

MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION
SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

10444

2007 HOUSE FINANCE AND TAXATION

HB 1044

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1044 A

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: January 10, 2007

Recorder Job Number: 859-41min 3sec

Committee Clerk Signature *Mickie Schmidt*

Minutes:

Chairman Belter: We'll call the committee back to order. We'll open the hearing on 1044.

Vice Chairman Drovdal: (See attachment #1) One of the things I'd like to mention for the committee's information is that there are two taxes in effect in Oil & Gas production at this time. One is the 5% reduction tax and the other is a 6-1/2% extraction tax, which has a trigger on it and is in effect at this time, so the total tax that the citizens and the producers at ND pay on oil revenue is 11-1/2%, when it comes out of the ground. This deals with only the 5%. The formula as it is set up right now, the first 20% of that 5% goes into special funds that the Legislature has determined. This does not change that 20%. It adjusts only the 80% remaining, that production tax. In 1981, the State received about 62% of the dollars that were accumulated of the production tax. In 2004-2006, they were receiving 75% and of course the County share has gone down, so we have not allowed the Counties to continue with the pace of keeping these roads up. The roads with oil well productions, you build a well over here and you have to build up to the road to meet some of those high steps that you have on the interstate, because these are heavy duty trucks. Then you have to service that well and that rig moves on to another well, so you have to build another road up to same section plus maintain that road, so it just keeps accumulating, the cost of gravel, wages, your equipment and all your

services. This Bill addresses that so that they will be able to receive additional dollars to help cover those costs. Because of technology the oil field has expanded somewhat and with new Counties coming on, they don't have a lot of production, but the costs are there. The roads still have to be done, so a proportion of the production, their costs are even more outlandish to their local citizens. It's great to have the production and they do a great job but if you don't have mineral interests, it is costing you some money. This is a way to recover in lieu of dollars. This is probably the only place in the State that is getting in lieu of dollars. These oil wells, when they drill, they have no idea what the value is so they can't put property tax on and besides the oil producing wells are not owned by the oil company, it's owned by the farmer. We do the in lieu of dollars to help cover that.

Brad Bekkedahl, Williston City Commissioner, & President of the ND Association of Oil & Gas Producing Counties: (See attachment #2)

Vicky Steiner, Association Executive Director of ND Association of Oil & Gas Producing Counties: (See attachment #2, #3 & #4) if you take a look at the formula on the chart, there are two taxes. If you look in terms of dollars, fiscal year 2006, both the 5% & the 6-1/2% oil tax brought in 166 million dollars. The gross production tax brought the Counties on their particular share received on the 5% was 26 million dollars. They also received 2.5 million out of this energy impact fund, making it 28.5 million total dollars. The total dollars out of both taxes was 166 million. In a nutshell, it would take 5.9 million a year to give to the Counties right off the top tier of the formula. 14 Counties will benefit from this. Of that 166 million, instead of 26 million, it would have been another 5.9 million on top of that 26 million. You're actually moving some of the money that goes to the State general fund and moving 5.9 million here to the Counties share.

Chairman Belter: How did you derive on what increase you thought you needed for impact fund? What mechanism or formula did you use?

Vicky Steiner: Which fund? The 5.9?

Chairman Belter: The purchasing power?

Vicky Steiner: we had a study done with NDSU on how much the State share had grown and how ours had increased and they were worried about it, and so we asked them to study it, and we have that study for you. That was passed out and it's on the back sheet and you can see it's about a 25% increase. We should have had an inflation factor.

Representative Weiler: I think that I'm missing only one piece of this and in the fiscal note, below section B, section 1. So the Counties are making out on this. They're getting more money. Who's taking the HIT? I believe it's under other funds but what is that number?

Vicky Steiner: I'm assuming the Tax Dept. can furnish you that, but it would be general funds. This is the existing one right here. The general fund gets 25%. You're not going to get that in a general fund, it will be 0.

Representative Weiler: My question is under the fiscal note; under revenues it says that there's an 11.8 million other funds locks. That's not true, it's more general funds.

Vicky Steiner: I'm assuming that they consider this other funding, where else would it come from? It's either going to the State or its going to the County.

Representative Froseth: If you go down further on the fiscal note, there's a paragraph that says that HB 1044 is expected to reduce the permanent oil tax trust fund and increase County revenues by an estimated 11.8 million in the 07-09 biennium. What if we don't get the 72 million?

Vicky Steiner: That is basically a percentage, so when times are up, it's a 5% gross production tax. The State will receive more, we all go with it. We all go up and we all come down. This is just smoothing a little bit more up front for the Counties.

Brad Bekkedahl: The first 71 million goes to the general fund and is capped at that level and all the excess goes into gas tax fund. I would like to explain the study that was completed for Chairman Belter. **(Refer to attachment #3, page 4)**

Chairman Belter: Any questions? Any other testimony in support of HB1044?

Brad Bekkedahl: At this time, we have representatives from some of our Counties and they would like to speak and we'll keep this short as we can.

Carroll Gjovik, Director of Dunn County Jobs Development Authority: **(See attachment #5)** Dunn County is here today to ask you for a little help. We're a County rich in amenities such as gas, oil, coal, water, land, however we lack dollars to take care of our roads; especially the active roads to the oil and gas wells. We have about 867 total County miles. About 175 of these roads are taking a beating daily with large truck traffic. They are indicated in red on the map. There are blowouts, wash board conditions making travel dangerous and uncomfortable. These roads were built in the 40's and 50's for small truck farms and equipment. Today the roads are being traveled on by large heavy farm and ranch equipment and also by numerous large trucks going to the wells. Some of these roads have over 200 trucks or vehicles traveling on them daily. These roads were not made for that. We have a budget for over 2 million dollars for 2007 in Dunn County. That's a 30% increase over last year. That will only scratch the surface of what really should be done. The Counties are not able to support the staff, the equipment, or the supplies that are needed to take care of the job, and to provide the safety that we need on our County roads. There are pictures and information in the booklet I handed out.

Representative Froseth: Dunn County is a relatively small County, have you calculated what Dunn County's share of the extra 11.8 million?

Brad Bekkedahl: The number for Dunn County, the increase that they would see per year is 350 thousand dollars under the estimate. So roughly 700 thousand dollars.

Representative Headland: Do you also in Dunn County have a mill levy for folks?

Carroll Gjovik: Yes.

Representative Headland: How many mills?

Reinhard Hauck, Dunn County Auditor: (See attachment #6) we're at 40.05 mills for roads.

Reinhard Hauck: Refer to attachment #6.

Arlo Borud, Mountrail County Commissioner: (See attachment #7)

Bob Indvik, Road Superintendent for Bottineau County: (See attachment #8)

Ron Ness, President of the ND Petroleum Council: These issues are real. We need good roads and this is a reasonable inflationary aspect that should be supported.

Chairman Belter: We were talking with Marathon Oil and they were talking about looking at 300 new wells. What Counties would those 300 new wells go in?

Ron Ness: Marathon is just one of many companies with interest. They have over 200,000 acres laced in a number of these Counties. Most are focused in Dunn County. EOG was here last week and they are focusing in Mountrail County. There's a new area of oil and gas activity further east than we have experienced before.

Brad Bekkedahl: We recognize that we need more than is requested by this change. We have a Needs Assessment Survey booklet that we will pass out. (See attachment #9)

Chairman Belter: Is there any other support? Any other opposition on HB 1044? Any neutral testimony on HB 1044? If not, we will close the hearing on HB1044.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. 1044 B

House Finance and Taxation Committee

Check here for Conference Committee

Hearing Date: February 2, 2007

Recorder Job Number: 2668

Committee Clerk Signature

Mickie Schmielt

Minutes:

Chairman Belter: Let's open the hearing on 1044.

Vice Chairman Drovdal: I Move a Do Pass.

Representative Brandenburg: I second it.

Chairman Belter: Is there any discussion?

Representative Owens: Could you run over that for me?

Vice Chairman Drovdal: The current law says the first 20% of production tax; it doesn't deal at all with extraction tax, goes to special funds. That stays the way it is. As the money starts coming in and above that, the first million dollars currently, 75% goes to the rural subsidies and 25% goes to the State. Under this Bill, 100% of that first million would go to the rural subsidies. T Of the 2nd million, under current law, 50% goes to each place. Under this Bill, 75% and 25% of the next million dollars, it would be 50-50, where currently it's 75%-25%. The next million dollars would be at 25%-75% going to the State and after that it would all go to the State. It does not change the cap that's currently in place. There's two Counties of the oil production tax that will not get any revenue whatsoever, Bowman & McKenzie, and yet they're the one's that brought it forward because they're the one's that know what the problems are in the newer

and lower producing Counties and they realize that the help that they need on the cost of impact of oil production.

Representative Owens: If I recall correctly, the problem here is by the time this tax gets to the new Counties that are under production the roads are already torn up?

Vice Chairman Drovdal: As was testified on, it's paid out by the production in those Counties. They need the help and their production is lower to start with and we need to give them a little bit more revenue to start with. The damage to those roads as the trucks are coming in and going out and they'll never get rid of that.

Representative Froelich: I'm in support of this Bill, but I've been hearing things about the education funding formula, and they're going to take from the oil and gas Counties and coal Counties because of the revenue that's being generated. Have you thought about this?

Vice Chairman Drovdal: This brings in about 11.8 million dollars biannually and according to my County they say they will take about 8.8 million dollars out of those Counties, through the back doors of the net gain. Not all 7.8 go to the schools. The only money affected in the Governors corner would be the percentage that goes to schools and I don't have that percentage.

Representative Froelich: We could in essence make these schools whole again.

Vice Chairman Drovdal: No, because not all of this money goes to the schools. That's a whole new ballot that we're still fighting on the other side.

Representative Pinkerton: Is this sunset at all? Is this Bill forever until it is changed?

Vice Chairman Drovdal: This changes the formula that's in the Code and until we readdress it again, we could have asked for a set amount but then we would have to come back every two years and debate it again.

Representative Pinkerton: The destruction of the roads happens only when there is a lot of expiration going on, once they go into production there's not near as much destruction to the roads.

Vice Chairman Drovdal: The major starts right away when you bring in these 40-50 trucks to set it and then 40-50 trucks to take it down and move it to another sight. But after that's done, you have service to that. It's on a continuous basis until they come around with a pipeline and hook you into it, and then you might start getting some relief on these roads. That's usually down the road several years and it depends on how far out these wells are going.

Representative Pinkerton: Could you live with this Bill if it had a clause on it, like six years on it?

Vice Chairman Drovdal: If you could guarantee me that the production is going to quit exploring for oil in six years. The oil starts dropping down as it did before this last boom hit, the revenue was going down automatically.

Representative Pinkerton: If we sunset it back to the old formula after 8-10 years?

Vice Chairman Drovdal: Some of the discussion was because of the prices and the caps, the percentage the State has gone from 63% up to 75% of the total revenue and it's also making up for the inflation dollars that we've been losing over the years. The argument was that it's time to adjust the formula to the new dollar figure. I would resist a sunset clause.

Chairman Belter: We have a motion for a Do Pass and rerefered to Appropriations. Will the clerk read the roll? 13-y, 0-n, 1-absent. Rep. Drovdal will carry the Bill. We will close the hearing on HB1044.

FISCAL NOTE
Requested by Legislative Council
03/26/2007

Amendment to: Engrossed
 HB 1044

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$5,900,000)		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$5,900,000					

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. HB 1044 with Senate Amendments changes the distribution formula for oil and gas gross production tax, increasing the county share to 100 percent for the first \$1 million of revenue from oil production in each county. The change in distribution first becomes effective in FY 09.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill allows counties to receive the first \$1 million of gross production tax revenues from the 4/5's share of the tax, and adds a top distributional tier for counties with gross production revenues in excess of \$3 million per year.

Section 2 prevents the changing of the state general fund cap, thereby allowing the negative fiscal effect to impact the permanent oil tax trust fund.

Section 3 delays the effective date until FY 09.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Engr. HB 1044 with Senate Amendments is expected to reduce revenues in the permanent oil tax trust fund and increase counties' revenues by an estimated \$5.9 million in the 2007-09 biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	03/26/2007

FISCAL NOTE
Requested by Legislative Council
03/14/2007

Amendment to: Engrossed
 HB 1044

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$11,800,000)		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$11,800,000					

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. HB 1044 with Senate Amendments changes the distribution formula for oil and gas gross production tax, increasing the county share to 100 percent for the first \$1 million of revenue from oil production in each county.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill allows counties to receive the first \$1 million of gross production tax revenues from the 4/5's share of the tax, and adds a top distributional tier for counties with gross production revenues in excess of \$3 million per year.

Section 2 prevents the changing of the state general fund cap, thereby allowing the negative fiscal effect to impact the permanent oil tax trust fund.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Engr. HB 1044 with Senate Amendments is expected to reduce revenues in the permanent oil tax trust fund and increase counties' revenues by an estimated \$11.8 million in the 2007-09 biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
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Phone Number: 328-3402

Date Prepared: 03/14/2007

FISCAL NOTE

Requested by Legislative Council

02/14/2007

Amendment to: HB 1044

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$11,800,000)		
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$11,800,000					

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engr. HB 1044 changes the distribution formula for oil and gas gross production tax, increasing the county share for the first \$1 million of revenue from oil production in each county.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill allows counties to receive the first \$1 million of gross production tax revenues from the 4/5's share of the tax, and adds a top distributional tier for counties with revenues in excess of \$3 million per year.

Section 2 prevents the changing of the state general fund cap, thereby allowing the negative fiscal effect to impact the permanent oil tax trust fund.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

Engr. HB 1044 is expected to reduce revenues in the permanent oil tax trust fund and increase counties' revenues by an estimated \$11.8 million in the 2007-09 biennium.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	02/16/2007

FISCAL NOTE

Requested by Legislative Council

01/10/2007

REVISION

Bill/Resolution No.: HB 1044

1A. State fiscal effect: *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			(\$11,800,000)			
Expenditures						
Appropriations						

1B. County, city, and school district fiscal effect: *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$11,800,000					

2A. Bill and fiscal impact summary: *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1044 changes the distribution formula for oil and gas gross production tax, increasing the county share for the first \$1 million of revenue from oil production in each county.

B. Fiscal impact sections: *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill allows counties to receive the first \$1 million of gross production tax revenues from the 4/5's share of the tax, and adds a top distributional tier for counties with revenues in excess of \$3 million per year.

3. State fiscal effect detail: *For information shown under state fiscal effect in 1A, please:*

A. Revenues: *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

HB 1044 is expected to reduce state general fund revenues and increase counties' revenues by an estimated \$11.8 million in the 2007-09 biennium.

NOTE: This fiscal note has been revised to reflect NDCC 57-51.1-07.2, which implies that HB 1044 reduces the state general fund biennial cap from \$71 million to an amount estimated to be \$59.2 million for the 2007-09 biennium. HB 1044 reduces state general fund revenues and reduces the statutory general fund cap by \$11.8 million. Under this code section, the permanent oil tax trust fund is held constant by distributional changes such as those contained in this bill.

B. Expenditures: *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. Appropriations: *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/10/2007

FISCAL NOTE
Requested by Legislative Council
12/26/2006

Bill/Resolution No.: HB 1044

1A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				(\$11,800,000)		
Expenditures						
Appropriations						

1B. **County, city, and school district fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts
			\$11,800,000					

2A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1044 changes the distribution formula for oil and gas gross production tax, increasing the county share for the first \$1 million of revenue from oil production in each county.

B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 1 of the bill allows counties to receive the first \$1 million of gross production tax revenues from the 4/5's share of the tax, and adds a top distributional tier for counties with revenues in excess of \$3 million per year.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

HB 1044 is expected to reduce permanent oil tax trust fund revenues and increase counties' revenues by an estimated \$11.8 million in the 2007-09 biennium.

B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

Name:	Kathryn L. Strombeck	Agency:	Office of Tax Commissioner
Phone Number:	328-3402	Date Prepared:	01/05/2007

Date: 2-1-07
Roll Call Vote #: 1044

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

House _____ Finance & Tax _____ Committee

Check here for Conference Committee

Legislative Council Amendment
Number _____

Action Taken Do Pass + Referred to Approps

Motion Made By Rep. Drovdal Seconded By Rep. Brandenburg

Representatives	Yes	No	Representatives	Yes	No
Chairman Belter	✓		Rep. Froelich	✓	
Vice Chairman Drovdal	✓		Rep. Kelsh	✓	
Rep. Brandenburg	✓		Rep. Pinkerton	✓	
Rep. Froseth	✓		Rep. Schmidt	✓	
Rep. Grande			Rep. Vig	✓	
Rep. Headland	✓				
Rep. Owens	✓				
Rep. Weiler	✓				
Rep. Wrangham	✓				

Total (Yes) 13 No 0

Absent 1

Floor Assignment Rep. Drovdal

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

REPORT OF STANDING COMMITTEE

HB 1044: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO PASS and BE REREFERRED to the Appropriations Committee (13 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1044 was rereferred to the Appropriations Committee.

2007 HOUSE APPROPRIATIONS

HB 1044

2007 HOUSE STANDING COMMITTEE MINUTES

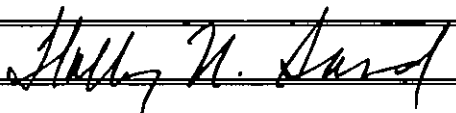
Bill/Resolution No. HB 1044

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 7, 2007

Recorder Job Number: 3085

Committee Clerk Signature 

Minutes:

Chm. Svedjan opened the hearing on HB 1044 (Ref. 4:35).

Rep. Drovdal distributed testimony in support of HB 1044 (Attachments A and B). HB 1044 addresses the formula and the production tax that goes back to the counties. Rep. Drovdal reviewed the formula.

Chm. Svedjan asked Rep. Drovdal to review the formula now and what it will be with HB 1044 (Ref. 6:55).

Rep. Drovdal:	Currently	With HB 1004
The first one million –	75% to county	100%
Second million	50% to county	75%
Third million	25% to county	50%
Fourth million	100% goes to the state	25%

The current cap stays in place with HB 1044.

Chm. Svedjan asked Rep. Drovdal to explain the cap. You said Bowman County is at the cap already. What's that cap?

Rep. Drovdal: That cap is \$4.1 million. This bill does not increase the cap.

Rep. Wald moved a Do Pass.

Rep. Drovdal: When this bill came to our committee, it had a fiscal note that was incorrect. We found out later that it affected the \$71 million. Without this amendment, it reduces that down to \$59 million. I have an amendment that we wanted to put on, but we ran out of time so that this bill would not affect this \$71 million.

Chm. Svedjan: Rep. Wald would you withdraw your motion?

Rep. Wald: I will.

Rep. Drovdal distributed amendment .0101 (Attachment C).

Rep. Wald motioned to adopt amendment .0101. Rep. Skarphol seconded the motion.

Chm. Svedjan: This amendment keeps the \$71 million threshold, where the first \$71 million flows into the general fund; thereafter it flows into the permanent oil tax trust fund.

Rep. Drovdal: That's correct.

Rep. Monson: By putting this amendment on would eliminate any effect – the fiscal note would go to zero.

Rep. Drovdal: The fiscal note would go against the permanent oil and tax trust fund. It would still be the same fiscal note.

Rep. Carlson: The future fiscal effect upon this will be a permanent change to the distribution. Is that a fairly accurate number for future bienniums that we'll be taking \$11.9 million out of the permanent oil tax trust fund?

Rep. Drovdal: It depends on the price of crude oil and production.

Rep. Kroeber: If we do not reach the \$71 million, then this would be immaterial?

Rep. Drovdal: No. The money is taken out at the very beginning so if the prices go down then it would reduce the amount in the general fund.

Chm. Svedjan: Just to be clear, the amendment takes the \$11 million out of the permanent oil and tax trust fund. If we had a year or years where we didn't reach the \$71 million threshold that goes into the general fund first, are you saying then that this \$11 million would come out of the general fund?

Rep. Drovdal: It would be less than \$11 million because this would also go down as the revenue went down.

Chm. Svedjan: But whatever that amount is, it would come out of the general fund in the event we didn't reach the threshold.

Rep. Wald: The monies are directly related to oil revenue. It would have no impact on the general fund. So if we had \$8 oil it still would not come out of the general fund. It's only oil revenue produced on the first five percent that's been on the books since about 1951 or 1952.

Rep. Kempenich: We're just dealing with one side of the equation when we're looking at the general fund. Everybody's going to take less if the price of oil drops.

Rep. Nelson: How many counties would be affected by this change in legislation?

Rep. Drovdal: It would affect fifteen counties.

Rep. Skarphol made a substitute motion to include all the aspects of .0101 but sunset the provision of this bill in two years so where we have to revisit it that would give us time to do an analysis on the overall effect. **Rep. Klein** seconded the motion. The motion carried by a voice vote.

Rep. Skarphol motioned a Do Pass as Amended. **Rep. Kerzman** seconded the motion.

The motion carried by a roll call vote of 24 ayes, 0 nays and 0 absent and not voting.

Rep. Skarphol was designated to carry the bill.

2007 HOUSE STANDING COMMITTEE MINUTES

Bill/Resolution No. HB 1044

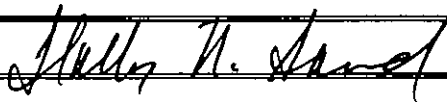
House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 9, 2007

Recorder Job Number: 3327

Committee Clerk Signature



Minutes:

Chm. Svedjan opened the hearing on HB 1044.

Rep. Skarphol: It was my intention when I proposed the sunset to sunset the bill, not just the provisions of the deduction. In the event that it passed the Senate in that form, in two years we would have to reconsider the formula change that was being proposed. In talking with Legislative Council, there was a mistake in how the sunset was drafted. I propose that in lieu of .0102, we amend the bill with .0103.

Rep. Skarphol motioned to reconsider HB 1044. **Rep. Thoreson** seconded the motion.

The motion carried by a voice vote.

Rep. Skarphol motioned to adopt amendment .0103. **Rep. Kempenich** seconded the motion. **The motion carried by a voice vote and the amendment was adopted.**

Rep. Skarphol motioned a Do Pass as Amended. **Rep. Wald** seconded the motion.

Rep. Glasheim: I will have to vote against this in protection of the general fund. The money is pouring out and we need to keep something for 2009.

