

# MICROFILM DIVIDER

OMB/RECORDS MANAGEMENT DIVISION

SFN 2053 (2/85) 5M



ROLL NUMBER

DESCRIPTION

24119

2007 SENATE NATURAL RESOURCES

SB 2419

## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2419

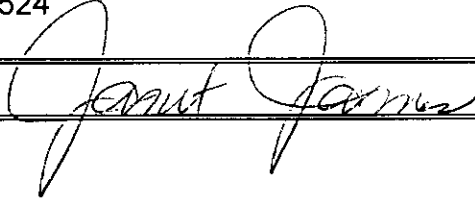
Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 23, 2007

Recorder Job Number: # 5524

Committee Clerk Signature



Minutes:

**Senator Stanley Lyson**, Chairman of the Senate Natural Resources Committee opened the hearing on SB 2419 relating to agreements with Indian tribes to share revenue from state revenue form state taxes on mineral production from Indian reservations.

All members of the committee were present.

**Senator Robert Stenehjem** of District 30 prime sponsor of SB 2419 introduced the bill stating the intent and purpose of introducing this as a delayed bill came an idea as an amendment to an Appropriations bill. He felt it was not fair to have the Senate have a hearing on an issue that is this important without having the house be involved. He apologized for the lateness in the session but this bill will get due diligence from the committee. He further suggested amending the bill so that there is a sunset clause on the bill. If no agreements are reached or compacts are signed, then it would sunset, so that grandfathering will not have to be considered.

**Senator John Warner** of District 4 testified in support of SB 2419 (see attachment #1).

**Representative Dawn Charging** of District 4 testified in support of SB 2419 thanking the committee for allowing the opportunity for the delayed bill. She recognized Chairman Marcus Wells Jr. for his leadership role in bringing this to the legislative body. She further asked

considerations of those not familiar with the legislative process and that the committee does not get too tied up the agreement.

**Representative Jim Kasper** of District 46 testified in support of SB 2419 stating he also will agree with the amendments and as a great positive step forward will be well received by the house.

**Representative Dave Drovdal** of District 39 testified in support of SB 2419 stating he is excited about this bill because of the potential for job opportunities for both tribal and non-tribal alike.

There has not been the exploration as there should be. He does not have amendments because he knows the committee will handle this right.

**Steve Kelly**, attorney representing the Three Affiliated Tribes (TAT) testified in support of SB 2419 stating the tribe has been working on oil and mineral development for the past three years having conversations with the industry regarding regulations and tax structure in the reservation. This bill is a result of those discussions. He began by presenting history of the reservation and the laws. A case decided in the 1980's held that an operator that produces oil on the reservation can be taxed by the state. It causes a dilemma for tribes as the operators are then taxed by the state and the tribe causing a dual taxation problem. The tribe has a 5% tax and the state has an 11 ½ % tax therefore the total tax for oil production would be 16 ½ % on the reservation, therefore why would any industry drill oil wells on the reservation at that rate. The propose of the bill is to come to an agreement on what the taxes would be for oil production on the reservation. Therefore companies would have a certainty and a comfort level to develop on the reservation. The state and the tribe will get more tax revenue. Alotees who own individuals who own trust land and the fee land owners will all benefit. 1 million acres of land on the reservation includes 300,000 acres owned by the alottes, 300,000 fee land

owners. In 1997 it was changed that only 51% consent from the allotted lands owners is required for approval of production. Counties benefit from the state's 5% gross production tax and the 6% oil extraction tax and the reservation has a 5 year exemption from that tax. SB 2419 will allow the tribe to negotiate with the state for up to 50 % of the state taxes and feel very good about that and will not take anything less. The bill allows negotiations to occur. He continued to explain each section of the bill as he sees it. Section 1 removes the exemption if there is an agreement negotiated and the tribe would resend their tax and just collect the state tax. Section 2 gives the governor the authority to negotiate with the tribe in consultation with the tax commissioner including some restriction so that all are on equal footing. He suggested amendments (Section 3 provides an continuing appropriation to pay the tribe through the tax fund.

**Senator Lyson** stated that the SB 2419 is nothing more than the legislature of North Dakota giving the governor the right to negotiate with the tribes and the perimeters.

**Steve Kelly** confirmed that and further stated this is an opt in provision. TAT is the only tribe with substantial oil potential in the state and this is intended for only them.

**Senator Lyson** further stated the bill gives the governor the authority to negotiate with TAT.

**Steve Kelly** presented amendments to SB 2419 (see attachment #2).

**Senator Lyson** stated he read the bill for the first time the day before and does not think there is a problem with amendments but are the perimeters wide enough for negotiations.

**Steve Kelly** does not really care who does the negotiations but the tribe just want to get this going.

**Senator Ben Tollefson** asked if BIA would be involved in the negotiations.

**Steve Kelly** answered that the BIA regulates the surface on the reservation and the BLM regulates everything down hole by federal law but neither would be involved in the negotiations.

**Senator Joel Heitkamp** asked if putting the 50% lock in, will that take away one the tribe's tools to attract the industry to develop the oil on the reservation. Because what the state has is locked in. You have some play here as you are negotiating but by locking it in are we tying your hand as to what is might take to get it started.

**Steve Kelly** answered no because what the tribe would be giving up is the tax and an agreement would be in effect as long as the tribe ascended and did not impose its own tax. We would be giving up our right to tax in the agreement.

**Senator Constance Triplett** inquired that he has been referencing the existing state law of 5% tax and 6 ½ % tax and what if the state changes the formula after the negotiations have taken place.

**Steve Kelly** answered he wanted something in the bill that talked about flat tax on the reservation but did not want it to get to complicated. They will keep track of legislation and will ask for an exemption if that occurs.

**Marcus Wells Jar**, Chairman of the Three Affiliated Tribes testified in support of SB 2419 stating he started with the legislature through the governor's office working on this issue and taxes. He further stated they are willing to do whatever it takes to iron out the wrinkles and get this opportunity to happen. He wants to work together just as with other issues and this bill is another opportunity to do so.

**Senator Herbert Urlacher** stated that several years ago a bill was introduced to require signature requirements be lowered to 51% from 100%. What stopped the develop was the high demand for a high rate of royalty and will that be a problem?

**Marcus Wells Jr.** answered the standard rate is uniform and acceptable,

**Daniel Rouse** legal council to the North Dakota Office of the State Tax Commissioner testified on the office and the commissioner in support of SB 2419. He stated that at the end of the day or when the agreement has been reached it is this office that will be the agency that administers it, therefore they wanted some voice and influence over it. The bill will help the industry, other state agencies, and tribal officials and are very close to an agreement, but needed this means to allow the governor in consultation with the tax department and other officials to get the ball rolling. Gas and oil exploration will occur and this will get it going. Right now everyone is getting 100 % or nothing and all can work together so all benefit. He referred to Steve Kelly's amendment and the taxation rules need to be decided by the legislature. He also presented amendments to the committee (see attachment #3).

**Senator Lyson** asked if he and Mr. Kelly could work together and combine the amendments to the satisfaction of all and then report back to the committee.

**Senator Heitkamp** asked if he had a chance to review Mr. Kelly's and if he has a problem with them.

**Daniel Rouse** responded that perhaps the amendments might be restrictive for the governor's office but will do as the chairman instructed.

**Senator Heitkamp** asked if the amendments take away the question if the tribes will get 50% and the only one that stands to lose less than 50% is the tribe.

**Dan Rouse** answered that it might turn out that way.

**Senator Lyson** again asked the two men to work together on the amendments.

**Steve Kelly** stated he suggested that the tribe's share of the revenue would come out of the oil extraction tax and if that is possible – why or why not.

**Daniel Rouse** responded that they are looking for as much simplicity in the administration as possible and there are two chapters in the century code that sets a good frame work to use for off reservation production activity. We would like to apply those same rules and laws to the on reservation activity. The amendments suggest deviating from that and treating reservation oil activity differently than off reservation activity. That might all be part of the negotiations.

Discussion was held as to time limitations and future scheduling of SB 2419.

**Ron Krebsbach**, McLean County Commissioner testified they are in support of SB 2419.

**Senator Heitkamp** asked if they support the bill with the amendments to keep the counties whole.

**Ron Krebsbach** agreed.

**Senator Heitkamp** stated that if he read the present bill the counties are not whole.

**Senator Lyson** confirmed they were under a different law.

**Lynn Helms**, North Dakota Industrial Commission Department of Mineral Resources testified in support of SB 2419 presenting maps and graphs (see attachment # 4 -7).

Senator Lyson closed this part of the hearing on SB 2419 until a later time.



## 2007 SENATE STANDING COMMITTEE MINUTES

Bill/Resolution No. SB 2419

Senate Natural Resources Committee

Check here for Conference Committee

Hearing Date: March 26, 2007

Recorder Job Number: # 5565

Committee Clerk Signature

*Jamit James*

Minutes:

**Senator Stanley Lyson**, Chairman of the Senate Natural Resources Committee opened the hearing on SB 2419 relating to agreements with Indian tribes to share revenue from state taxes on mineral production from Indian reservations.

All members of the committee were present.

**Dan Rouse** of the North Dakota Tax Department told the committee that at their request he as a representative of the tax department and Steve Kelly, attorney representing the Three Affiliated Tribes, as well as other members of the tribal council including Chairman Marcus Wells Jr. and Representative Dawn Charging met to discuss SB 2419. The simple matter is that they reached an agreement as to the scope of the amendments that they offered.

**Representative Charging** will withdraw her amendments introduced by Steve Kelly and then represent amendments that all can deal with.

**Senator Stanley Lyson:** what about the amendments you presented.

**Dan Rouse:** yes.

**Representative Dawn Charging** of District 4 agreed that as Dan Rouse suggested she would like to replace the amendments of last week with amendments .0103 (see attachment #1).

**Senator Lyson:** there is a positive Fiscal Note, but is not available until a couple days and will be included at the hearing on the house sub-committee.

**Senator Constance Triplett:** are you okay with the amendments from the tax commissioner # 0102 tx and would like to adopt both sets of amendments.

**Representative Charging:** yes both.0102tx and .0103.

**Senator Ben Tollefson:** you removed the word exclusive.

**Steve Kelly:** the reason for the change because the state will have whatever authority it needs to enforce the tax collections, but BLM has some authority as well as well as the tribe retaining some authority.

**Senator Ben Tollefson:** it bothers me. The BIA and other organizations you have referred to, will not be directly or indirectly involved with the negotiations.

**Steve Kelly:** they will not be involved with any negotiations, but once the agreement is made they will sign off. The BLM will have a role as they have the responsibility to attend hearings and with the tribe and how that works remains to be seen.

**Senator Lyson:** so you and the tax department have worked out the word exclusive and both are in agreement.

**Steve Kelly:** agreed.

**Ryan Berstein:** council to the Governor stated the governor is in support of the concept and agrees with this agreement thinking it is a good economic development tool for both the reservation and the state of North Dakota. A lot of work has already gone into this and is in full agreement.

**Senator Ben Tollefson:** again, why was exclusive there to begin with and no longer necessary?

**Ryan Berstein:** this is something the tax department and the tribe have been working on and they have agreed. We have not been involved.

**Dan Rouse:** the word exclusive was in the first draft because when a state agency is involved is commonly used. Based upon negotiation the ultimate agreement may have other entities involved in collection. There might be a shared responsibility and collection if there needs to be a bad dept collection.

**Senator Ben Tollefson:** so the removal of the word exclusive does not take anything away from the jurisdiction of the state over this agreement.

**Dan Rouse:** that is correct.

**Senator Lyson:** again to remind the committee, this is a bill to give the governor the authority to negotiate with the tribe and we are trying to set the perimeters of the debate.

**Steve Kelly:** taking out exclusive does not diminish the jurisdiction of the state, but to collect taxes and things like that, the tribes, BLM, and BIA might be involved as well. That is why it is stricken because we do not know what all will be entailed if there is a collection problem.

**Bob Harms,** President of the Northern Alliance of Independent Producers testified in support of SB 2419 (see attachment #2).

**Senator Lyson:** do you want to narrow the perimeters of the governor's authority to negotiate for the state. Are you trying to warn the committee of possible problems?

**Bob Harms:** yes, to encourage the committee to set up some process and safeguards that serve everyone well the tribal chairman, governor and the state. By including some procedural safeguards, so that legislative leadership is consulted so that by the time negotiations are completed, the legislative branch would be advised or involved of how the negotiations are unfolding. That way when the negotiations are completed, the governor can approach the

legislative branch for concurrence. The tribe can also go back to their political entities for approval.

**Senator Herbert Urlacher:** so you are suggesting to not just leave it up to the governor and put it into binding language within the bill.

**Bob Harms:** that is the way it is set out in Chapter 54.58, whether the legislature is in session or not. He further suggested to add or substitute the attorney general into the agreement process as the state's attorney; he could provide additional resources that would be helpful in moving the agreement forward.

**Tom Disselhorst,** attorney from Bismarck, North Dakota testified on SB 2419 and has worked with the Three Affiliated Tribes. He referred to the royalty rates and negotiations. Regulatory agencies difficulties will still exist within the negotiations. This is a major step for the tribes and state. We already have statute that regulates agreements between the tribes and political subdivisions and there is nothing in this bill that exempts that. The parties could agree to have safeguards such as public hearings if they wish. One other issue is the environment and the oil industry, the agencies can all be involved to protect surface owners and not violate any laws.

**Senator Lyson:** is there anything in the bill and the amendments that block the negotiations between the tribes and the governor.

**Tom Disselhorst:** not in the bill and it will all be part of the negotiations.

**Senator Triplett:** elaborate on the suggestion to include the attorney general. If the tax department is already involved, does that not mean the AG's office is already involved?

**Dan Souse:** as a special assistant to the attorney general and my designation is from him. I do not work for them, but have a direct responsibility to keep them informed of matters that apply and affect the entire state.

**Senator Lyson:** what are the boogie man her for the state?

**Dan Rouse:** the biggest boogie man is that this will take some time. There are a lot of people who are interested in the outcome. He will not speak for the governor who would lead the negotiations for the state side, I know him well enough to know he will want to make sure everyone is heard. And that will take some time, we want to move it forward, but we want to do this right.

**Senator Urlacher:** is there a time schedule?

**Dan Rouse:** everyone is anxious and this is an ambitious - as soon as possible.

**Senator Ben Tollefson:** remembers the signing of the gaming compact with the tribes and later becoming an issue before the legislature. Is this a similar situation and should go through the legislature for final consideration.

**Senator Lyson:** the gaming situation was different due to the federal involvement.

Discussion was held as to the federal, state legislature and the governor's priority in this situation. This is not uncharted territory as this has been done before where existing law has given state agencies and the governor's office the ability to enter into agreements with the tribal governments.

**Senator Lyson** asked for opposing testimony and hearing none asked for testimony in a neutral position.

**Lynn Helms**, representing the North Dakota Industrial Commission Department of Mineral Resources stated he hoped the committee would place as few as preconditions as possible on this negotiation process. Last week people were trying to stake out their slice of the pie – and there is no pie. The counties, the state, nor the tribes are going to invest the \$4,7 billion dollars needed for this development, but it is the industry that will. This bill will set the environment for them to do this. You can't carve up the pie until there is one.

**Senator Triplett:** have you seen both sets of amendments?

**Lynn Helms:** he has not.

**Vicky Steiner** representing the North Dakota Oil Counties testified stating in concept the counties are supportive of the bill. There has been discussion regarding keeping the counties whole and if that would hinder the process. The bottom line is they would like to see this development move forward and are willing to work with the group.

**Steve Kelly:** in listening to the testimony, some have lost sight of intent of the bill. It is not to just promote oil development on the reservation - it is to provide incentives – but it is for industry. By providing incentives the state and the tribe both win. Everyone should understand this is novel and this special situation on Fort Berthold makes this workable.

**Senator Lyson** closed the hearing on SB 2419.

**Senator Constance Triplett** made a motion to adopt amendments 70883.0103 and 70883.0102tx.

**Senator Ben Tollefson** second the motion.

Roll call vote #1 for adoption of the amendments was taken by voice vote indicating 7 Yeas, 0 Nays and 0 absent or not voting.

**Senator Constance Triplett** made a motion for a Do Pass as Amended of SB 2419.

**Senator Herbert Urlacher** second the motion.

Roll call vote #2 for a Do Pass as Amended of SB 2419 was taken indicating 7 Yeas, 0 Nays and 0 absent or not voting.

**Senator Stanley Lyson** will carry SB 2419.

**FISCAL NOTE**  
 Requested by Legislative Council  
 04/24/2007

Amendment to: Reengrossed  
 SB 2419

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						
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

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).*

SB 2419 Second Engrossment with Conference Committee Amendments authorizes the Governor to enter into agreements with the Three Affiliated Tribes to administer and share oil tax revenue from wells within the boundaries of the Fort Berthold Reservation.

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.*

The fiscal impact of SB 2419 Second Engrossment with Conference Committee Amendments would depend on any agreements being entered into between the Three Affiliated Tribes and the state, and the level of oil production occurring on tribal lands covered by such an agreement. Because of these unknowns, it is not possible to estimate the fiscal impact of SB 2419 Second Engrossment with Conference Committee Amendments.

In FY 2006, there was approximately \$671,000 in oil and gas gross production and oil extraction taxes collected from oil production on the Fort Berthold Reservation. This is the only existing production that could be covered by an agreement. Any taxes on new production cannot be estimated.

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.*

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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	04/24/2007



# FISCAL NOTE

Requested by Legislative Council

04/12/2007

Amendment to: Reengrossed  
SB 2419

**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						
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

**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).*

SB 2419 Second Engrossment with House Amendments authorizes the Governor to enter into agreements with the Three Affiliated Tribes to administer and share oil tax revenue from wells within the boundaries of the Fort Berthold Reservation.

**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.*

The fiscal impact of SB 2419 Second Engrossment with House Amendments would depend on any agreements being entered into between the Three Affiliated Tribes and the state, and the level of oil production occurring on tribal lands covered by such an agreement. Because of these unknowns, it is not possible to estimate the fiscal impact of SB 2419 Second Engrossment with House Amendments.

In FY 2006, there was approximately \$671,000 in oil and gas gross production and oil extraction taxes collected from oil production on the Fort Berthold Reservation. This is the only existing production that could be covered by an agreement. Any taxes on new production cannot be estimated.

**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.*

**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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	04/16/2007

# FISCAL NOTE

Requested by Legislative Council

03/28/2007

Amendment to: SB 2419

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
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

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

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. SB 2419 authorizes the Governor to enter into agreements with the Three Affiliated Tribes to administer and share oil tax revenue from wells within the boundaries of the Fort Berthold Reservation.

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.*

The fiscal impact of Engr. SB 2419 would depend on any agreements being entered into between the Three Affiliated Tribes and the state, and the level of oil production occurring on tribal lands covered by such an agreement. Because of these unknowns, it is not possible to estimate the fiscal impact of Engr. SB 2419.

In FY 2006, there was approximately \$671,000 in oil and gas gross production and oil extraction taxes collected from oil production on the Fort Berthold Reservation. This is the only existing production that could be covered by an agreement. Any taxes on new production cannot be estimated.

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.*

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.*

<b>Name:</b>	Kathryn L. Strombeck	<b>Agency:</b>	Office of Tax Commissioner
<b>Phone Number:</b>	328-3402	<b>Date Prepared:</b>	03/28/2007

**FISCAL NOTE**  
 Requested by Legislative Council  
 03/23/2007

Bill/Resolution No.: SB 2419

**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
<b>Revenues</b>						
<b>Expenditures</b>						
<b>Appropriations</b>						

**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

**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).*

SB 2419 authorizes the Governor to enter into agreements with Indian tribes to administer and share oil tax revenue from wells on tribal lands.

**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.*

The fiscal impact of SB 2419 would depend on any agreements being entered into between the Indian tribes and the state, and the level of oil production occurring on tribal lands covered by such an agreement. Because of these unknowns, it is not possible to estimate the fiscal impact of SB 2419.

In FY 2006, there was approximately \$671,000 in oil and gas gross production and oil extraction taxes collected from oil production on the Fort Berthold Reservation. This is the only existing production that could be covered by an agreement. Any taxes on new production cannot be estimated.

**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.*

**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.*

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

Date Prepared: 03/26/2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2419

Page 2, line 3, replace "those" with "oil and gas gross production taxes and oil extraction taxes" and after the second "to" insert "production from"

Page 2, line 4, after "the" insert "exterior"

Page 2, line 5, replace "No more than fifty" with "Fifty", after the first "the" insert "total of", replace "may" with "collected under chapters 57-51 and 57-51.1 must", and after "tribe" insert "but the entire allocation to the tribe must be payable from tax collections under chapter 57-51.1"

Page 2, line 6, replace "An administrative fee to" with "To"

Page 2, line 7, after "agreement" insert ", one percent"

Page 2, line 13, after "57-51.1" insert ", except with regard to tax liens and delinquent taxes, which are subject to agreement. The tax exemptions or tax rate reductions under chapters 57-51 and 57-51.1 do not apply within the boundaries of an Indian reservation and only those tax exemptions or rate reductions granted by the tribe apply to oil or gas taxes from production within the boundaries of the Indian reservation"

Renumber accordingly

70883.0103  
Title.

Prepared by the Legislative Council staff for  
Representative Charging  
March 26, 2007

PROPOSED AMENDMENTS TO SENATE BILL NO. 2419

Page 1, line 23, replace "Indian tribes" with "the Three Affiliated Tribes"

Page 1, line 24, replace "an Indian reservation" with "the Fort Berthold Reservation"

Page 2, line 3, replace "those" with "oil and gas gross production taxes and oil extraction taxes"  
and after the second "to" insert "production from"

Page 2, line 4, after "the" insert "exterior" and replace "an Indian reservation" with "the Fort Berthold Reservation"

Page 2, line 12, remove "exclusive"

Renumber accordingly

March 23, 2007

Attachment # 3

PROPOSED AMENDMENTS TO SENATE BILL NO. 2419

Page 1, line 18, replace "covered by" with "subject to"

Page 1, line 23, after "revenue" insert "levied and collected"

Page 2, line 1, replace "Agreements" with "An agreement" and replace "are" with "is"

Page 2, line 5, replace "taxes" with "tax revenue calculated for apportionment to the state general fund"

Page 2, line 6, replace "state" with "tax commissioner" and remove "its"

Page 2, line 9, replace "state returns" with "tax commissioner refunds taxes" and remove "taxes paid"

Page 2, line 10, replace "state" with "tax commissioner" and replace "recoup" with "recover"

Page 2, line 12, replace "state" with "tax commissioner"

Page 2, line 13, after "57-51.1" insert "as applied to wells subject to any agreement authorized by this chapter"

Page 2, line 17, after "in" insert "an" and replace "agreements" with "agreement"

Page 2, line 19, replace "dealing with" with "relating to"

Page 2, line 20, replace "Agreements" with "An agreement" and replace "are" with "is"

Page 2, line 21, remove "those in"

Page 2, line 22, after "fund" insert "an agreement"

Page 2, line 23, remove "agreements"

Renumber accordingly



