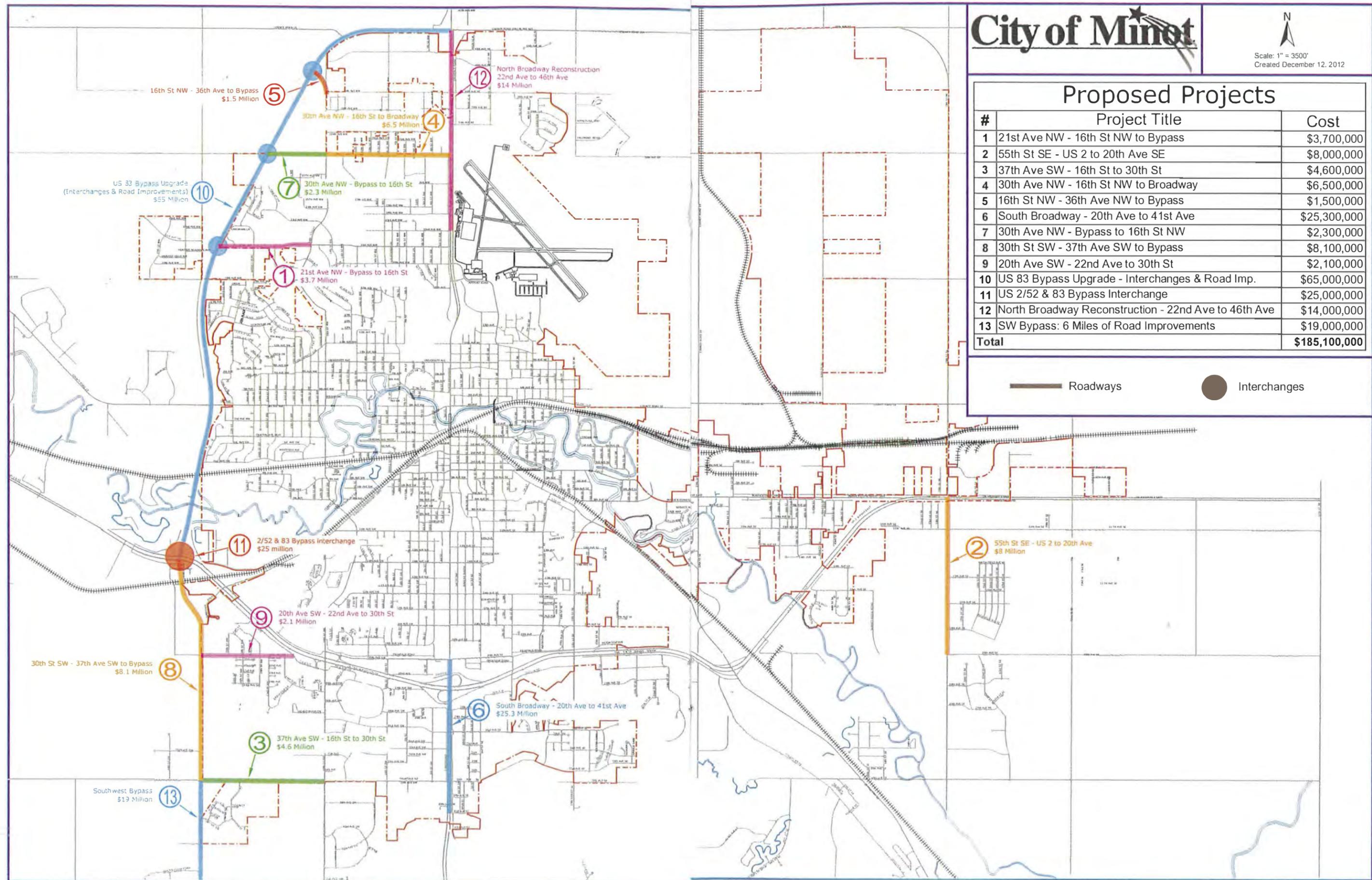
PROJECT	ESTIMATED COST
21st Ave. NW – 16th St. to Bypass	\$3.7 million
55th St. SE – US 2 to 20th Ave. SE	\$8.0 million
37th Ave. SW – 16th St. to 30th St.	\$4.6 million
30th Ave. NW – 16th St. to Broadway	\$6.5 million
16th St. NW - 36th Ave. to Bypass	\$1.5 million
S. Broadway – 20th Ave. to 41st Ave.	\$25.3 million
30th Ave. NW – Bypass to 16th St. NW	\$2.3 million
30th St. SW – 37th Ave. SW to Bypass	\$8.1 million
20th Ave. SW – 22nd Ave. to 30th St.	\$2.1 million
US 83 Bypass upgrade: 3 interchanges & road improvements	\$65.0 million
US 2/52 & 83 Bypass interchange	\$25.0 million
North Broadway reconstruction – 22nd Ave. to 46th Ave.	\$14.0 million
SW Bypass: 6 miles of road improvements	\$19.0 million
Total:	\$185.1 million



Proposed Projects

#	Project Title	Cost
1	21st Ave NW - 16th St NW to Bypass	\$3,700,000
2	55th St SE - US 2 to 20th Ave SE	\$8,000,000
3	37th Ave SW - 16th St to 30th St	\$4,600,000
4	30th Ave NW - 16th St NW to Broadway	\$6,500,000
5	16th St NW - 36th Ave NW to Bypass	\$1,500,000
6	South Broadway - 20th Ave to 41st Ave	\$25,300,000
7	30th Ave NW - Bypass to 16th St NW	\$2,300,000
8	30th St SW - 37th Ave SW to Bypass	\$8,100,000
9	20th Ave SW - 22nd Ave to 30th St	\$2,100,000
10	US 83 Bypass Upgrade - Interchanges & Road Imp.	\$65,000,000
11	US 2/52 & 83 Bypass Interchange	\$25,000,000
12	North Broadway Reconstruction - 22nd Ave to 46th Ave	\$14,000,000
13	SW Bypass: 6 Miles of Road Improvements	\$19,000,000
Total		\$185,100,000

— Roadways ● Interchanges



PUBLIC SAFETY

The influx of new energy companies, housing developments, schools and retail has caused the physical boundaries of the City of Minot to grow considerably in the last five years. Minot has expanded from 16 square



miles to nearly 20 square miles. This impacts public safety greatly as fire crews and police officers now have to cover a larger population spread out across a bigger area.

The City currently employs 65 sworn officers (91 total staff) and 46 firefighters (51 total staff); this number of staff has increased only marginally in the past 10 years until 2012. The City Council approved for 2013, nine new police department positions and four new fire department positions. There are three fire stations serving the south, central and north (on the airport grounds) parts of town. There is one police station, centrally located in the same building complex as City Hall.

The on-going growth in town is straining the ability of the Minot Fire Department to meet standards for response time and in turn puts the public at increased risk. Over the next several years, the Fire Department will need to add fire stations and personnel just to maintain the same level of service now in place. The Fire Chief is projecting that, in line with the current housing, business and retail growth, the City will need new fire

stations in east and northwest Minot. These two stations will cost roughly \$5.6 million and need to be finished by the end of 2015. The associated costs with new fire stations, a pumper truck, rescue truck and personnel are estimated to run \$1.2 million in start-up and \$1.8 million annually for 24 additional personnel.

Along with the fire response personnel, the City has recently budgeted local funding to hire an Assistant Fire Chief and another full-time Fire Inspector. Both of these positions are critical as a result of oil impact to Minot. Due to increased turnover from firefighters leaving for oil jobs, along with an increased number of calls, these two new positions will ensure high-quality service to residents. In 2012, the City recruited 10 new firefighters to the department. Another full-time inspector is needed to keep up with new construction and associated tasks such as testing sprinkler and alarm systems, and working with building inspectors to ensure all building codes are met. Falling

behind in these tasks slows housing growth and puts the community at increased risk for a severe fire.

The City of Minot would like to be competitive with other communities in receiving public safety oil impact grants.

PROJECT	ESTIMATED COST	YEAR NEEDED
East Fire Station	\$2.6 million	2014
NW Fire Station	\$3 million	2015

Move the Regional Fire Training Grounds – Expansion of the Minot International Airport, driven by the oil boom, will require the Minot Fire Department to move the training grounds at a cost of \$1.7 million. In 2012, the City received \$250,000 from the Oil & Gas Impact Grant Fund, emergency services round, toward this project. Additional funds would assist in completing the move.

A potential 2016 project could include the City considering an additional south side fire station.



PUBLIC FACILITIES

The current population growth adds strain to all services provided by the City of Minot. This includes key public facilities such as the City's waste water treatment facilities, public works facilities, landfill and City Hall itself.

Waste Water Facility

The City of Minot currently treats its waste water through a series of aeration ponds, lagoons, and finally wetlands, before the water is discharged into the Mouse River. The capacity of the wetlands for treating the sewage is approximately seven million gallons per day. As of 2012, the City treats between five and six

With the increase in Minot waste water over the last two to three years, the City commissioned a study of all waste water facilities. This will help determine the best options for treating Minot's waste water in the future, based on expected growth.

One of the options available is a full waste water treatment facility to treat all of the waste water under one roof, which could easily cost more than \$50 million. Other options include a partial treatment of peak flows above the seven million gallons per day that Minot's lagoon/aeration/wetland facilities can handle. This is estimated to cost approximately \$35 million.



million gallons per day on average and discharges to the Mouse River are from April to November. Between the months of November and April, the City holds all of the waste water in our lagoon cells until the wetlands start growing again in the spring and are then used to treat the waste water. The City continues to take a significant amount of waste water from temporary housing facilities in western North Dakota.

The study, which is expected to be finished in March 2013, will provide more detailed options as well as estimated costs.

Public Works Facility Expansion

The City of Minot Public Works Facility houses more than ten City departments, including the following: Transit, Shop/Vehicle Maintenance,

Property Maintenance Street Department, Traffic Maintenance Department, Sanitation, Building Electrical Mechanical and Plumbing Inspections as well as Health Inspections, Engineering Department, Planning Department, City Assessors and Public Works Administration.

Many of the personnel are already two or three people to a cubicle, and with the City adding needed positions in the engineering, inspections and planning departments, the Public Works building needs to add additional space for these personnel. The expansion of the building would allow for approximately 20 new office spaces, an additional conference room, and storage for the piles of paperwork associated with permits and the growth of Minot.

The estimated cost of expanding the current facility comes in at \$1.2-1.5 million.

Landfill

The City of Minot operates a regional landfill, accomodating six other counties (all oil-impact counties), with the capacity to handle 350 tons (approximately 20 trucks) per week. The next closest regional landfill with this capacity is in Bismarck. Residential garbage count in 2008 measured 220 tons per week. In 2011, prior to the flood, the City was hauling in roughly 320 tons of residential garbage per week. The City has plans and funding to open an additional cell out on the current landfill site in 2013. This cell, along with two other cells that can be constructed, would likely accommodate current growth for the next 10-15 years. A study is currently underway to consider a new landfill location. This lengthy process, often seven to ten years of research, permitting and formation, needs to be started now in



order to be ready once the current landfill is no longer a viable option for regional refuse.

City Hall

City Hall currently houses 24 staff members, has a connected east wing that is Minot's Police Station (for 90+ employees), and a west wing that serves as storage for law enforcement needs. The building was originally built in 1956 with remodeling and an addition in the last 25 years. The need for additional police officers and the fact that all office space is currently in use means that expected City growth would necessitate either another expansion or an additional building nearby to house City of Minot staff. While no studies are currently underway to determine potential projects or cost, there is little doubt that either option will cost millions of dollars to continue accomodating the growth in Minot due to the Energy Boom.

The City of Minot is not requesting additional funding for these projects at this time. As our population grows, the City will need state support in 2015 and beyond.



Public Works Facility

OIL IMPACT NEEDS

The Governor's Budget recommendation consists of a \$214 million funding request toward the Oil & Gas Impact Grant Fund. Of that amount, the City would like to see \$15 million appropriated or earmarked for the City of Minot to address water, sewer and other infrastructure needs.

WATER & SEWER

\$73,448,163

The Governor's Budget request includes \$60 million targeted to oil-impacted airports to address growth challenges. The Governor's Budget proposes this funding through the Oil & Gas Impact Grant Fund. The City of Minot is seeking a minimum of \$25 million from this allocation to ensure that its proposed airport expansion can be completed by 2015.

AIRPORT EXPANSION

\$85,061,505

The City of Minot seeks as much state support as possible within the biennium budget for statewide transportation upgrades.

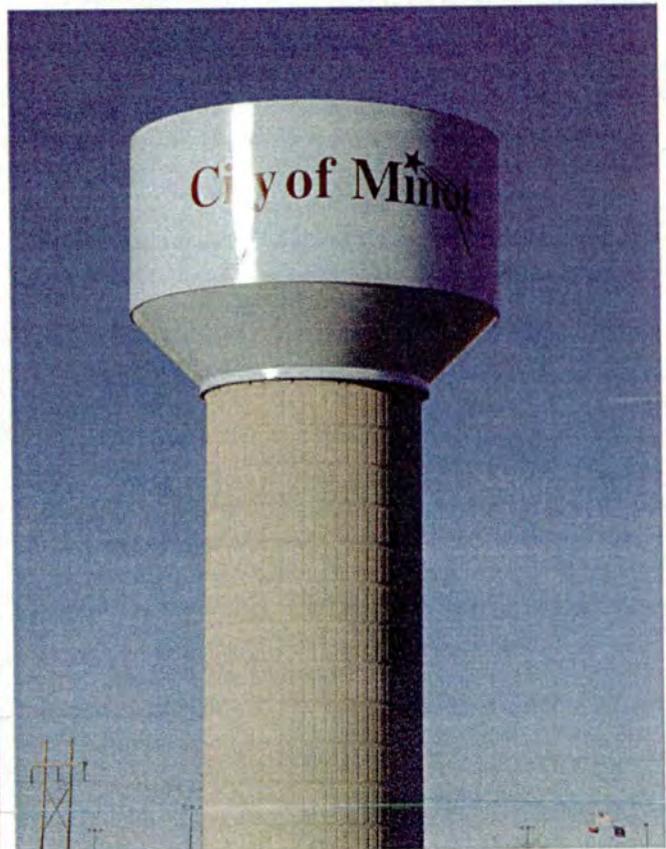
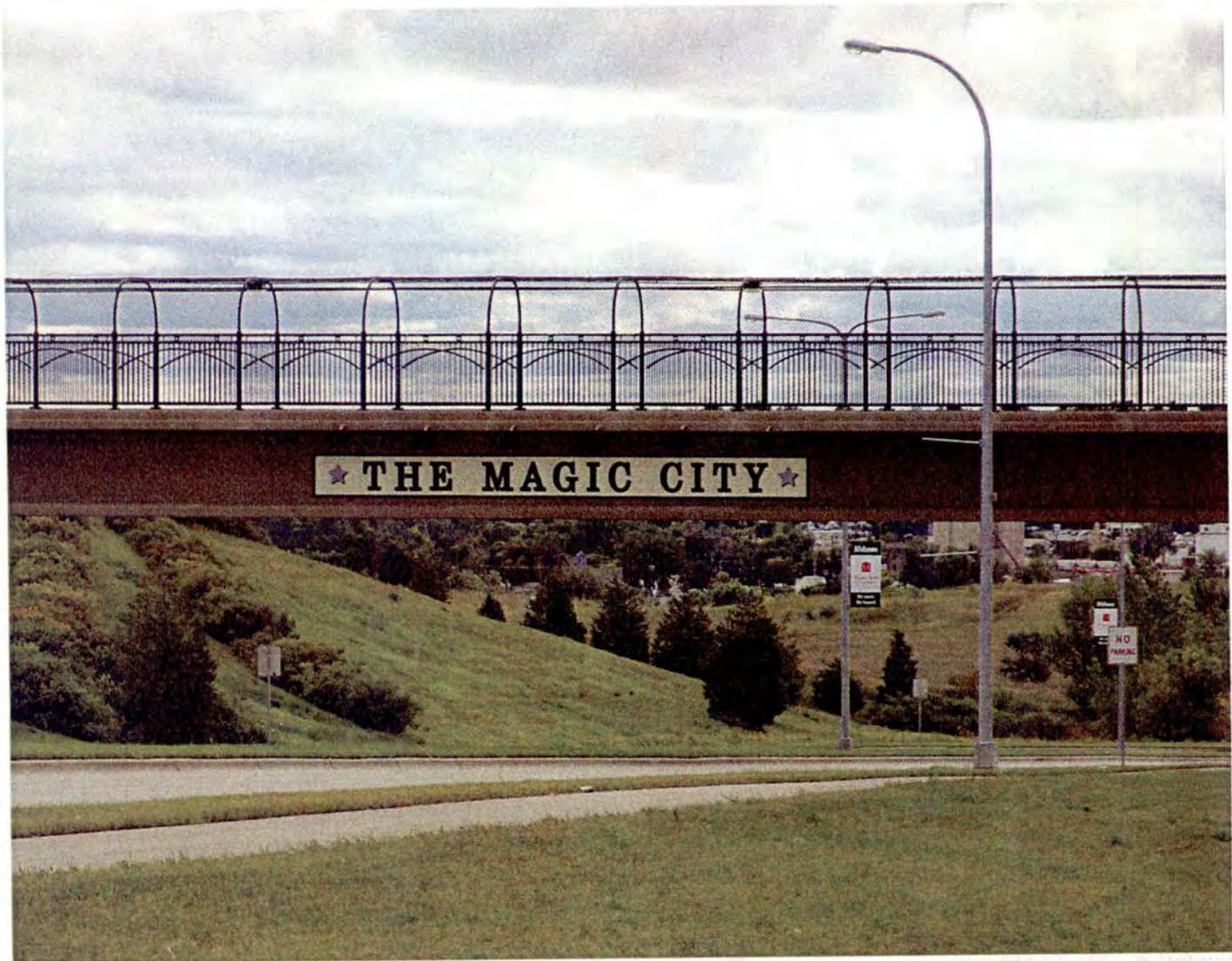
ROADS & INTERSECTIONS

\$185,000,000

The City of Minot would like to be competitive with other communities in receiving public safety oil impact grants.

PUBLIC SAFETY

\$7,300,000



SB 2013
March 19, 2013
Attachment 4

Testimony to the House Appropriations Committee Government Operations Division
Chairman Blair Thoreson
Prepared by Andy Solsvig, Airport Director
City of Minot
Andrew.solsvig@minotnd.org

SENATE BILL 2013

Chairman Thoreson, House Appropriations Committee members, my name is Andy Solsvig and I am the Airport Director of Minot. I am representing the Minot International Airport to support funding of Senate Bill 2013.

This bill recommends funding sixty-million dollars (\$60,000,000) for grants to commercial and general aviation airports impacted by oil and gas development. The Minot International Airport (MOT) has been, and continues to be, greatly impacted by oil and gas development. Between 1995 through 2009, the average annual enplanements equaled seventy-six thousand (76,000) passengers. In 2009, the airport reported nearly 70,000 passenger enplanements due to the national economy at that time. Each year since 2009, and during the exponential growth of the oil industry in western North Dakota, MOT has experienced significant double-digit increases in passenger activity. For year-end 2012, enplanements exceeded 224,000, more than three-times what was reported in 2009 and in a short three-year period. By 2021, the Minot Airport could reach 400,000 enplanements according to forecast estimates.

Surveys of license plates in the airport parking lot reports more than seventy (70%) percent, on average, of the vehicles are from out-of-state or Canada. The number of trucks within the parking lot is estimated at eighty (85%) percent of the total vehicles. This high percentage of trucks is associated to the oil activity in the region.

On pages six through nine of the Energy Impacts to Minot brochure you can read more specifics on how oil development is impacting the Minot International Airport and what our plans are moving forward. As of this month, the City of Minot is ninety (95%) percent complete on the design of a new commercial terminal building with one-hundred (100%) percent completion by the end of April making this project shelf ready when funding becomes available. The current terminal was completed in 1991 with approximately 34,000 square feet and enough space to handle two airlines and about 100,000 enplanements. MOT is now operating four different airlines out of two gates and more than tripled the air service and passengers from 2009.

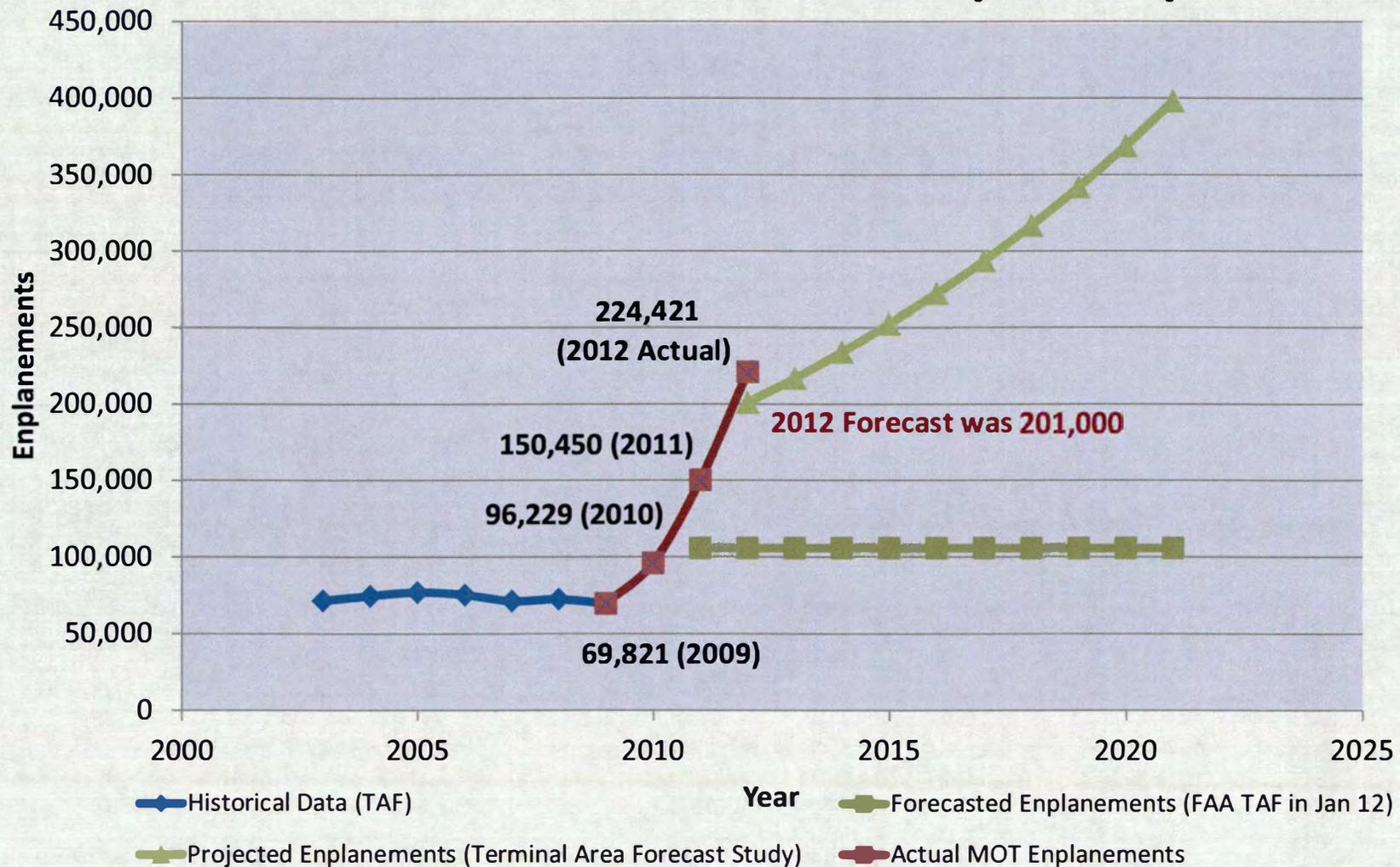
The new terminal will be approximately one-hundred thousand (100,000) square feet and adequate in size to handle future growth with the ability to expand; however, the City needs approximately \$25 million of the total funding proposed in this bill to ensure timely completion of the terminal and associated projects. It is also important that **both** federal and local funds are eligible for a match to the state funds. As you can see by the pie chart at the top of page seven, the City and FAA are putting significant funding toward this project. We consider this a three-legged stool in cost sharing; a Federal portion (42%), a Local portion (29%), and a State portion (29%). Due to the urgent nature of the terminal building and associated projects, as a result of energy impacts and economic growth, the state funding is requested to ensure we deliver facilities and operations conducive to handle Minot's current and future passenger demands.

I encourage a **DO PASS** on Senate Bill 2013.

Thank you for allowing me time to detail the Minot International Airport's support for this bill and our concerns as it relates to oil and energy impacts to our airport.

Airport Activity

Minot International Airport Enplanements



*SB 2013
March 19, 2013
Attachment 5.*

North Dakota House Appropriation Committee – Government Operations Division

Senate Bill 2013

March 19, 2013

Mr. Chairman and members of the committee, my name is Matthew Remyse and I am the manager of the Dickinson Theodore Roosevelt Regional Airport. I am here to speak in support of Senate Bill 2013, specifically the \$60 million for Airport Energy Impact Funding

The Dickinson Airport is experiencing significant growth with both commercial and general aviation related to the energy development. Over the past two years the number of commercial passenger boardings has increased by 127% and fuel sales for general aviation have increased 86%. The growth in commercial aviation is going to grow considerably over the next year as both Delta and United Airlines' announced in February that they both will begin service to Dickinson in June complimenting the existing service from Great Lakes Airlines. The addition of Delta and United will add an additional two hundred seats per day to the Dickinson market, and it's estimated that the airports total commercial boardings will increase to approximately 40,000 by the end of year an estimated increase of 66% over 2012.

Delta and United's announcements, and the growth in general aviation, are all great news for Southwest North Dakota and the City of Dickinson. However, the growth has put a heavy burden on the airport's infrastructure. The airport must expand the commercial ramp, modify the commercial terminal, expand its runway safety area, expand parking and add a modular building just to accommodate the two additional airlines. The general aviation ramp is at capacity several days of the week and it needs to be expanded just to accommodate the current traffic. The airport's secondary fire truck and snow removal equipment, which have been added to help meet the demand, are parked outside because currently there isn't enough storage in our buildings. The airport doesn't have enough storage space because other projects took precedence and funding wasn't available to accomplish all the projects.

The Dickinson Airport levies the maximum mills allowed by century code, imposes appropriate fees for operating on the airport and is adding two new sources of revenue (parking and passenger facility charges), however funding these projects remains difficult. Funding from the Federal Aviation Administration is extremely helpful but their funding is limited and the airport

must compete on a national level for funding. In addition to competing on a national level the FAA funding is extremely difficult to obtain in the time constraints the airport has due to the accelerated growth of the airport. Locally the City of Dickinson has upwards of \$70 million in infrastructure needs in the next biennium and it is unlikely the City of Dickinson will be able to assist the airport with funding for projects. In the past if funding was not available the airport had the option of deferring the project and living with inconvenience until the project could be funded. However the airport no longer has the option of deferring these projects and without additional funding from the State of North Dakota the airport will have no choice but to finance these essential developments.

I would like to add that in 2012 the airport, in an effort to fully understand how much growth would take place and how the airfield would be affected by the growth undertook a master plan study, which will be completed this May. The preliminary results of the study show that the airport is undersized for its current operations. The study further identifies the infrastructure upgrades that are needed to handle the projected growth of the airport. In the next 3 - 7 years the airport will need a new runway, new parallel taxiway, new commercial terminal, general aviation ramp expansion and several other projects to support current and future operations. A preliminary capital improvement plan for the airport was developed and is estimated at \$100 million.

The Dickinson Airport serves all of Southwest North Dakota, a majority of which are oil impacted counties. The growth the airport is seeing is just the beginning and much more is forecasted which will put additional demand on the airport. I encourage the committee to grant the \$60 million for Airport Energy Impact Funding so that the Dickinson Airport and other affected airports can develop in a financially responsible manner and not be burdened by acquiring an unreasonable amount of debt to accomplish projects that are needed for long term sustainable growth.

Thank you for the opportunity to present to you today. I ask that you please act favorably on Senate Bill 2013 including the \$60 million for Airport Energy Impact Funding.

SB2013
March 19, 2013
Attended 6

March 19, 2013

Testimony on Senate Bill 2013

Presented by: Brady Pelton, Deputy Executive Director
ND Association of Oil and Gas Producing Counties

On behalf of: Dan Brosz, Chairman, Executive Committee
ND Association of Oil and Gas Producing Counties

PREPARED FOR:

HOUSE APPROPRIATIONS COMMITTEE

REPRESENTATIVE BLAIR THORESON, CHAIRMAN

In August of 2011, the North Dakota Association of Oil and Gas Producing Counties (NDAOGPC) partnered with the Southwest REAP Zone and the REAP Investment Fund on a successful application for a U.S. Department of Housing and Urban Development Regional Planning Grant (\$1.5 million) which was matched with funds from the North Dakota Energy Infrastructure and Impact Fund (\$300,000). Additionally, locally matched in-kind dollars of approximately \$600,000 were dedicated towards the regional planning project. The combined federal, state, and local dollars continue to be used to create a grass-roots planning effort to address the issues and create a road map toward the future for citizens within the state's oil and gas producing counties.

Part of the planning project, termed "Vision West ND", was to complete needs assessments for communities within the state's oil and gas producing counties. Many of the smaller communities in this region do not have the funds to complete such needs studies. Part of the HUD planning grant funds, along with funding from the NDAOGPC and other partners, was used to study 25 such communities. There was simply not enough money to study all 125 communities in the eighteen counties, so a sampling from north to south was chosen. This sampling gives us an idea of the infrastructure needs typical of many, if not most, of the communities in western North Dakota.

The assessments included water treatment, distribution, and storage. Wastewater collection and treatment were also included, along with some street additions and upgrades. The results of the 25 assessments concluded that, collectively, \$13 million is needed for water treatment and \$62 million is needed for water distribution and storage. The needs for wastewater treatment within the sampled communities are \$102 million. Wastewater collection needs total \$49 million. The needs for street additions and improvements are at \$81 million. The total, based on this assessment, is \$306 million. If this is typical for these communities, which we believe to be true, the needs of all the small communities would be about four times larger or at approximately \$1.2 billion. This, of course, does not include some of the mid-size communities such as Tioga, Stanley, or Watford City. The "hub" cities in western ND, i.e. Williston, Dickinson, and Minot, have their own assessments that were completed separately from those done through Vision West ND.

The purpose of the study was to determine the infrastructure needs caused by the increase in housing development, commercial activity, and other impacts arising from oil and gas industry development. Ultimately, it will be up to the local citizens and leaders of the oil

impacted region to prioritize these and other projects by order of necessity. As many of these important projects as possible will be completed, based on a combination of limited local funds and available state funds.

The raising of the oil and gas impact grant fund to \$224 million, of which \$150 million may be used for these types of projects, is welcomed. Of course, more is needed if there could be additional money appropriated. These communities need all the help they can get in keeping up with the rapid pace of development in the region. They are doing the best they can to help house and service the ever-growing energy industry.

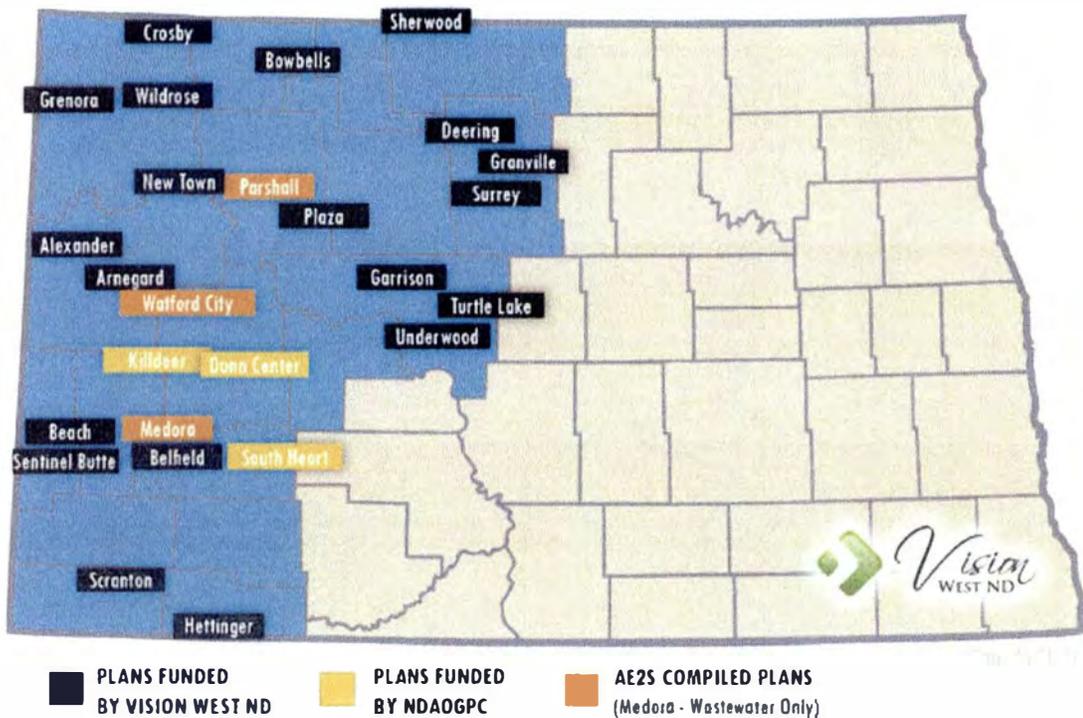
A breakdown of the identified needs for each community receiving a Vision West ND infrastructure assessment is attached. If you would like to receive more detail, we would be happy to return at a later date to introduce the company that carried out the assessments. The company could share in greater detail the methods used in determining the infrastructure needs. The Vision West ND web site at www.visionwestnd.com also features the complete study.

Thank you very much for your time and your efforts in helping our western communities endure and thrive through these challenging times. If you would like further information, we would be glad to get it for you.

Dan Brosz, Chairman, Executive Committee
ND Association of Oil and Gas Producing Counties

VISION WEST ND

Municipal Infrastructure Assessments



VISION WEST ND

MUNICIPAL INFRASTRUCTURE ASSESSMENTS

25 COMMUNITIES - 2012

City	Water Treatment	Water Distribution	Wastewater Treatment	Wastewater Collection	Streets	Total
Alexander	\$ 4,920,455	\$ 6,426,545	\$ 9,783,000	\$ 3,699,000		\$ 24,829,000
Arnegard		\$ 6,813,000	\$ 5,774,000	\$ 4,426,000		\$ 17,013,000
Beach			\$ 4,391,000	\$ 2,100,000		\$ 6,491,000
Belfield		\$ 2,622,000	\$ 3,508,000	\$ 1,621,000	\$ 10,580,000	\$ 18,331,000
Bowbells		\$ 7,445,000	\$ 7,896,000	\$ 6,268,000	\$ 3,235,000	\$ 24,844,000
Crosby		\$ 1,693,000	\$ 8,240,000	\$ 1,336,000	\$ 2,816,000	\$ 14,085,000
Deering		\$ 644,000	\$ 772,000		\$ 176,000	\$ 1,592,000
Dunn Center		\$ 5,325,000	\$ 4,849,000	\$ 1,248,000		\$ 11,422,000
Garrison		\$ 2,817,000	\$ 6,706,000	\$ 4,957,000	\$ 5,143,000	\$ 19,623,000
Granville		\$ 1,046,000	\$ 129,000	\$ 1,550,000	\$ 878,000	\$ 3,603,000
Grenora		\$ 4,494,000	\$ 4,139,000	\$ 2,022,000	\$ 6,928,000	\$ 17,583,000
Hettinger		\$ 432,000	\$ 477,000	\$ 2,459,000	\$ 18,811,000	\$ 22,179,000
Killdeer		\$ 7,353,000	\$ 6,271,000	\$ 6,588,000	\$ 1,817,000	\$ 22,029,000
Medora			\$ 8,862,000			\$ 8,862,000
New Town	\$ 7,995,000		\$ 3,431,000		\$ 4,716,000	\$ 16,142,000
Parshall		\$ 80,000	\$ 3,800,000	\$ 7,124,000	\$ 16,758,000	\$ 27,762,000
Plaza		\$ 2,314,000	\$ 2,258,000	\$ 380,000	\$ 572,000	\$ 5,524,000
Scranton		0	0	0	0	\$ -
Sentinel Butte			\$ 1,105,000			\$ 1,105,000
Sherwood		\$ 1,648,000	\$ 1,004,000		\$ 3,201,000	\$ 5,853,000
South Heart		\$ 5,152,000	\$ 6,938,000	\$ 550,000		\$ 12,640,000
Surrey		\$ 3,001,000	\$ 5,669,000	\$ 752,000	\$ 4,886,000	\$ 14,308,000
Turtle Lake		\$ 1,083,000	\$ 732,000		\$ 203,000	\$ 2,018,000
Underwood		\$ 640,000	\$ 1,593,000	\$ 204,000		\$ 2,437,000
Wildrose		\$ 1,148,000	\$ 3,178,000	\$ 1,407,000		\$ 5,733,000
Totals	\$ 12,915,455	\$ 62,176,545	\$ 101,505,000	\$ 48,691,000	\$ 80,720,000	\$ 306,008,000

Riaz A. Aziz

NORTH DAKOTA'S AIRPORT INFRASTRUCTURE NEEDS






March 10, 2013

Upper Midwest Aviation Symposium

NORTH DAKOTA POPULATION

- Minot Region**
 - Burke
 - Renville
 - Bottineau
 - Mountrail
 - Ward
 - McHenry
 - Pierce
- Williston Region**
 - Divide
 - Williams
 - McKenzie
- Dickinson Region**
 - Golden Valley
 - Billings
 - Dunn
 - Slope
 - Stark
 - Hettinger
 - Bowman
 - Adams

Source: Dean & Nancy M. NDSU - Agribusiness and Rural Economics

Upper Midwest Aviation Symposium

NORTH DAKOTA POPULATION POTENTIAL (000's)

- Minot Region**
 - Burke
 - Renville
 - Bottineau
 - Mountrail
 - Ward
 - McHenry
 - Pierce
- Williston Region**
 - Divide
 - Williams
 - McKenzie
- Dickinson Region**
 - Golden Valley
 - Billings
 - Dunn
 - Slope
 - Stark
 - Hettinger
 - Bowman
 - Adams

Source: Dean & Nancy M. NDSU - Agribusiness and Rural Economics

Upper Midwest Aviation Symposium

NORTH DAKOTA'S AIRPORT INFRASTRUCTURE NEEDS

We are experiencing a migration effect.

Source: Riaz A. Aziz

Upper Midwest Aviation Symposium

U.S. ON FAST TRACK TO ENERGY INDEPENDENCE

FEBRUARY 12, 2013

"The U.S. is a winner in many ways . . . because of oil and shale gas production, made possible by "fracking" & other non-conventional drilling technologies."



"Crude oil generated the largest single increase in liquids production in U.S. last year. Oil production is booming in Texas and North Dakota, which has the lowest unemployment in the country."

Riaz A. Aziz

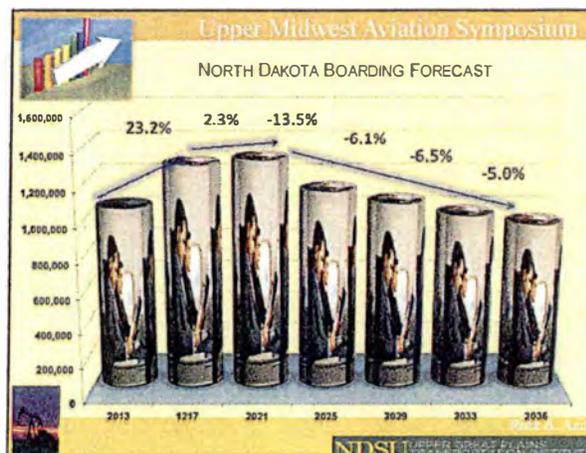
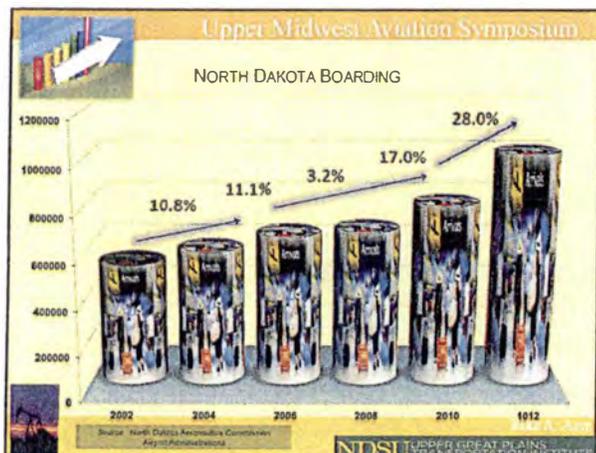
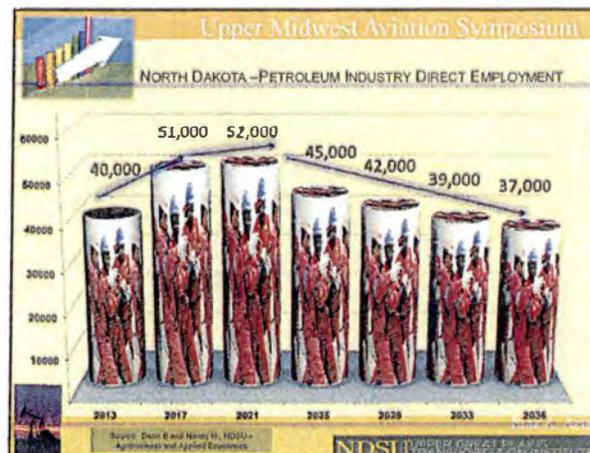
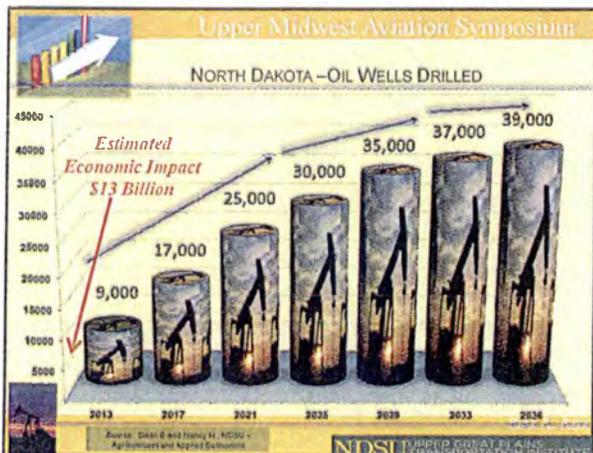
Upper Midwest Aviation Symposium

NORTH DAKOTA OIL PRODUCTION (BARRELS / DAY)

Approx. 600,000

"Black Gold, North Dakota Tea"

Source: IED Dept. of Mineral Resources



Upper Midwest Aviation Symposium

ESTIMATED COMMERCIAL AIR SERVICE AIRPORT CAPITAL NEEDS: 2013 TO 2022

Total Cost		
2013 – 2017	\$417.0 Million	
2018 – 2022	\$116.0 Million	
Grand Total	\$533.0 Million	
Average Per Year	\$53.3 Million	

Source: Deane & Nancy H. NDSU - Agribusiness and Natural Resources

Upper Midwest Aviation Symposium

ESTIMATED GENERAL AVIATION AIRPORT CAPITAL NEEDS: 2013 TO 2022

Total Cost		
2013 – 2017	\$130.5 Million	
2018 – 2022	\$152.5 Million	
Grand Total	\$283.0 Million	
Average Per Year	\$28.3 Million	

Source: Deane & Nancy H. NDSU - Agribusiness and Natural Resources

Upper Midwest Aviation Symposium

ESTIMATED CAPITAL NEEDS
COMMERCIAL AND GENERAL AVIATION AIRPORTS

Total Cost

- 2013 - 2017 \$548 Million
- 2018 - 2022 \$268 Million

Grand Total \$816 Million

Average Per Year

- 2013 - 2017 \$109.6 Million
- 2018 - 2022 \$ 53.6 Million



Ray A. Azz

NDSU UPPER GREAT PLAINS TRANSPORTATION INSTITUTE

Upper Midwest Aviation Symposium

THE FEDERAL GOVERNMENT IS A PARTNER
SUPPORTING AVIATION NEEDS IN NORTH DAKOTA

The Federal Aviation Administration provides essential funding for aviation infrastructure. In 2012, the federal government provided a record level of airport infrastructure grants for North Dakota in the amount of \$51.1 million

This was an increase of \$22.6 million or 79 percent over the average of the previous 5 years



Federal Aviation Administration

Ray A. Azz

NDSU UPPER GREAT PLAINS TRANSPORTATION INSTITUTE

Upper Midwest Aviation Symposium

MAKING A CASE FOR TRANSPORTATION
DECEMBER 05, 2012

At the request of the Legislature, UGPTI reported on the State's transportation investment needs, including:

- County and township roads in oil producing as well as other counties and the status of bridges deemed poor, critical, or in serious condition.



Ray A. Azz

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MAKING A CASE FOR TRANSPORTATION
DECEMBER 05, 2012

The Legislature did not request an update on the infrastructure needs at airports, runways, taxiways, terminals, tarmacs, etc.

- No mention of the 10 percent or (\$5 million per year or \$10 million per biennium) matching funds needed to secure federal funding
- Nor any mention that the NDAC continuous to receive funding (from general) to airports at the 1987 level
- No mention of \$97 million shortfall forecasted for airports from 2013 to 2015



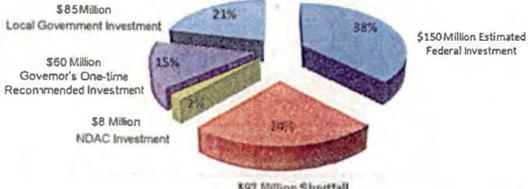

Ray A. Azz

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Upper Midwest Aviation Symposium

NORTH DAKOTA'S AIRPORT
INFRASTRUCTURE NEEDS

Capital Investment Needed - 2013 to 2015



\$85 Million Local Government Investment (21%)

\$60 Million Governor's One-time Recommended Investment (15%)

\$8 Million NDAC Investment (7%)

\$150 Million Estimated Federal Investment (38%)

\$97 Million Shortfall

Ray A. Azz

NDSU UPPER GREAT PLAINS TRANSPORTATION INSTITUTE

Upper Midwest Aviation Symposium

NORTH DAKOTA'S AIRPORT
INFRASTRUCTURE NEEDS

- To ensure that North Dakota airports provide safe and effective transportation, including but not limited to passenger air service, air charter, air freight, air ambulance, and agriculture services:
- NDAC will need \$10 million per biennium to facilitate meeting the 10 percent match needed to secure federal investments in North Dakota. The match may include a combination of funds, including, but not limited to; state, airport authorities, cities and counties. These funds would also facilitate leveraging increased federal funding for airport projects that are a priority for the State and also fund projects that may not be funded by the federal government.

Ray A. Azz

NDSU UPPER GREAT PLAINS TRANSPORTATION INSTITUTE

Upper Midwest Aviation Symposium

NORTH DAKOTA'S AIRPORT INFRASTRUCTURE NEEDS

- To ensure that public investment in air transportation infrastructure, including, but not limited to runways, taxiways, terminals, parking, and security are maintained at current and future safety standards and provide an adequate return on investment to the tax payers of North Dakota:
 - NDAC will need \$50 million per year for the next 9 years to secure the future of the state's airports and related infrastructures



Riaz A. Aziz

Upper Midwest Aviation Symposium

NORTH DAKOTA'S AIRPORT

If you have questions, please do not hesitate to contact:

Riaz A. Aziz
North Dakota State University
Upper Great Plains Transportation Institute
Air Services Planning Center
Email: riaz.aziz@ndsu.edu
Phone: 701-231-5607



Riaz A. Aziz

House Appropriations – Government Operations Division
Engrossed Senate Bill No. 2013**UNIQUE CHALLENGES**

Dickinson, like all of western ND is facing severe economic pressures such as increased housing and rental costs, increased wages, and increased costs for most consumer goods. DSU's faculty and staff are trying to cope with these issues.

Population

- 2010 U.S. Census recorded 17,787 residents in Dickinson
- Current estimated population of Dickinson is 25,000
- Recent growth study estimates Dickinson population to reach 42,000 by 2020
- According to a recent article in the *Dickinson Press*, the U.S. Census Bureau ranks Dickinson as the third fastest-growing micro area in the United States with a population increase of 1,624 from July 1, 2011 to July 1, 2012, a 6.5 percent increase.

Employee Turnover and Administrative Transitions

- Employee turnover rate was 17.77% in FY 2011 and 18.84% in FY 2012
- Many DSU employees are now being actively recruited by local businesses. Head hunting at a local level is a new phenomenon for DSU
- It is becoming more difficult to find employees. Formerly, many staff positions would generate applicant pools of 20-30 candidates. Now, often there are no more than 5 or 6 and a number of them do not the minimum qualifications. In February 2012, DSU advertised a clerical vacancy. Six applications were received – none of them complete
- New hires are accepting the positions "conditionally" pending the ability to find daycare and the ability to pay for daycare
- Additional expenses were incurred during searches for qualified employees as well as compensation for transitional periods that occurred as a result of 20 senior leadership position changes

Wages

- Per job service ND, the average weekly wage in Stark County has increased 57% (\$696 to \$1,095) from the first quarter of 2010 to the second quarter of 2012
- Second quarter 2012 average annual wage rate in Stark County is 26% higher than the average annual wage rate at Dickinson State University

Stark County	\$56,940
DSU	\$45,062

- The unemployment rate in Stark County is 2.0% per Job Service ND.

Housing:

- Average selling price of homes in Dickinson has increased 44% since March 2010
- Current apartment vacancy is .5%. (*4% is standard in a "healthy" economy*)
- Average apartment rental is approximately \$800 for a one bedroom, \$1600 for a two bedroom and \$2400-\$3000 for a three bedroom (Source: Continental Real Estate, Dickinson)
- It takes \$9.24 per hour just to pay for rental of a two bedroom apartment. (*DSU starts clerical and custodial help at \$9.72-\$11.06 per hour, depending on experience*)
- Lack of affordable housing has also had an impact on perception of affordability with prospective student families

Consumer Prices

- Prices for products in the area continue to rise. Restaurant and retail food suppliers estimate increasing prices this year of 2-3% above the expected national food price increases. Fuel costs in Dickinson are among the highest in the region.
- Inflation factors relative to capital projects – Dickinson City Hall renovations was estimated to cost \$230,000 – no bidders; Stark County Courthouse – one bid of \$288,000; New Dickinson elementary school – ten bidders, all out of state contractors; Dickinson State University parking lot overlay – one bid received.

Safety and Security

Dickinson State has two safety/security officers who handle evening and overnight schedules. During the day, DSU depends on the Dickinson Police Department. To date, there have been few major situations on the campus. With the two situations which have occurred recently, the Dickinson Police Department has responded swiftly and has coordinated responses with other law and safety agencies. However, there is a perception that there are looming serious safety and security issues. A student organization and faculty advisor are sponsoring workshops on safety and self-defense for students, faculty, and staff. Parents of current or potential students are expressing significant anxiety regarding safety and security at DSU. There have been a number of anecdotes this year indicating that parents and school counselors of potential students are suggesting colleges outside the region.

Expectations of Business and Industry and Prohibiting Factors to Meet Expectations

Business and industry are seeking well-trained personnel across a broad spectrum of skills and careers. They need many people they need them now! Many of the needs are in specialized training to meet the needs of the energy industries. There is also significant interest in some limited graduate education programs.

SB2013
March 19, 2013
Attachment 9

SB 2013 Land Office Budget- Oil patch airport funds

Good morning, Mr. Chairman and members of the committee,

My name is Larry Taborsky. My title is director of the Aeronautics Commission and I am here in support of Senate Bill 2013.

The airports in the western part of the state have been severely impacted by the oil business, and it is due to this impacted activity that increased infrastructure and capabilities of these airports needs to be supported:

- Airline service airports are breaking boarding records monthly.
- Airport terminals and parking areas are beyond capacity.
- The general aviation airports are handling larger and more aircraft than they were designed for.
- In Watford City, the wheel of a jet fell through the crumbling pavement.
- In Williston, aircraft park on the taxiways because there is no more room on the parking ramp.
- In New Town, jets come and go on a runway which is designed for light aircraft.

We have a strong representation from the airports across the state here today, so I'll let them tell their stories first-hand.

The proposed airport funding will be put to good use. The Aeronautics Commission has a sound method of ensuring that the oil tax funds are used to provide the most benefit for the state. The commission has strong ties with the airports, consultants, and the Federal Aviation Administration. The commission has a state-wide and nation-wide perspective on the needs of aviation in North Dakota, and would be best suited to prioritize the many requests that will be made for these funds. I recommend that the Aeronautics Commission be used for airport grant decisions by the Energy Infrastructure and Impact Office.

Security Entrance ↑
Gates 1-2 ↑

FRONTIER





SB 2013
March 19, 2013
Attachment 10



Airport Association of North Dakota

Timothy J. Thorsen- President Matthew Remyse - Vice President
Lori Jury - Sec. / Treasurer
3561 Sheyenne Circle, Valley City, North Dakota 58072
(701) 390- 4258 or (701) 845-1558

March 19, 2013

Re: Testimony to House Government Operations Subcommittee Committee on SB 2013

Chairman Thoreson and committee members:

- Thank you for the opportunity to provide information to this committee. My name is Tim Thorsen, I am the President of Airport Association of North Dakota (AAND). I am Operations Manager of Bismarck Airport since July 1996. AAND supports Governor Dalrymple's proposed \$60 Million for impacted airports in the land trust budget.
- On March 8, 2013 I spoke about the needs across the state. I will focus in on the needs of oil impacted airports. My comments refer to the two page handout given earlier and the list of capital improvements given out by the Aeronautics Commission.
- North Dakota aviation is a vital link to all of North Dakota's major economic drivers: agriculture, energy, manufacturing, tourism, technology and healthcare. It produces nearly 2 billion dollars in annual economic benefit to the state and employs more than 19,000 people.

- The state's aviation system is severely underfunded and the state is at risk of losing a vital driver of the state's economic development, quality of life and emergency service providers.
- Here are some striking examples of impacts. At Bismarck we have had 3 consecutive enplanement records. In 2011 we had just over 196,000 passenger enplanements. We finished 2012 with 236,172. We have added a 4th boarding bridge, added a second screening lane and started a 4th parking last summer. We are planning a 5th expansion of 350 parking stalls right now. Contrast this to Minot.
- Minot ended the year with enplanements up over 50% with over 220,000 enplanements operating in a facility 1/3 Bismarck's size. Frontier's new service in Minot will add more than 5,300 seats to Minot's market next year. Minot's seat capacity increased 53% in the last year. Williston with new Delta and United service now has 250 new seats most days in their market and could grow from a record this year near 30,000 enplanes to potentially around 80,000 enplanes this year. Dickinson starts commercial regional jet service with Delta and United Airlines in June. With 72,000 seats added to annually to their market they are poised to break records.
- Minot's needs include a new terminal, taxiways, service roads, aprons and parking by itself between \$80-100 million in needed improvements. Williston is doing site selection for moving the airport and needs approximately \$150 million and would need this amount of improvements even if the airport did not move.

- Similar to roads which are experiencing larger vehicles and lots more of them, Airports in the oil-impacted areas are not built to handle the volume or size of larger aircraft they are experiencing now.
- General Aviation airports that have not seen significant development in 20 years are now seeing significant hangar development. Stanley just built a taxiway to facilitate the development of up to 7 hangars and all 7 hangar spots are spoken for. Watford City and has immediate needs to reconfigure for increased length, span and weight of business aircraft. Ramps are too small to taxi past aircraft on ramps. Bowman is relocating its airport and has started construction. Needs of impacted GA airports are not speculative but immediate.
- I want to point out we have Minot, Dickinson, Grand Forks and Bismarck here supporting the Governor's proposal and available if you have questions.
- We have provided a handout for your later reference. I thank you for the opportunity to speak in support of the \$60 Million for impacted airports.

SB2013
March 19 2013
Attachment 11

Testimony for Senate Bill 2013

My name is Ward Koeser and I serve as mayor of Williston. I have held this position for 18 plus years and am pleased to address your committee this morning in support of Senate Bill 2013, especially as it relates to energy impact grants.

Williston is truly the epicenter when it comes to oil activity in Western North Dakota. It is the home to over 400 oil field service companies with nearly 40% of our workers employed in the oil industry. Nearly 65% of North Dakota's oil and gas employment comes from Williams County. Williston's central location in the Bakken makes it economically and logistically appealing for companies wishing to service this industry. Approximately 90% of the wells drilled and currently being drilled are within 75 miles of Williston.

All this activity has generated tremendous dollars for the state of North Dakota. Williston continues to lead the state in taxable sales and purchases with \$952,804,340 reported for the third quarter of 2012. Williams County generated over 28% of all of North Dakota's total in-state taxable sales and purchases for that quarter.

We have promoted and are pleased with the fact that the economic benefits from this activity are felt across the state. Companies from nearly every city have found ways to get involved whether it be by selling products to the industry or assisting with the construction going on in Williston. Total building permits issued by the city for 2012 were \$470,000,000, substantially higher than anywhere else in North Dakota.

This booming industry has brought many blessings but also brought many challenges to Williston. Providing services to the thousands of people moving here is very expensive. Addressing the need for a new and expanded sewage treatment facility will cost the city about \$85,000,000 alone while just providing the expanded police, fire and ambulance protection as well as public works, planning and building inspectors adds millions to our budget. 2013 operating costs have increased nearly \$15 million from the 2012 budget.

News media from all over the world have visited our community these past two years and without fail have reported that there is nowhere else in the country with this kind of activity. We truly are "Boomtown USA"!

Oil impact grants are a great way for the state to support the oil producing community and make sure that the proper infrastructure is in place for the industry to sustain itself and even grow. Williston is pleased to do our part to service the industry but we desperately need help

from the state. The oil impacts we are seeing are blessing the state with billions of dollars of revenue.

Please support our community by supporting SB 2013. It will be a great investment in North Dakota's future and a way for all communities impacted by the oil industry to help meet their infrastructure needs.

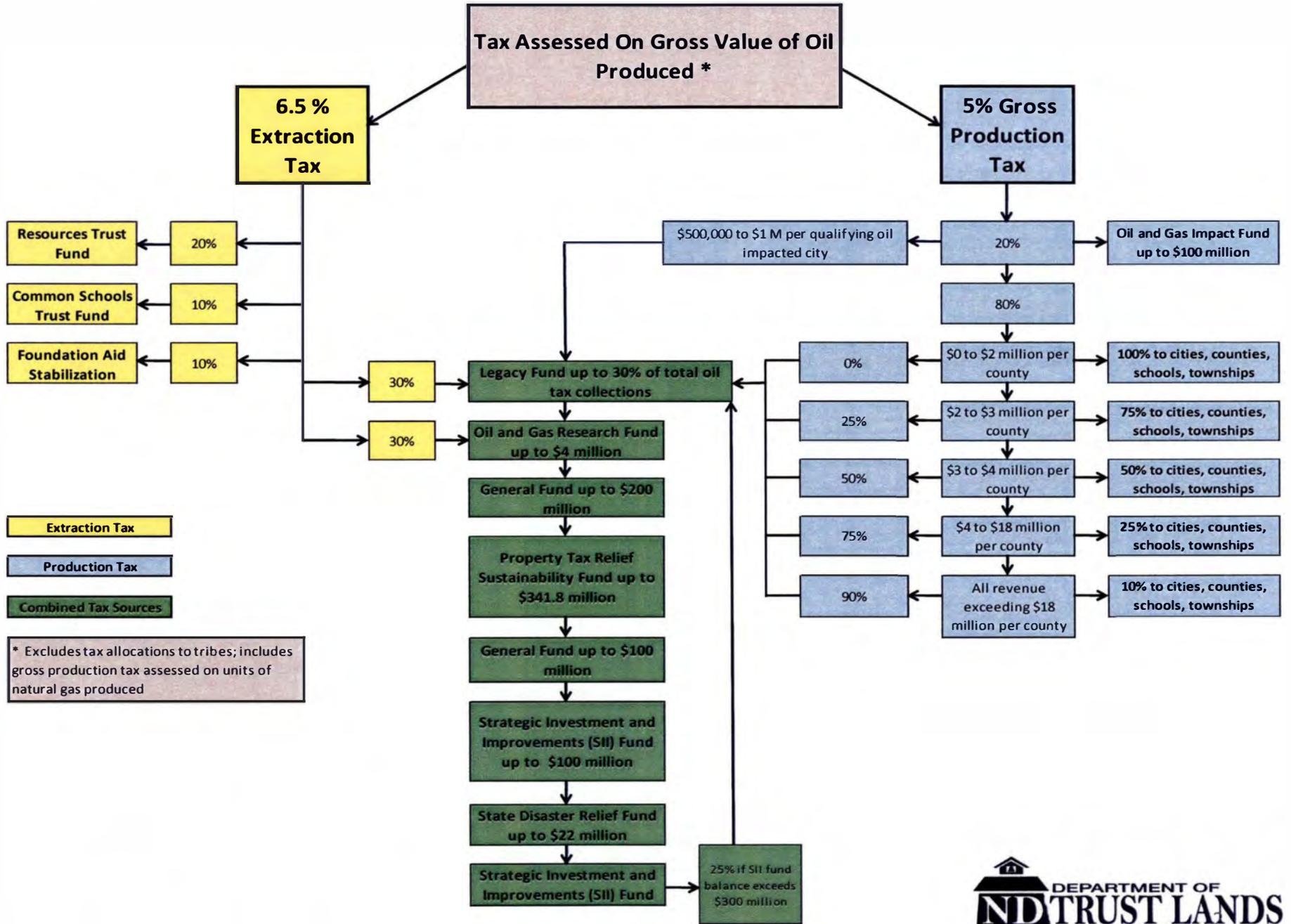
SB 2015
 March 19, 2013
 Attachment 12

Bill	STRATEGIC INVESTMENT AND IMPROVEMENTS FUND BILLS	3/19/13
<u>HB 1315</u>	Relating to designation of a portion of the oil and gas impact grant fund for cultural grants to cities and counties; and to provide a transfer.	BILL DEAD
<u>HB 1319</u>	Relating to determination of state aid payable to school districts; to amend and reenact sections 15.1-09-33, 15.1-09-39, 15.1-09-40, 15.1-09-47, 15.1-09-48,.	\$200 MILLION FROM SIIF FOR SCHOOL CONSTRUCTION LOANS
<u>HB 1358</u>	Relating to definitions under the oil and gas gross production tax; to amend and reenact sections 57-51-15 and 57-62-05 of the North Dakota Century Code, relating to oil and gas gross production tax allocation and the impact aid	\$206 MILLION FROM SIIF, PLUS UNKNOWN BACKSTOP OF GPT DISTRIBUTIONS TO POLITICAL SUBS
<u>HB 1374</u>	A BILL for an Act to create a supplemental energy impact grant program and fund; to provide for a transfer; to provide an appropriation; and to provide an	BILL DEAD
<u>HB 1426</u>	Relating to allocation of the oil extraction tax development fund; and to provide an effective date.	\$1 MILLION FROM SIIF FOR BND CREDIT ENHANCEMENT
<u>SB 2006</u>	A BILL for an Act to provide an appropriation for defraying the expenses of the North Dakota aeronautics commission.	\$6 MILLION FROM SIIF FOR GRANTS UNDER 2-05-06.5
<u>SB 2012</u>	Relating to department of transportation motor vehicle branch offices and the issuance of license plates; to provide for transfers and contingent transfers; to provide exemptions; to provide for budget section reports; to provide for a legislative management study; and to declare an emergency.	\$27 MILLION FROM SIIF FOR COUNTY & TOWNSHIP BRIDGES
<u>SB 2018</u>	Relating to the energy conservation fund and the research North Dakota Department of Commerce	\$6.5 MILLION FROM SIIF FOR DRONES & USE LEASE GRANT PROGRAM (?) FOR GF AIRBASE

<u>SB 2019</u>	Relating to workforce training board reporting requirements; and to provide for a report to the budget section.	\$3 MILLION FROM SIIF FOR TECH EDUCATION
<u>SB 2187</u>	Relating to a Bank of North Dakota medical facility infrastructure loan program; to amend and reenact section 6-09-47 of the North Dakota Century Code, relating to the medical facility infrastructure loan program; to provide for transfer;	\$12 MILLION FROM SIIF FOR MEDICAL FACILITIES LOANS
<u>SB 2221</u>	A BILL for an Act to provide an appropriation to the department of transportation for grants to counties and townships for improvements to scenic roadways and roadways providing access to recreational areas; and to provide for a transfer.	\$20 MILLION FROM SIIF TO DOT FOR SCENIC & RECREATIONAL ROADS
<u>SB 2287</u>	Relating to the fuel production facility loan guarantee program; to provide an effective date; and to provide an expiration date.	\$25 MILLION FROM SIIF FOR BIO LOAN GUARANTEES
<u>SB 2328</u>	A BILL for an Act to provide an appropriation to the department of transportation for a county and township road bridge rehabilitation and reconstruction program; to provide an appropriation to the upper great plains transportation institute to continue the studies	BILL DEAD
<u>SB 2339</u>	Relating to the financing of housing projects and creation of a public infrastructure revolving loan fund through the public finance authority; to provide an appropriation; and to provide a continuing appropriation.	OK CHANGED TO A STUDY
<u>SB 2351</u>	Relating to the budget stabilization fund, the strategic investment and improvements fund, and oil and gas tax revenue deposits; to provide an effective date; and to declare an emergency.	BILL DEAD

	Trust Land Years of Service	Appr Rtrmnt Eligibility
Director, Surface Management	34	2009
Administrative Assistant	15	2014
Administrator, Unclaimed Property (COO)	22	2014
Director, Investments (CFO)	27	2015
Audit Technician	10	2015
Range and Soils Mngmt Specialist	25	2015
Office Assistant	16	2015
Sovereign Minerals Specialist	25	2016
Administrative Assistant	13	2016
Range and Soils Mngmt Specialist	26	2016
Land Management Specialist	22	2018
Administrative Assistant	15	2018
Accounting Manager	8	2022
Asst Unclaimed Property Admin	7	2025
Asst Energy Impact Director	2	2026
Mineral Title Specialist	2	2029
Computer and Network Specialist	9	2030
Director, Revenue Compliance Division	2	2031
Director, Minerals Management	2	2033
Director, Information Technology	10	2033
Revenue Compliance Auditor	2	2038
Programmer/Analyst	0	2038
Acct Budget Specialist	0	2040
Range and Soils Mngmt Specialist	1	2042

OIL EXTRACTION AND PRODUCTION ALLOCATIONS - 2011-13 BIENNIUM



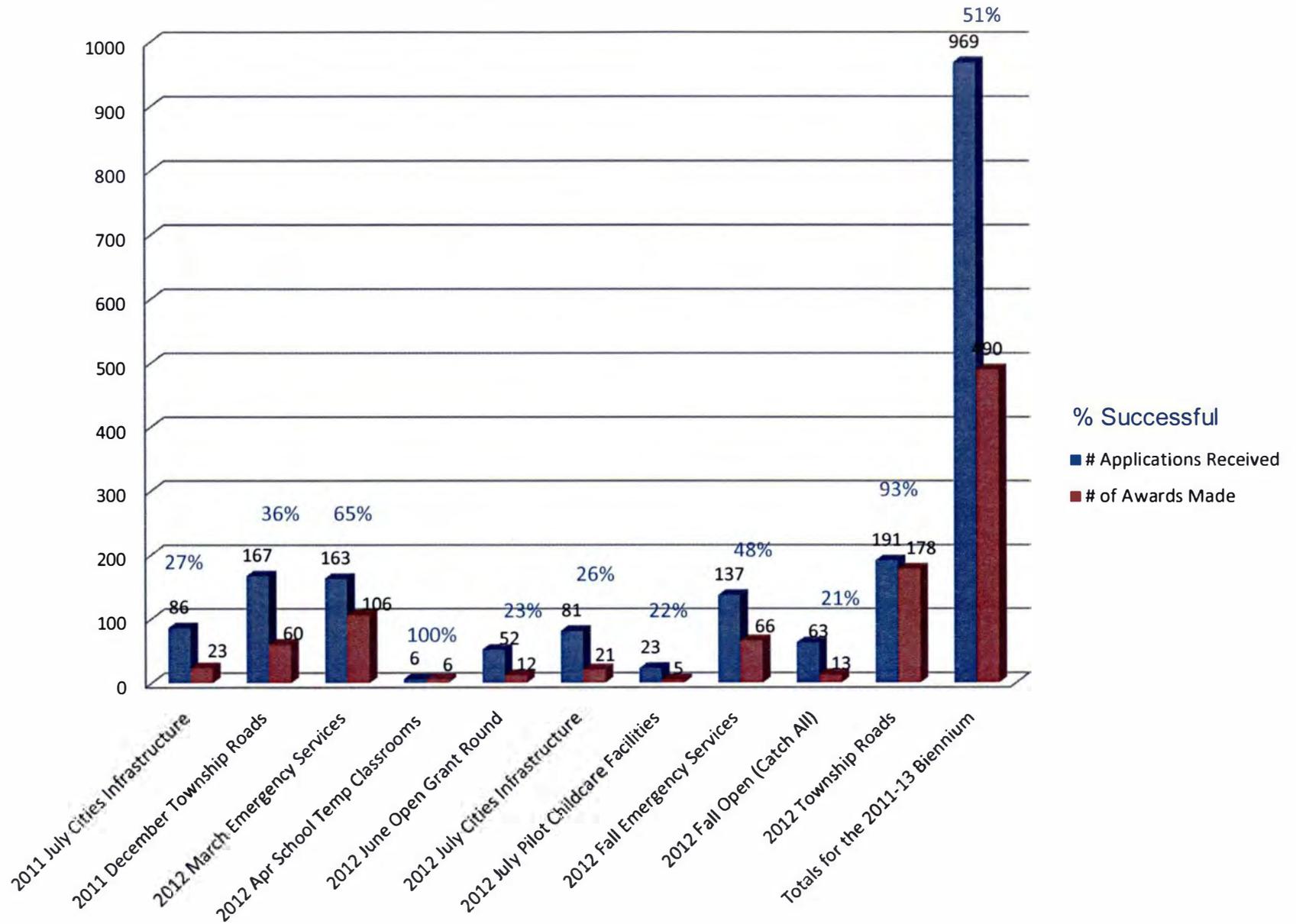
Extraction Tax

Production Tax

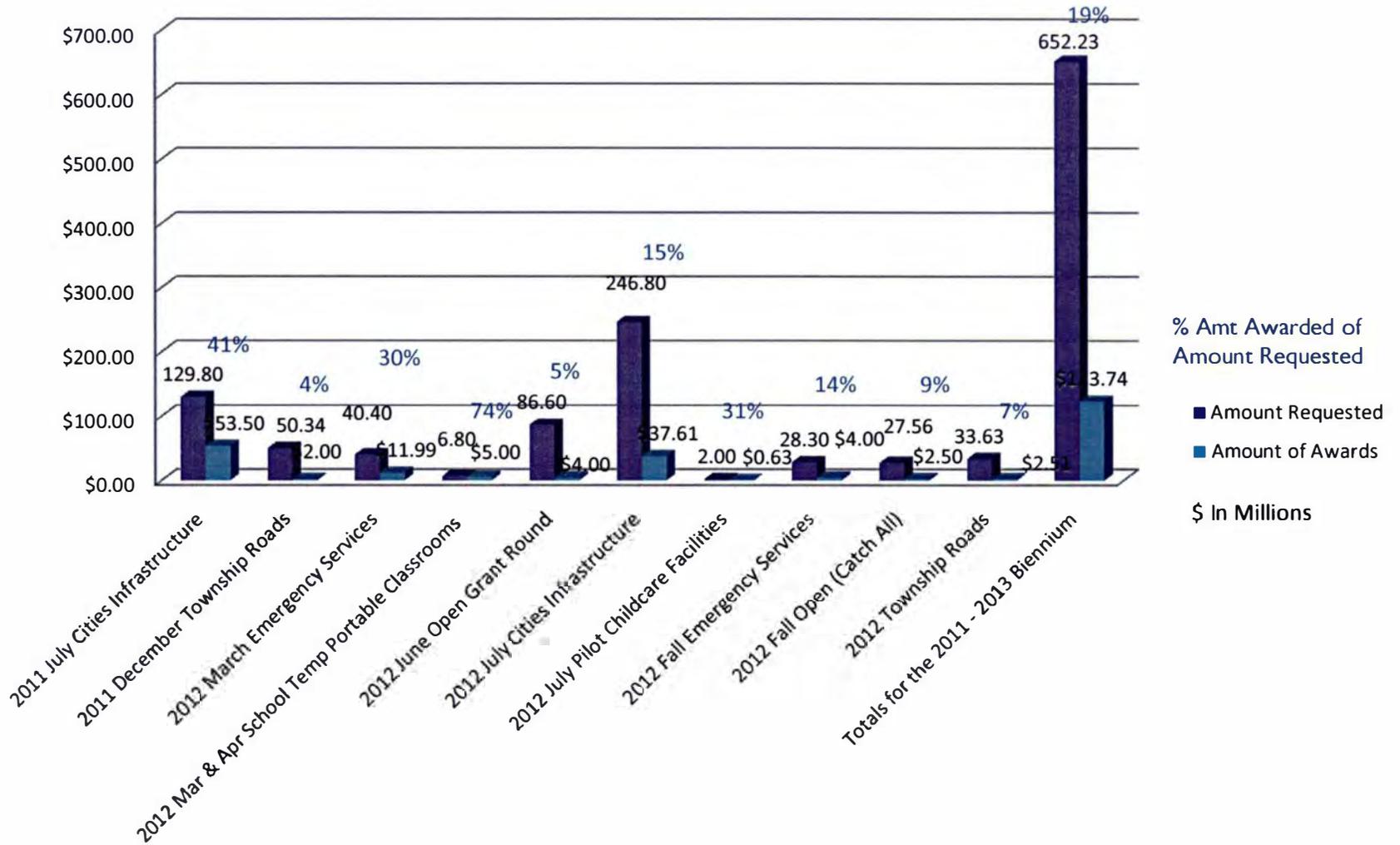
Combined Tax Sources

* Excludes tax allocations to tribes; includes gross production tax assessed on units of natural gas produced

Applications Received vs Awards Made Oil and Gas Impact Grant Fund - 2011-13 Biennium



Amount Requested vs Amount Awarded Oil and Gas Impact Fund - 2011-13 Biennium



SB 2013
March 26, 2013
Attachment 1

**SB 2013 Commissioner of University and School Lands
2013-2015 BUDGET Highlights- all special funds**

Three significant changes

- 1) Substantial increase in the funds distributed to trust beneficiaries, based on constitutional formula of 5% of average permanent fund balance disbursed
 - a. 41% Increase in distributions to trust beneficiaries from \$98,448,000 in the current biennium to \$138,683,996 in 2013-1015 biennium
 - b. Increase in the permanent fund balances from \$1.73 billion in 2011 to current balance of \$2.44 billion

- 2) Six and a quarter additional FTEs and related operating expenses
 - a. Increased workload
 - i. managing the oil and gas mineral leasing and production activity
 - ii. increased surface damage and easement work
 - iii. managing the growing financial asset balances and investments
 - iv. growth in transactions
 - v. implementing an expanded oil and gas impact grant program

 - b. 4.25 FTEs for Permanent Trust and Strategic ~~Infrastructure and Investment~~ ^{Investment and Improvements} Fund management
 - i. Soils and Natural Resource Management Specialist: assist with requests for energy related rights-of-way; requests for aggregate, clay, and fill material; and reclamation compliance for surface impacting activities (currently 2 of 5 surface division FTEs perform similar tasks)
 - ii. Minerals Title Specialist: assist with the management of 10,000 active oil and gas leases on 850,000 mineral acres. Tasks: verification of complex mineral ownership records, review complicated lease provisions, and documentation of lease assignments. (currently 1 of 3 mineral division staff work on these tasks as time permits)
 - iii. Audit Technician: perform the data entry and documentation of royalty collections. 13,000 separate revenue transactions in FY12 included \$192 million of royalty income, 280% higher than 4 years earlier. (currently 1 royalty technician and 2 compliance auditors in revenue division)
 - iv. Administrative Assistant 1 ¼ FTE: assist all divisions with the growth in workload and responsibilities. Support expanded records management, document preparation and tracking and clerical work. (4 ¾ current administrative support FTEs department-wide)

 - c. Provides 2 FTEs for the Energy Infrastructure and Impact Office to support substantial increase in funding; processing more applications, grants; and enhancing compliance. (currently 1.5 FTE within EIO)
 - i. Grants Administrator: application processing, analysis and scoring, grant tracking, data summarization, and project fulfillment
 - ii. Accountant: support functions related to budget management, grant administration and reimbursement verification

- 3) Oil and Gas Impact Grant Fund increase
 - a. The EIO funding increases from a grant program of \$100 million of special funds and \$30 million of general funds; to \$224 million allocated as:
 - i. \$150 million to political subdivisions on a permanent basis
 - ii. One-time \$60 million for airport needs (awards recommended with Aeronautics Commission support)
 - iii. One-time \$4 million for energy impacted higher education needs
 - iv. The Senate added \$10 million for dust control

SB 2013
April 9, 2013
Attached 1

April 2013

OIL AND GAS GROSS PRODUCTION TAX - COMPARISON OF PROPOSED FUNDING CHANGES

This memorandum provides a comparison of formula change proposals under consideration by the Legislative Assembly for distribution of oil and gas gross production tax collections. The schedule below provides information on the estimated distributions for the 2013-15 biennium under current law, the executive budget recommendation, Engrossed House Bill No. 1358 (House version), and the proposed Senate version of Engrossed House Bill No. 1358 with proposed amendments (LC #13.0134.10021).

	Current Law	Executive Budget	Engrossed House Bill No. 1358		
			House Version	Senate Version	Difference
Legacy fund	\$660,600,000	\$660,600,000	\$660,600,000	\$660,600,000	\$0
Oil and gas research fund	2,670,000	2,670,000	2,670,000	2,670,000	0
Tribal share	98,400,000	98,400,000	98,400,000	98,400,000	0
Oil and gas impact grant fund	100,000,000	214,000,000	150,000,000	250,000,000	100,000,000
Oil-producing county infrastructure enhancement fund ¹				50,190,000	50,190,000
Remaining state share	1,146,400,000	799,560,000	651,660,000	707,560,000	55,900,000
Political subdivisions ²	292,490,000 ²	525,330,000 ²	737,230,000 ²	531,140,000 ²	(206,090,000)
Total	\$2,300,560,000	\$2,300,560,000	\$2,300,560,000	\$2,300,560,000	\$0

¹Provisions of Engrossed House Bill No. 1358 with Senate amendments (LC #13.0134.10021) reflect this amount being deposited in the oil and gas impact grant fund, but the appropriation to the Department of Transportation is from the oil-producing county infrastructure enhancement fund.

²The amounts allocated to political subdivisions include the amounts allocated under North Dakota Century Code Section 57-51-15(1) related to the 1 percent of the 5 percent oil and gas gross production tax.

In addition to changing the distribution formula, the House and Senate versions of Engrossed House Bill No. 1358 provide appropriations for the 2013-15 biennium, as shown in the schedule below.

	House Version	Senate Version	Difference
General fund appropriations			
Job Service North Dakota - Data collection	\$150,000	\$120,000	(\$30,000)
Department of Transportation - Road projects in counties that receive less than \$5 million of annual oil tax allocations	150,000,000	0	0
State Treasurer - For township road or infrastructure projects in oil-producing counties that receive less than \$5 million of annual oil tax allocations	8,760,000	8,760,000 ¹	0
State Department of Health - Grants to emergency medical services providers in counties that receive less than \$5 million of annual oil tax allocations	6,250,000	0	(6,250,000)
Total general fund	\$165,160,000	\$8,880,000	(\$156,280,000)
Oil and gas impact grant fund appropriations			
Commissioner of University and School Lands - Eligible counties impacted by new oil and gas development activities	\$5,000,000	\$5,000,000	\$0
Oil-producing county infrastructure enhancement fund appropriations			
Department of Transportation - For road projects in counties that receive \$5 million or more of annual oil tax allocations	\$0	\$60,000,000	\$60,000,000
Strategic investment and improvements fund appropriations			
State Treasurer - For road projects in counties that receive \$5 million or more of annual oil tax allocation	\$190,000,000	\$0	(\$190,000,000)
Department of Commerce - Grants to nursing homes, basic care facilities, and providers serving individuals with developmental disabilities in oil-producing counties	6,000,000	0	(6,000,000)
Department of Human Services - Grants to critical access hospitals in oil-producing counties and in counties contiguous to an oil-producing county	10,000,000	0	(10,000,000)
Total strategic investment and improvements fund	\$206,000,000	\$0	(\$206,000,000)
Total appropriations	\$376,160,000	\$73,880,000	(\$302,280,000)

¹The Senate version removes the requirement that an eligible township's uncommitted reserve funds not exceed \$100,000.

SB 2013
April 9, 2013
Attachment 2

April 2013

ESTIMATED 2013-15 DISTRIBUTION TO POLITICAL SUBDIVISIONS - OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS

This memorandum provides a comparison of the current and proposed distributions of the 5 percent oil and gas gross production tax collections to the political subdivisions. Under the **current distribution formula (Appendix A)**, an estimated \$292 million will be distributed to the political subdivisions for the 2013-15 biennium. Under the formula proposed in the **2013-15 executive budget (Appendix B)**, an estimated \$525 million would be distributed to political subdivisions. Under the formula proposed in **Engrossed House Bill No. 1358 (House version) (Appendix C)**, an estimated \$737 million would be distributed to political subdivisions. Under the formula proposed in the **Senate version of Engrossed House Bill No. 1358 with proposed amendments (LC #13.0134.10021) (Appendix D)**, an estimated \$531 million would be distributed to political subdivisions. The schedule below compares the estimated distributions for the 2013-15 biennium under current law and under each of the proposals.

	Current Law	Executive Budget	Engrossed House Bill No. 1358		
			House Version	Senate Version	Difference
Counties	\$129,380,000	\$234,150,000	\$345,310,000	\$334,520,000	(\$10,790,000)
Cities	62,490,000	109,060,000	207,540,000	124,725,000	(82,815,000)
Schools ¹	0	0	100,150,000	34,255,000	(65,895,000)
Townships ¹	0	0	42,110,000	37,640,000	(4,470,000)
Schools/townships/county infrastructure ¹	100,620,000	182,120,000	0	0	0
Sheriff's departments	0	0	14,040,000	0	(14,040,000)
Emergency medical services	0	0	14,040,000	0	(14,040,000)
Fire protection districts	0	0	14,040,000	0	(14,040,000)
Total	\$292,490,000 ^{1,2}	\$525,330,000 ^{1,2}	\$737,230,000 ²	\$531,140,000 ²	(\$206,090,000)

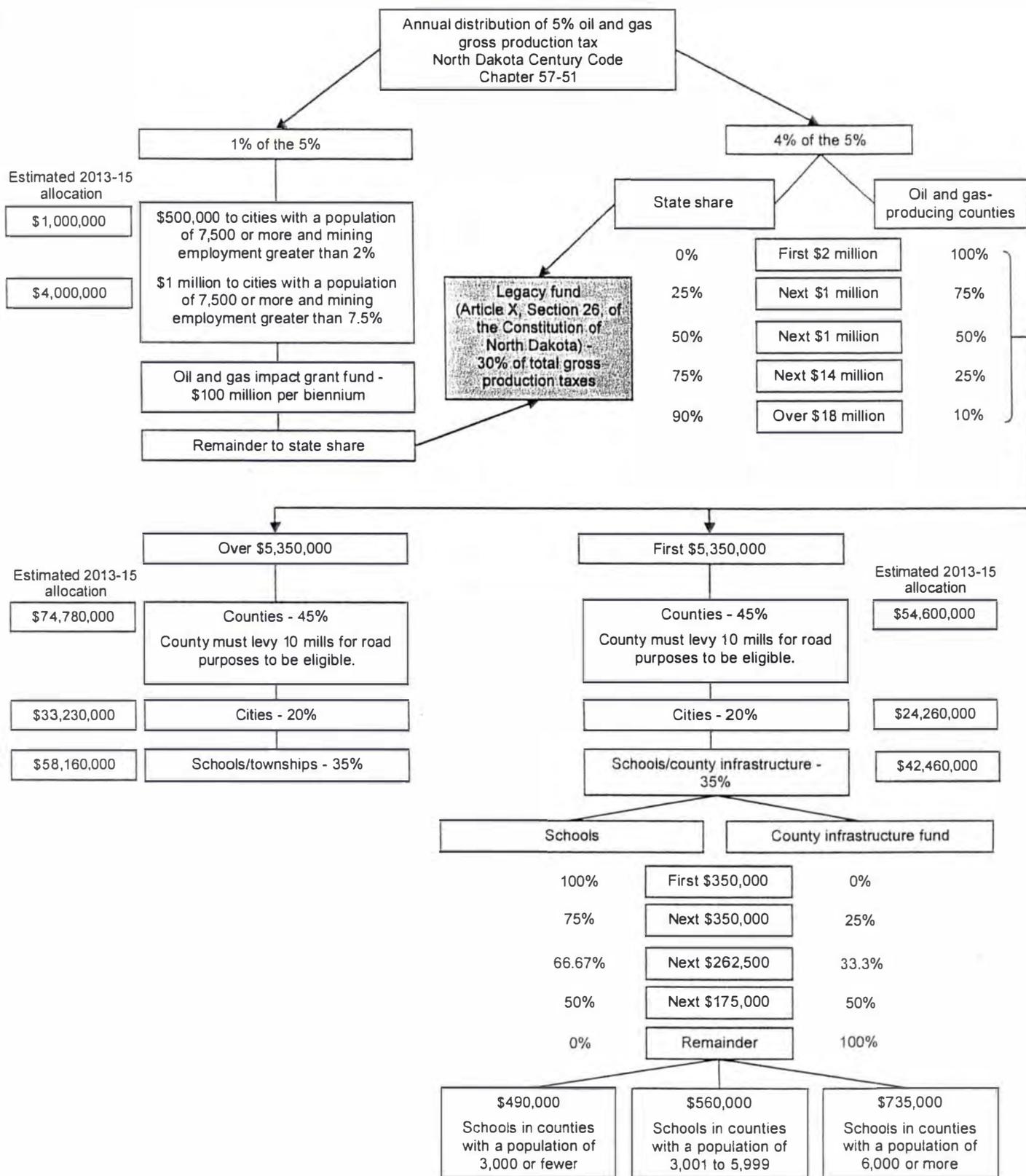
¹The distribution formula under current law and the distribution formula proposed under the executive budget allocate funding based on a percentage to a combined category for schools, townships, and county infrastructure. The distribution formula proposed under Engrossed House Bill No. 1358 distributes funding to schools and townships in separate allocations based on a percentage.

²The amounts allocated to political subdivisions include the amounts allocated under North Dakota Century Code 57-51-15(1) related to the 1 percent of the 5 percent oil and gas gross production tax.

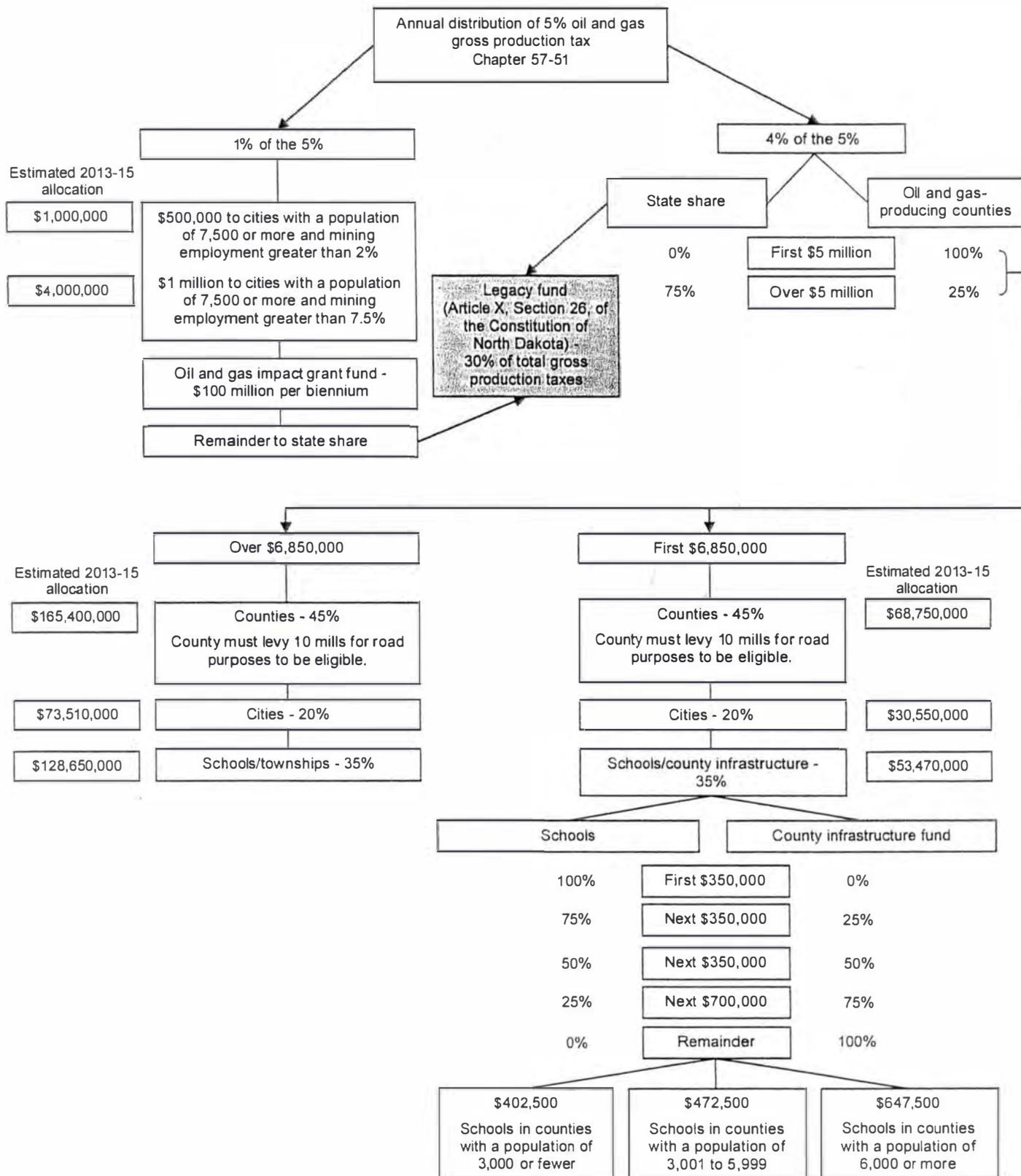
NOTE: The amounts reflected on this schedule are estimates based on February 2013 oil price and production estimates for the 2013-15 biennium and Tax Department estimates for individual county oil production for 2014. **The actual amounts allocated for the 2013-15 biennium may differ significantly from these amounts** based on actual oil price and production by county during the 2013-15 biennium.

ATTACH:4

CURRENT LAW DISTRIBUTION OF 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



EXECUTIVE BUDGET PROPOSED DISTRIBUTION OF 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



Over \$6,850,000

Estimated 2013-15 allocation

- \$165,400,000 → Counties - 45%
County must levy 10 mills for road purposes to be eligible.
- \$73,510,000 → Cities - 20%
- \$128,650,000 → Schools/townships - 35%

First \$6,850,000

Estimated 2013-15 allocation

- \$68,750,000 → Counties - 45%
County must levy 10 mills for road purposes to be eligible.
- \$30,550,000 → Cities - 20%
- \$53,470,000 → Schools/county infrastructure - 35%

Schools

- 100%
- 75%
- 50%
- 25%
- 0%

County infrastructure fund

- First \$350,000 → 0%
- Next \$350,000 → 25%
- Next \$350,000 → 50%
- Next \$700,000 → 75%
- Remainder → 100%

\$402,500

Schools in counties with a population of 3,000 or fewer

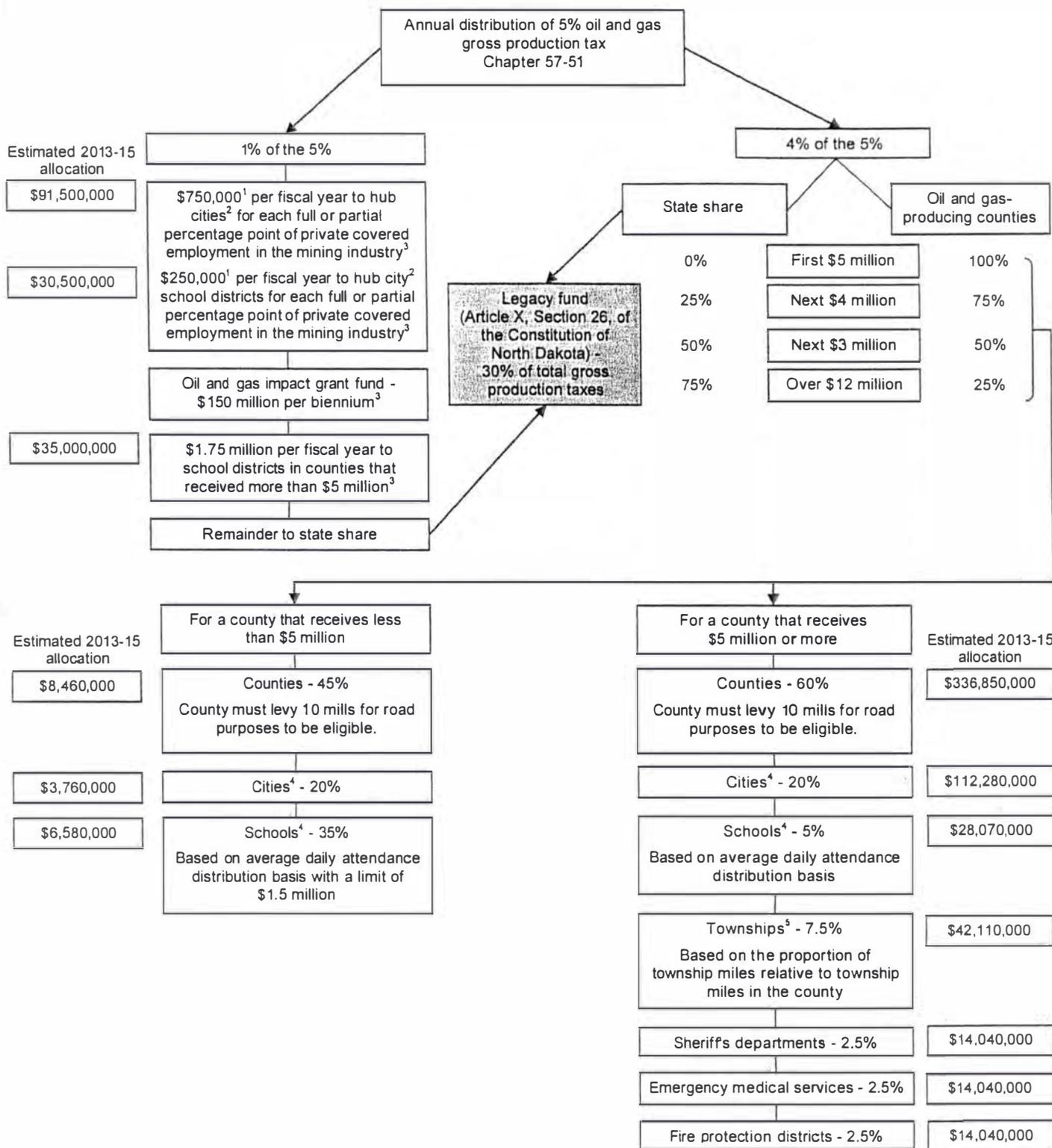
\$472,500

Schools in counties with a population of 3,001 to 5,999

\$647,500

Schools in counties with a population of 6,000 or more

ENGROSSED HOUSE BILL NO. 1358 (HOUSE VERSION) PROPOSED DISTRIBUTION OF 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



¹These amounts will be adjusted each fiscal year by one-third of the percentage change in total tax collections.

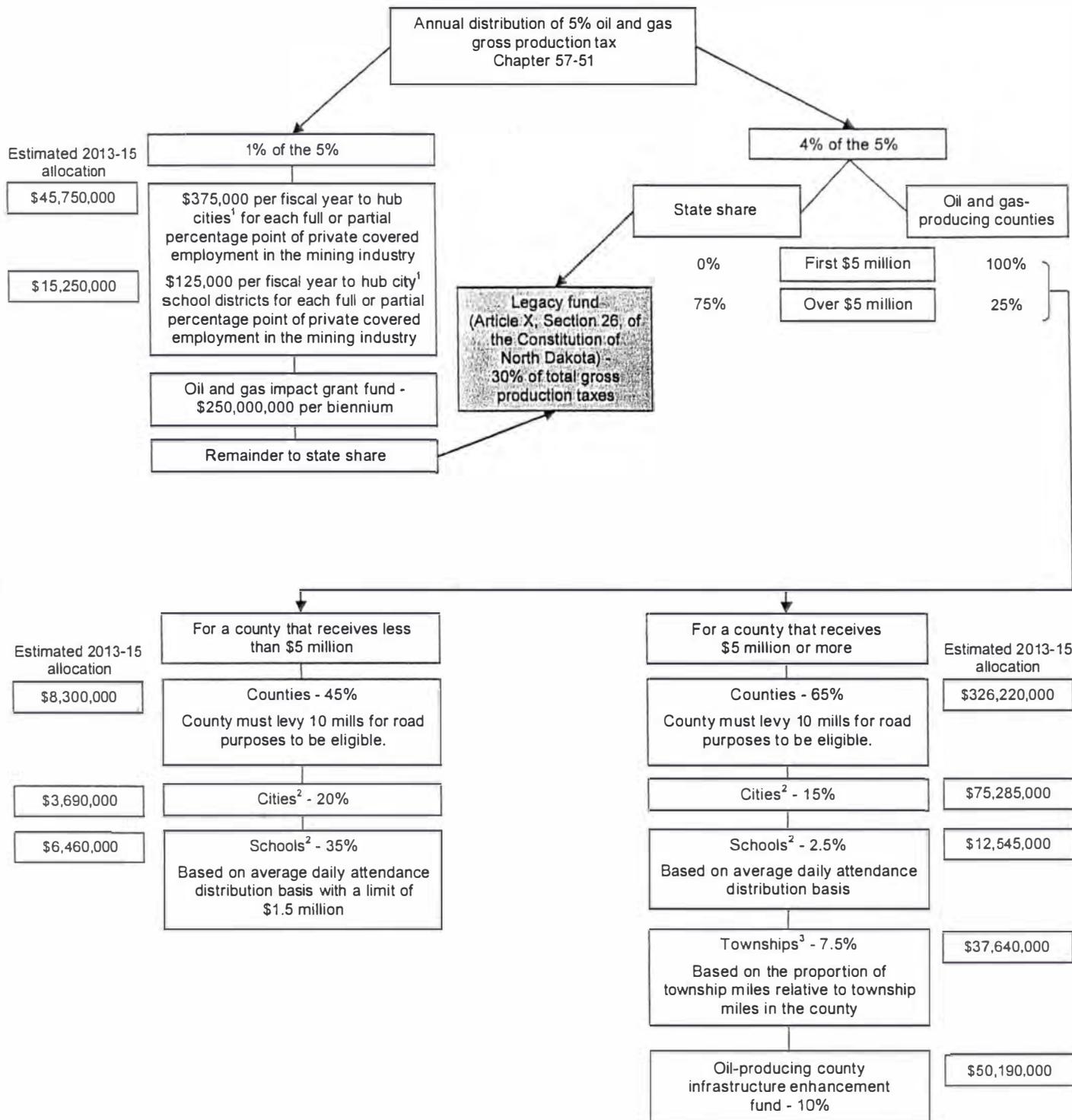
²A "hub city" means a city with a population of 12,500 or more, according to the last official decennial federal census, which has more than 1 percent of its private covered employment engaged in the mining industry, according to data compiled by Job Service North Dakota.

³If revenues are insufficient to make the necessary allocations and transfers, the State Treasurer shall transfer the amount needed from the strategic investment and improvements fund.

⁴Hub cities and hub city school districts must be omitted from this apportionment.

⁵An organized township is not eligible for an allocation if that township has \$100,000 or more in uncommitted reserve funds or if that township is not levying at least 10 mills for township purposes.

SENATE VERSION OF ENGROSSED HOUSE BILL NO. 1358 WITH PROPOSED AMENDMENTS (LC #13.0134.10021) PROPOSED DISTRIBUTION OF 5 PERCENT OIL AND GAS GROSS PRODUCTION TAX COLLECTIONS



¹A "hub city" means a city with a population of 12,500 or more, according to the last official decennial federal census, which has more than 1 percent of its private covered employment engaged in the mining industry, according to data compiled by Job Service North Dakota.

²Hub cities and hub city school districts must be omitted from this apportionment.

³An organized township is not eligible for an allocation if that township is not levying at least 10 mills for township purposes.

13.0547.04000

Sixty-third
Legislative Assembly
of North Dakota

**FIRST ENGROSSMENT
with Senate Amendments
ENGROSSED HOUSE BILL NO. 1338**

*SB 2013
April 9, 2013
Attachment 3*

Introduced by

Representatives Brandenburg, Froseth, Heller, Kasper, Kreidt, Kretschmar, Rohr, Schmidt,
Onstad

Senators Schaible, Unruh, Warner

1 A BILL for an Act to provide for a board of university and school lands study of private lands
2 owned adjacent to lands under the control of the United States army corps of engineers and a
3 report to the legislative management.

4 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

5 **SECTION 1. STUDY BY BOARD OF UNIVERSITY AND SCHOOL LANDS - REPORT TO**
6 **LEGISLATIVE MANAGEMENT.** During the 2013-14 interim, the board of university and school
7 lands shall study options to address the concerns of landowners adjacent to land under the
8 control of the United States army corps of engineers surrounding Lake Sakakawea and Lake
9 Oahe. The study must include consideration of control of noxious weeds, protecting public
10 access for hunting and fishing, the costs of possible transition of land from the United States
11 army corps of engineers, and the costs associated with maintaining any property that may
12 become a responsibility of the state. The study must also include consideration of the interests
13 of North Dakota Indian tribes. The board may establish a task force consisting of landowners,
14 hunting and fishing organizations, the game and fish department, the parks and recreation
15 department, the North Dakota national guard, and other parties that utilize the land for access.
16 Before October 1, 2014, the board shall provide to the legislative management a report on the
17 outcome of this study.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2013

Page 1, replace lines 15 through 22 with:

"Salaries and wages	\$4,145,824	\$921,833	\$5,067,657
Accrued leave payments	0	108,541	108,541
Operating expenses	1,431,096	544,767	1,975,863
Capital assets	0	65,550	65,550
Grants	99,778,269	(99,778,269)	0
Energy infrastructure and impact office	0	217,000,000	217,000,000
Contingencies	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total special funds	\$105,455,189	\$118,962,422	\$224,417,611
Full-time equivalent positions	24.75	6.25	31.00"

Page 2, replace line 9 with:

"Energy impact grants - dust control 0 3,000,000"

Page 2, replace lines 12 through 14 with:

"Total all funds	\$65,010,000	\$67,065,550
Less estimated income	<u>35,010,000</u>	<u>67,065,550</u>
Total general fund	\$30,000,000	\$0"

Page 4, line 12, after the period insert "The department of trust lands shall consult with the state department of health and the industrial commission relating to the use of oilfield-produced saltwater and products previously tested for dust control."

Page 4, replace lines 15 through 24 with:

"SECTION 10. PRIVATE LAND STUDY - EMERGENCY COMMISSION APPROVAL FOR ADDITIONAL FUNDS. The operating expenses line item in section 1 of this Act includes the sum of \$50,000 from the strategic investment and improvements fund for a study provided for in House Bill No. 1338, as approved by the sixty-third legislative assembly, of private lands owned adjacent to lands under control of the United States army corps of engineers. If the \$50,000 provided for the study is insufficient, the department of trust lands may seek emergency commission approval for additional funding from the state contingencies appropriation of up to \$50,000 for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 5, line 7, replace "twenty-four" with "seventeen"

Page 6, line 13, replace "\$10,000,000" with "\$3,000,000"

Page 6, line 14, replace "sections 9 and 10" with "section 9"

Re-number accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$5,312,873	\$5,319,551	(\$251,894)	\$5,067,657
Operating expenses	1,925,863	1,925,863	50,000	1,975,863
Capital assets	65,550	65,550		65,550
Energy infrastructure and impact office	214,000,000	224,000,000	(7,000,000)	217,000,000
Contingencies	200,000	200,000		200,000
Accrued leave payments			108,541	108,541
Total all funds	\$221,504,286	\$231,510,964	(\$7,093,353)	\$224,417,611
Less estimated income	221,504,286	231,510,964	(7,093,353)	224,417,611
General fund	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00

Department No. 226 - Department of Trust Lands - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments²	Adds Funding for Study³	Reduces Funding for Dust Control⁴	Total House Changes
Salaries and wages	(\$143,353)	(\$108,541)			(\$251,894)
Operating expenses			50,000		50,000
Capital assets					
Energy infrastructure and impact office				(7,000,000)	(7,000,000)
Contingencies					
Accrued leave payments		108,541			108,541
Total all funds	(\$143,353)	\$0	\$50,000	(\$7,000,000)	(\$7,093,353)
Less estimated income	(143,353)	0	50,000	(7,000,000)	(7,093,353)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added to conduct a study of private lands owned adjacent to lands under control of the United States Army Corps of Engineers included in House Bill No. 1338.

⁴ Funding added by the Senate for dust control is reduced from \$10 million to \$3 million, and the amount of oil and gas tax collections to be deposited in the oil and gas impact grant fund during the 2013-15 biennium is reduced from \$224 million to \$217 million.

A section is added relating to funding for a study of private lands included in House Bill No. 1338 and authorizing the department to seek additional funding for the study from the Emergency Commission.

A section added by the Senate relating to contingency funding for dust control grants is removed.

Keller, Becky J.

From: Strombeck, Kathy L.
Sent: Wednesday, April 17, 2013 8:55 PM
To: Keller, Becky J.
Subject: Fiscal impact of HB 1358 Second Engrossment (With Senate Amendments?) (#13.0134.10026)

Becky;

This bill is very similar to #13.0134.10000 and most of the fiscal note from March 5, 2013 applies to this version as well:

+ \$292.9 million to counties through formula (decreases SIIF)
+ \$86.5 million to Hub cities (decreases SIIF)
+ \$65.5 million to schools (decreases SIIF) including \$30.5 million Hub Schools and \$35.0 million to schools in counties receiving \$5 million or more
+ \$50 million to Impact Grant Fund (decreases SIIF)
Net reduction to SIIF from these provisions: -\$494.9 million

Appropriations on this bill are different than the prior version:

2011-13 biennium:

\$154,380,000 SGF
\$190,000,000 SIIF

2013-15 biennium:

\$10,750,000 SGF
\$16,000,000 SIIF
\$5,000,000 Impact Grant

Is there an official form I should use to report this info? Or is this informal email adequate?

Please let me know if I am missing something this bill has been and continues to be a bit "confusing". Also, I'm very sorry for the delay! I suspect you have "moved on" and tracked this bill probably early yesterday, without the much-delayed input from me!!

Thanks Becky!

Kathy

Kathryn L. Strombeck
Director of Research and Communications
North Dakota Office of State Tax Commissioner
(701)328-3402
kstrombeck@nd.gov

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 4-19-13

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Funding Summary

	Executive Budget	Senate Version	House Changes	House Version
Department of Trust Lands				
Salaries and wages	\$5,312,873	\$5,319,551	(\$251,894)	\$5,067,657
Operating expenses	1,925,863	1,925,863	50,000	1,975,863
Capital assets	65,550	65,550		65,550
Energy Infrastructure and Impact Office	214,000,000	224,000,000	(7,000,000)	217,000,000
Contingencies	200,000	200,000		200,000
Accrued leave payments			108,541	108,541
Total all funds	\$221,504,286	\$231,510,964	(\$7,093,353)	\$224,417,611
Less estimated income	221,504,286	231,510,964	(7,093,353)	224,417,611
General fund	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00
Bill Total				
Total all funds	\$221,504,286	\$231,510,964	(\$7,093,353)	\$224,417,611
Less estimated income	221,504,286	231,510,964	(7,093,353)	224,417,611
General fund	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00

Senate Bill No. 2013 - Department of Trust Lands - Senate Action

	Executive Budget	Senate Changes	Senate Version
Salaries and wages	\$5,312,873	\$6,678	\$5,319,551
Operating expenses	1,925,863		1,925,863
Capital assets	65,550		65,550
Energy Infrastructure and Impact Office	214,000,000	10,000,000	224,000,000
Contingencies	200,000		200,000
Total all funds	\$221,504,286	\$10,006,678	\$231,510,964
Less estimated income	221,504,286	10,006,678	231,510,964
General fund	\$0	\$0	\$0
FTE	31.00	0.00	31.00

Department 226 - Department of Trust Lands - Detail of Senate Changes

	Corrects Executive Compensation Package¹	Increases Funding for Energy Impact Grants²	Total Senate Changes
Salaries and wages	6,678		6,678
Operating expenses			
Capital assets			
Energy Infrastructure and Impact Office		10,000,000	10,000,000
Contingencies			
Total all funds	\$6,678	\$10,000,000	\$10,006,678
Less estimated income	6,678	10,000,000	10,006,678
General fund	\$0	\$0	\$0
FTE	0.00	0.00	0.00

¹ Funding is added due to a calculation error in the executive compensation package.

² Funding is added to the Energy Infrastructure and Impact Office line item for a pilot project in Bowman, Dunn, and Grant counties and for additional grants for dust control.

This amendment also:

- Adds a section as an emergency to provide for a pilot project for dust control in Bowman, Dunn, and Mountrail Counties.
- Adds a section for a grant program for dust control if the pilot project identifies products that are successful in controlling dust.
- Amends Section 7 of the bill relating to oil impact grants to airports.
- Increases the allocation of oil and gas tax revenue to the oil and gas impact grant fund to \$224 million. The executive budget recommendation increased the allocation from \$100 million to \$214 million.

Senate Bill No. 2013 - Department of Trust Lands - House Action

	Executive Budget	Senate Version	House Changes	House Version
Salaries and wages	\$5,312,873	\$5,319,551	(\$251,894)	\$5,067,657
Operating expenses	1,925,863	1,925,863	50,000	1,975,863
Capital assets	65,550	65,550		65,550
Energy Infrastructure and Impact Office	214,000,000	224,000,000	(7,000,000)	217,000,000
Contingencies	200,000	200,000		200,000
Accrued leave payments			108,541	108,541
Total all funds	\$221,504,286	\$231,510,964	(\$7,093,353)	\$224,417,611
Less estimated income	221,504,286	231,510,964	(7,093,353)	224,417,611
General fund	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00

Department 226 - Department of Trust Lands - Detail of House Changes

	Adjusts State Employee Compensation and Benefits Package¹	Provides Separate Line Item for Accrued Leave Payments²	Adds Funding for Study³	Reduces Funding for Dust Control⁴	Total House Changes
Salaries and wages	(143,353)	(108,541)			(251,894)
Operating expenses			50,000		50,000
Capital assets					
Energy Infrastructure and Impact Office				(7,000,000)	(7,000,000)
Contingencies					
Accrued leave payments		108,541			108,541
Total all funds	(\$143,353)	\$0	\$50,000	(\$7,000,000)	(\$7,093,353)
Less estimated income	(143,353)	0	50,000	(7,000,000)	(7,093,353)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 2 to 4 percent per year.
- Reduces the market equity component from 2 to 4 percent per year for employees below the midpoint of their salary range to up to 2 percent for employees in the first quartile of their salary range for the first year of the biennium only.
- Removes funding for additional retirement contribution increases.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added to conduct a study of private lands owned adjacent to lands under control of the United States Army Corps of Engineers included in House Bill No. 1338.

4 Funding added by the Senate for dust control is reduced from \$10 million to \$3 million, and the amount of oil and gas tax collections to be deposited in the oil and gas impact grant fund during the 2013-15 biennium is reduced from \$224 million to \$217 million.

A section is added relating to funding for a study of private lands included in House Bill No. 1338 and authorizing the department to seek additional funding for the study from the Emergency Commission.

A section added by the Senate relating to contingency funding for dust control grants is removed.

PROPOSED AMENDMENTS TO ENGROSSED SENATE BILL NO. 2013

That the House recede from its amendments as printed on pages 1393-1395 of the Senate Journal and pages 1493-1495 of the House Journal and that Engrossed Senate Bill No. 2013 be amended as follows:

Page 1, line 2, after the second semicolon insert "and"

Page 1, line 3, remove "subsection 1 of section 57-51-15 and"

Page 1, line 4, remove "oil and gas gross production taxes and"

Page 1, line 5, remove "; to provide an effective date; to provide an expiration date; and to declare an emergency"

Page 1, replace lines 15 through 22 with:

"Salaries and wages	\$4,145,824	\$1,011,191	\$5,157,015
Accrued leave payments	0	108,541	108,541
Operating expenses	1,431,096	544,767	1,975,863
Capital assets	0	65,550	65,550
Grants	99,778,269	(99,778,269)	0
Energy infrastructure and impact office	0	700,826	700,826
Contingencies	<u>100,000</u>	<u>100,000</u>	<u>200,000</u>
Total special funds	\$105,455,189	(\$97,247,394)	\$8,207,795
Full-time equivalent positions	24.75	6.25	31.00"

Page 2, remove lines 7 through 9

Page 2, after line 10, insert:

"Private lands study	0	50,000"
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Page 2, replace lines 12 through 14 with:

"Total all funds	\$65,010,000	\$115,550
Less estimated income	<u>35,010,000</u>	<u>115,550</u>
Total general fund	\$30,000,000	\$0"

Page 2, line 20, after "grants" insert "in House Bill No. 1358, as approved by the sixty-third legislative assembly, or to the energy infrastructure and impact office line item"

Page 3, remove lines 20 through 31

Page 4, replace lines 1 through 24 with:

"SECTION 7. PRIVATE LAND STUDY - EMERGENCY COMMISSION APPROVAL FOR ADDITIONAL FUNDS. The operating expenses line item in section 1 of this Act includes the sum of \$50,000 from the strategic investment and improvements fund for a study provided for in House Bill No. 1338, as approved by the sixty-third legislative assembly, of private lands owned adjacent to lands under control of the United States army corps of engineers. If the \$50,000 provided for the study is insufficient, the department of trust lands may seek emergency commission approval

for additional funding from the state contingencies appropriation of up to \$50,000 for the biennium beginning July 1, 2013, and ending June 30, 2015."

Page 4, remove lines 25 through 31

Page 5, remove lines 1 through 23

Page 6, replace lines 9 through 15 with:

"SECTION 9. OIL AND GAS IMPACT GRANT DISTRIBUTION - DUST CONTROL. If the dust control pilot project provided for in House Bill No. 1358, as approved by the sixty-third legislative assembly, is deemed effective by the director of the energy infrastructure and impact office, the board of university and school lands may approve up to \$3,000,000 of additional oil and gas impact grants to counties for dust control.

SECTION 10. OIL AND GAS IMPACT GRANT DISTRIBUTION - NEW COUNTIES - OTHER USES. Notwithstanding any other provisions of this Act, the director of the energy infrastructure and impact office may include within recommendations to the board of university and school lands for oil and gas impact grants up to \$5,000,000 of the funds designated for counties experiencing oil and gas development in House Bill No. 1358, as approved by the sixty-third legislative assembly, to any eligible political subdivision if, by January 1, 2015, the funds have not been committed to counties meeting the eligibility requirements for this funding, under provisions of House Bill No. 1358, as approved by the sixty-third legislative assembly."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

Senate Bill No. 2013 - Department of Trust Lands - Conference Committee Action

	Executive Budget	Senate Version	Conference Committee Changes	Conference Committee Version	House Version	Comparison to House
Salaries and wages	\$5,312,873	\$5,319,551	(\$162,536)	\$5,157,015	\$5,067,657	\$89,358
Operating expenses	1,925,863	1,925,863	50,000	1,975,863	1,975,863	
Capital assets	65,550	65,550		65,550	65,550	
Energy infrastructure and impact office	214,000,000	224,000,000	(223,299,174)	700,826	217,000,000	(216,299,174)
Contingencies	200,000	200,000		200,000	200,000	
Accrued leave payments			108,541	108,541	108,541	
Total all funds	\$221,504,286	\$231,510,964	(\$223,303,169)	\$8,207,795	\$224,417,611	(\$216,209,816)
Less estimated income	221,504,286	231,510,964	(223,303,169)	8,207,795	224,417,611	(216,209,816)
General fund	\$0	\$0	\$0	\$0	\$0	\$0
FTE	31.00	31.00	0.00	31.00	31.00	0.00

Department No. 226 - Department of Trust Lands - Detail of Conference Committee Changes

	Adjusts State Employee Compensation and Benefits Package ¹	Provides Separate Line Item for Accrued Leave Payments ²	Adds Funding for Study ³	Removes Funding for Oil and Gas Impact Grants ⁴	Total Conference Committee Changes
Salaries and wages	(\$53,995)	(\$108,541)			(\$162,536)
Operating expenses			50,000		50,000
Capital assets					
Energy infrastructure and impact office				(223,299,174)	(223,299,174)
Contingencies					

Accrued leave payments		108,541			108,541
Total all funds	(\$53,995)	\$0	\$50,000	(\$223,299,174)	(\$223,303,169)
Less estimated income	(53,995)	0	50,000	(223,299,174)	(223,303,169)
General fund	\$0	\$0	\$0	\$0	\$0
FTE	0.00	0.00	0.00	0.00	0.00

¹ This amendment adjusts the state employee compensation and benefits package as follows:

- Reduces the performance component from 3 to 5 percent per year to 3 to 5 percent for the first year of the biennium and 2 to 4 percent for the second year of the biennium.
- Reduces the market component from 2 to 4 percent per year to 1 to 2 percent per year for employees below the midpoint of their salary range.
- Reduces funding for retirement contribution increases to provide for a 1 percent state and 1 percent employee increase beginning in January 2014 and no increase in January 2015.

² A portion of salaries and wages funding for permanent employees' compensation and benefits is reallocated to an accrued leave payments line item for paying annual leave and sick leave for eligible employees.

³ Funding is added from the strategic investment and improvements fund to conduct a study of private lands owned adjacent to lands under control of the United States Army Corps of Engineers included in House Bill No. 1338, the same as the House version.

⁴ Funding included in the executive budget for oil and gas impact grants to political subdivisions and grants for airports and higher education and funding added by the Senate for dust control is removed. Funding relating to salaries and operating expenses for the energy infrastructure and impact office is retained.

A section is added relating to funding for a study of private lands included in House Bill No. 1338 and authorizing the department to seek additional funding for the study from the Emergency Commission, the same as the House version.

Sections added by the Senate relating to oil and gas impact grant funding for dust control are removed.

Sections included in the executive budget relating to increasing the allocation of oil and gas tax revenue to the oil and gas impact grant fund and oil and gas impact grant distributions for airports and higher education are removed.

Sections are added to provide for additional funding from the oil and gas impact grant fund for dust control and redistribution of certain oil and gas impact grant funding if not used by January 1, 2015.