

2013 HOUSE FINANCE AND TAXATION

HB 1096

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1096
January 15, 2013
Job #17228

Conference Committee

Committee Clerk Signature

Mary Bricker

Explanation or reason for introduction of bill/resolution:

A Bill relating to the share of state sales, gross receipts, use, and motor vehicle excise tax deposited in the state aid distribution fund and allocation of that fund among political subdivisions.

Minutes:

Attached testimony #1, 2, 3, 4, 5

Chairman Belter: Opened hearing on HB 1096.

Representative Gary Sukut: Introduced bill. See attached testimony #1. HB 1096 does three things. In the bill on line 10 we are increasing from 40% to 50%. If you take the quotient of 1% divided by the current sales tax which is 20% the old formula says the state is going to return 40% of that which is 8%. We are proposing to increase that to 50% so if you take 50% of that 20% that is 10% that will be returned to the state in sales tax. In 1989 the state was returning 10% of the sales tax collected in the state back to the cities and counties. In 1999 they reduced it to 8%. Those were the years when the state wasn't quite so flush. We are restoring that back up to 10%. During this last interim there were a number of surveys and studies done throughout the state checking with the constituents to see what they wanted us to do as legislators. In addition property tax and infrastructure another item that appeared on most studies was to send more money back to the cities and counties. That's what this bill is going to do. The second thing this bill does is it addresses an equity issue for the cities. In the bill on line 19 85% of the state aid distribution fund must be allocated by the state treasurer as provided in this subsection. We are splitting it in to two pockets of money; 85% of the sales tax dollars coming back to the cities and counties will be distributed in exactly the same fashion as it has been distributed. As you go down through the bill you can see that 53.7% of the sales tax dollars are going back to the cities and counties. On the top of page two you can see how those are split. 64% of the revenues under this subdivision must be allocated among the 17 counties with the greatest population. Then 32% is split evenly and the other 32% is split by population. The balance of 36% is redistributed among the other 36 counties and 40% of that 36% is allocated equally among the counties and 60% then is distributed by population. That's basically the way it's done now. There's been some allowance made in there for equity for the counties because they are pulling out the 17 counties with the highest population and treating them separately. When we look at the city part of it there hasn't been any equity adjustment and that is what we are attempting to do with this bill. The cities with a

population of over 10,000 people will split the other 15%. Rather than that being distributed by population they will be distributed by taxable sales and purchases. These cities contribute over 80% of the sales tax revenues in the state. Please refer to attached testimony #1 for further information.

Vice Chairman Headland: Could you provide us with a column that would show how all cities would turn out with the increase of state aid without the new language. I think that's what we really need to see. I don't know how cities that are impacted by oil that do not have oil turn out in this. I'm just trying to visualize the shift because let's face it, it will be a shift of sales tax dollars from east to west.

Representative Gary Sukut: You're asking for what cities are currently getting?

Vice Chairman Headland: No. What I'm asking is in this bill proposal where it's increasing state aid distribution I would like to see the run with the old formula with all the cities versus the run that you provided with your 10% shift to cities with the most population and taxable sales. It's a change in the way it will be distributed and I think we need to be able to look at the impact from moving from the old formula to the new formula with the increase.

Representative Gary Sukut: I believe that's what you have in front of you. I have a printout here that has all 360 cities listed. If you go down column C that is what every city has received under the current formula. If you go down column D that is what every city would receive using the new formula. The increases are going to be 6 ¼%. Every city with a population less than 10,000 will receive a 6 ¼% increase in their state aid distribution fund as will all the counties. Every county will receive a 6 ¼% increase in their state aid distribution fund. The other part of that is in cities with a population over 10,000 receives that extra kicker out of that 1 ½%.

Vice Chairman Headland: But Representative Sukut would not all other cities receive a larger increase if we kept the distribution to the 10 largest cities the way it is currently being distributed versus moving it to where the taxable sales of each city. Wouldn't that change the distribution a little bit?

Representative Gary Sukut: I'm not sure I'm following you.

Vice Chairman Headland: In the new formula the 10 largest cities are going to receive their state aid distribution on a percent of their taxable sales, correct?

Representative Gary Sukut: Part of it.

Vice Chairman Headland: If it was done the old way wouldn't that change the distribution for everybody?

Representative Gary Sukut: Absolutely.

Vice Chairman Headland: That's what I'm asking for. Shouldn't we be able to determine the impact on all cities?

Representative Gary Sukut: I see what you're asking. If we redistribute everything the old way with 10%? We can run those numbers, right Kathy?

Vice Chairman Headland: I think that is important for the committee to look at.

Representative Gary Sukut: We will get that done.

Representative Drovdal: You talked about equity earlier and you pointed out Williston and West Fargo but let me take Williston's taxable sales at \$3 billion is going to end up under this at \$6 billion but Bismarck has \$1.7 billion in sales and yet they are getting \$8.8 million. Is this just purely population in this formula?

Representative Gary Sukut: Yes. Their big kicker comes from the other side, out of the 85%. When you come down column D to Bismarck you see that Bismarck is still getting \$6 million out of the population distribution of that 85% plus they are getting another 2.7 out of the 15% distribution. The population distribution is still very heavy in this plan.

Representative Hatlestad: Testimony given in support. See attached testimony #2.

Brad Bekkedahl, Finance Commissioner for the Williston City Commission: See attached testimony #3 in support.

Chairman Belter: Are there any questions?

Representative Marie Strinden: The existing formula just takes into account the sales in the city and the new formula takes into account population as well?

Brad Bekkedahl: Good question. The current distribution is solely based on population basis. It has no distribution tied to economic activity. That 15% portion in the bill is Representative Sukut's attempt for an equity account adjustment based on the level of taxable sales of purchase.

Vice Chairman Headland: I can see that every city benefits but I'm asking if we kept the existing formula wouldn't every city benefit y 10% because that's what we're increasing? It is a shift from dollars that would be distributed to a city like Carrington who feels that they have a lot oil impact because of the traffic and such and the evidence is there. If we went with the old formula they would receive a 10% increase because that's what we're increasing state aid and with this proposal they would get 6.25%. How do we justify that?

Brad Bekkedahl: Good question. The mayor of Carrington and I have had discussions on this. I agree with you. What we're asking you to do is do a shift in thought process. Basically all the formulas we see as a city, whether it's highway taxes or state aid distribution it's all been done on a population basis. Carrington would receive a 10% increase is you just took the old formula with the new money into it where they would see a 6.25%. Williston would see a couple hundred thousand dollar increase and Fargo with their current level of activity less than ours would receive \$2-3 million increase. Maybe that's

appropriate, I'm not questioning whether it's appropriate or not, I'm only asking for discussion of taking into account economic activity.

Vice Chairman Headland: I think the discussion is important and I'm glad we're having it. What happens to Williston's taxable sales if the EPA shuts down fracturing?

Brad Bekkedahl: I don't think that's anything I can answer. I'm a dentist by trade. I happen to own a farm and I see all the oil activity and I know what it does to our roads and everything else. Obviously that's a concern that needs to be looked at. I would ask that you consider the state tax revenue situation and look at what it leaves us with at a local funding level because we suffer as well not just with a reduced state aid but our local economy suffers as well. I would point back to the 80s oil boom and bust and tell you that the city of Williston incurred over \$28 million in bonded debt that almost bankrupted the city at that time. We would be stuck with that situation again if we're not able to get assistance from the biggest checkbook in the country which is probably North Dakota. We like to be seen as partners in this process but if the state revenues decline significantly we hope it's a balanced approach in how to handle that. It wouldn't just be impact aid to our communities because of what's happening but maybe property tax reduction revenues need to be looked at in that case also. There are a lot of areas that would have to take cuts in my mind. I'm hoping that's not likely to happen.

Representative Froseth: On this printout Williston's population is listed at 14,700 and I believe now it's somewhere around 20,000. Does the city of Williston plan to do a special census because the numbers in the oil patch towns are way off because that census was taken in 2010 which was a year before the main impact hit those communities? I would think it would be to your advantage to stand the cost of the special census.

Brad Bekkedahl: In the 1980s census in Williston our population was then certified from a population of 12,000 up to 16,000. We plan to do that again. One of the issues we've heard from state aid people in Bismarck that even if we do a special census they don't think the distribution formulas would honor that because the distribution formulas are tied to the decennial census information and there's nothing in legislation tying it back to certified special census. I think that could be amended and it would be nice if that could happen because otherwise I'm not sure how much we would gain in that process. The city of Williston has done it in the past and we would be willing to do it again in the future.

Representative Marie Strinden: So this is basically saying that Northwood deserves a smaller percentage because we're assuming they do most of their shopping in Grand Forks?

Brad Bekkedahl: I think what Representative Sukut is trying to do is acknowledge the role the economic activity centers of those over 10,000 play in generated the commerce and the sales tax funding for the state.

Representative Haak: So this new taxable sales and population that would come back to the 10 cities, that goes right into the general fund right? So if Jamestown got this \$406,000 they could use it how they see fit, it's not tied to anything?

Brad Bekkedahl: That is correct.

Chairman Belter: Any further testimony on 1096?

Ward Koeser, Mayor of Williston: See attached testimony #4. Referred to page 3. This would be infrastructure issues the city is dealing with. The 2013-2015 column is looking at about \$255 million and the following biennium we are looking at about \$319 million and the following biennium we are looking at about \$43 million for a total of about \$616 million. These are infrastructure issues and in these we try to address with impact oil energy grants. We are certainly not going to get \$254 million because in the governor's budget there is talk about \$150 million that would be for impacts not including airports that would come back to the cities and then that would be divided among all the cities in oil country. More importantly I would like you to look at the second to last page. This is where we talk about the estimated cost of doing business in our community when you have this type of activity. We had a study done in the summer of 2012 and they estimated that it would cost us \$13.2 million more from 2012 to 2013 just to deal with this activity. Once we did our budget I believe it was \$14.7 million more. That basically comes from people we needed to hire, I think we have 37 personnel we needed from one year to the next. That would include policeman, building inspectors, public works, etc. The increase in salary that we had to provide to try and be competitive, we have to also provide a housing allowance to city employees. Before we did that we were at bare bones staff. We simply couldn't keep them. You can't pay a truck driver in public works \$45,000 a year and expect them not to go to work in the oil field for \$85,000 per year. They have a clean driving record, a home to live in, and so we had to make some major adjustments in our salaries and housing and issues like that. If this bill could pass it would help in this area. Keep in mind oil impact grants are designated towards infrastructure and that's where you can use them. You can't use them to pay additional salaries so this would be a great asset to us of getting a few million dollars to help in our actual city budget. We believe that the state aid distribution is coming from sales tax so it should be appropriate that somehow how much sales tax is generated would be a factor in that area.

Vice Chairman Headland: What is Williston's city sales tax?

Ward Koeser: At this particular point we have two cents from the first city. One cent goes to the city and one cent goes to parks and recreation. They use that to take their taxes off and address quality of life issues. We are actually having one penny that comes to the city. There are two cents of city sales tax but of that one cent that goes to the city $\frac{3}{4}$ of it goes to infrastructure and $\frac{1}{4}$ goes to economic development which in the last few years has been used for infrastructure as well.

Vice Chairman Headland: Could you give us the amount of revenue that generates in a year's time?

Ward Koeser: For 2012 it's going to be in the range of \$13 million for the year. The thing that's a little deceiving when we look at sales tax is that although we collect \$952 million of sales and we collect sales tax on that, the vast majority of those sales are delivered out into the county so we don't collect city sales tax. If Fargo were to collect \$952 million on sales

their sales tax collection for the city would be many times more than that. If the good is delivered outside the city limits you don't collect city sales tax.

Chairman Belter: Any other testimony in support of 1096? If not, is there any opposition to 1096?

Bill Wocken, City Administrator for the City of Bismarck: Testimony in opposition. See attached testimony #5. My concern is for the formula.

Chairman Belter: Further opposition to 1096? If not is there any neutral testimony to 1096?

Bill Shalhoob, Greater North Dakota Chamber: The chamber has supported all the monies including the extra money going into the impact funds and the increases for the counties out in that area. If this is a property tax measure where are the assurances that there is going to be less property tax charged not only in Williston but for every city that is going to receive extra funds. It seems to me that if we have impact out in these areas those increases should be taken care of through things like the impact funds where more money could be put into those and sent out directly. I hope that if we're calling this a property tax relief bill that we would at least see that some property tax relief actually got to the taxpayers.

Chairman Belter: Any further testimony? If there's no further testimony I will close the hearing on 1096.

2013 HOUSE STANDING COMMITTEE MINUTES

House Finance and Taxation Committee Fort Totten Room, State Capitol

HB 1096
February 6, 2013
Job 18437

Conference Committee

Committee Clerk Signature

Explanation or reason for introduction of bill/resolution:

A Bill relating to the share of state sales, gross receipts, use, and motor vehicle excise tax deposited in the state aid distribution fund and allocation of that fund among political subdivisions.

Minutes:

Chairman Belter: Asked committee members to consider HB 1096.

Representative Owens: Made a motion for a Do Not Pass.

Representative Zaiser: Seconded.

Representative Hatlestad: I think we're in a situation where the existing formula does not work for us. Unfortunately, our population is pegged at about 38,000, and we're pumping sewage for 38,000 plus. But we're getting credit on the official census for 14,000. We're generating more sales tax than any other city in the state, yet we're getting very little of that sales tax money back. This would help to alleviate some of that problem. Basically, the top nine cities that are generating most of the sales tax revenue would then get at least a little equity boost. I think we need to do that.

Representative Zaiser: I thought the presentation by the city of Williston was well done, but I think the assistance is being provided in a number of other bills. I don't think it's best to change the formula we have used for many years, especially without discussion from other cities.

Representative Drovdal: I'm going to vote for the Do Not Pass. We may need to bump this, but we need to do it equally. I agree that Williston and other cities are having a big impact, but we need to address that in the impact bill and not in very other bill out there.

Vice Chairman Headland: I'm also going to support the Do Not Pass. I understand the problems associated with the extreme growth in the Williston area. We have other bills that are going to help them. If we do this on the back end of this as presented, it takes away from all the small retail centers in my country, and those mayors have expressed that concern to me and have asked me to vote against this bill.

Representative Hatlestad: If you look at the bill and how it's set up and moneywise, every city gets a 6.25 minimum income in compensation. So they're not losing any money; they're actually getting money.

Representative Froseth: Every city in the state gets an increase in the funding. Our city is on the edge of the impact, but we still have growth because of the impact. We have had to extend our water and sewer lines. We applied for a grant to the oil impact grant fund, and we were denied because we are not in the heart of the oil development. Our city had to find a way to fund it themselves, and it goes back to the taxpayers living in the city presently to develop new area for people coming in. This would give them more money to work with. It sunsets in six years, so I don't think it's a bad thing. It's a good plan to get more money into the hands of all the cities, including the little ones.

Representative Drovdal: It's true that there is a minimum of 6.25% growth, but when I look at it, there is one with 376.9% growth; one with 25% growth; one with 73.77% growth. Gave additional examples. In the impact of the small towns out there who are only getting the 6.25% growth, per capita is just as bad. Their ability to raise funds is even harder than in the bigger cities. I think we need to stick with the impact grant funds to help these towns and to get as much money as we can into that fund.

Representative Froseth: In that same regard our city doesn't get any consideration when we apply to the impact grant fund. We get a few token dollars for the ambulance squad and fire department to buy new clothing or something, but that's about it. We have not gotten substantial grant money with which we can actually any improving.

Chairman Belter: I'm going to support the Do Not Pass. This has been a long-term formula. I know the Association of Counties isn't interested in changing the formula. Some of the other bills are better ways to add money to the areas that need it. Yes, right now there is some inequity in the way the sale tax is handled, but in several years that could change again. The best policy is to keep something that has worked well and then deal with the situations out west with other bills.

Representative Hatlestad: I respectfully disagree. As Rep. Froseth said, it sunsets in six years. If things go haywire, then we are right back to where we are currently. But right now we're in trouble out there and need help. As we are generating a significant percentage of the sales tax, we should get something from that effort.

Roll call vote on the motion for a Do Not Pass. Motion carries.

Yes = 10

No = 4

Absent = 0

Carrier: Representative Owens

FISCAL NOTE
Requested by Legislative Council
12/21/2012

Bill/Resolution No.: HB 1096

- 1 A. **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.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$(63,328,000)	\$63,328,000		
Expenditures						
Appropriations						

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

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **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 1096 increases the share of state sales and use, gross receipts, and motor vehicle excise tax that is deposited in the State Aid Distribution Fund from 8% of the total to 10%.

- 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 increases the State Aid Distribution Fund (SADF) share to 10% of total sales, use, and motor vehicle excise tax collections, from 8% contained in current law. The State General Fund share is reduced by the same dollar amount as the increase in SADF revenues.

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.*

The allocation of SADF revenue that is distributed under current law increases from an estimated \$253.312 million to \$269.144 million, an increase of \$15.832 million for the 2013-15 biennium. All counties and cities share in this increase in accordance with current law distributions. Section 1 also contains a new distribution of 15% of the expanded SADF revenues. This amount is estimated to be \$47.496 million for the 2013-15 biennium. The state's largest nine cities - all those with a population greater than 10,000 - will share in this additional SADF distribution based on each city's share of taxable sales and purchases. The total estimated fiscal impact of this bill, therefore, is a biennial reduction in State General Fund revenues of \$63.328 million and an increase in SADF revenues of the same amount.

- 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

Telephone: 701.328.3402

Date Prepared: 12/26/2012

Date: 2-6-13
 Roll Call Vote #: 1

**2013 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. 1096**

House Finance and Taxation 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. Owens Seconded By Rep. Zaiser

Representatives	Yes	No	Representatives	Yes	No
Chairman Wesley Belter	✓		Rep. Scot Kelsh	✓	
Vice Chairman Craig Headland	✓		Rep. Steve Zaiser	✓	
Rep. Matthew Klein		✓	Rep. Jessica Haak	✓	✓
Rep. David Drovdal	✓		Rep. Marie Strinden		✓
Rep. Glen Froseth		✓			
Rep. Mark Owens	✓				
Rep. Patrick Hatlestad		✓			
Rep. Wayne Trottier	✓				
Rep. Jason Dockter	✓				
Rep. Jim Schmidt	✓				

Total (Yes) 10 No 4

Absent 0

Floor Assignment Rep. Owens

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

REPORT OF STANDING COMMITTEE

HB 1096: Finance and Taxation Committee (Rep. Belter, Chairman) recommends DO NOT PASS (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1096 was placed on the Eleventh order on the calendar.

2013 TESTIMONY

HB 1096

HB1096

- 1) RESTORES AMOUNT STATE RETURNS TO THE CITIES AND COUNTIES TO 10%
- 2) ADDRESSES EQUITY ISSUE FOR CITIES
- 3) SUNSETS JULY 1, 2019

	A	B	C	D	E	F	G	H	I	J
1	CITY	2010 POPULATION	FISCAL YEAR 2012 SADF @ 8%	2012 SADF @ 8.5% BY POPULATION	2012 SADF @ 10%	SADF @ 1.5%	TS & P FOR	DISTRIBUTION	TOTAL	
CITIES OVER								SADF		
10,000							BY	BY NEW		
POPULATION							TS & P	FORMULA		
6	Abercrombie	263	24,157	\$25,667	\$30,196				\$25,667	6.25%
7	Adams	127	11,665	\$12,394	\$14,581				\$12,394	6.25%
8	Alamo	57	5,236	\$5,563	\$6,545				\$5,563	6.25%
9	Alexander	223	20,483	\$21,763	\$25,604				\$21,763	6.25%
10	Alice	40	3,674	\$3,904	\$4,593				\$3,904	6.25%
11	Almont	122	11,206	\$11,906	\$14,008				\$11,906	6.25%
12	Alsen	35	3,215	\$3,416	\$4,019				\$3,416	6.25%
13	Ambrose	26	2,388	\$2,537	\$2,985				\$2,537	6.25%
14	Amidon	20	1,837	\$1,952	\$2,296				\$1,952	6.25%
15	Argusville	475	43,629	\$46,356	\$54,536				\$46,356	6.25%
16	Ashley	749	68,796	\$73,096	\$85,995				\$73,096	6.25%
17	Beach	1,019	93,596	\$99,446	\$116,995				\$99,446	6.25%
18	Belfield	800	73,481	\$78,074	\$91,851				\$78,074	6.25%
19	Beulah	3,121	286,667	\$304,584	\$358,334				\$304,584	6.25%
20	Bismarck	61,272	5,627,900	\$5,979,644	\$7,034,875		\$1,794,837,167	\$2,799,669	\$8,779,312	56.00%
21	Bottineau	2,211	203,083	\$215,776	\$253,854				\$215,776	6.25%
22	Bowman	1,650	151,554	\$161,026	\$189,443				\$161,026	6.25%
23	Burlington	1,060	97,362	\$103,447	\$121,703				\$103,447	6.25%
24	Cando	1,115	102,414	\$108,815	\$128,018				\$108,815	6.25%
25	Carrington	2,065	189,673	\$201,528	\$237,091				\$201,528	6.25%
26	Casselton	2,329	213,921	\$227,291	\$267,401				\$227,291	6.25%
27	Cooperstown	984	90,381	\$96,030	\$112,976				\$96,030	6.25%
28	Crosby	1,070	98,281	\$104,424	\$122,851				\$104,424	6.25%
29	Devils Lake	7,141	655,909	\$696,903	\$819,886				\$696,903	6.25%
30	Dickinson	17,787	1,633,755	\$1,735,865	\$2,042,194		\$924,619,867	\$1,442,264	\$3,178,129	94.53%
31	Ellendale	1,394	128,040	\$136,043	\$160,050				\$136,043	6.25%
32	Fargo	105,549	9,694,791	\$10,300,715	\$12,118,489		\$2,577,747,388	\$4,020,887	\$14,321,603	47.72%
33	Garrison	1,453	133,460	\$141,801	\$166,825				\$141,801	6.25%
34	Grand Forks	52,838	4,853,228	\$5,156,555	\$6,066,535		\$1,147,619,115	\$1,790,108	\$6,946,663	43.13%
35	Harvey	1,783	163,771	\$174,007	\$204,714				\$174,007	6.25%
36	Hettinger	1,226	112,609	\$119,647	\$140,761				\$119,647	6.25%
37	Jamestown	15,427	1,416,987	\$1,505,549	\$1,771,234		\$260,608,116	\$406,508	\$1,912,057	34.94%
38	Kenmare	1,096	100,669	\$106,961	\$125,836				\$106,961	6.25%
39	Killdeer	751	68,980	\$73,291	\$86,225				\$73,291	6.25%

1									
2	CITY	2010 POPULATION	FISCAL YEAR 2012 SADF @ 8%	2012 SADF @ 8.5% BY POPULATION	2012 SADF @ 10%	SADF @ 1.5%	TS & P FOR	DISTRIBUTION	TOTAL
3							CITIES OVER	BY	SADF
4							10,000	TS & P	BY NEW
5							POPULATION		FORMULA
40	Langdon	1,878	172,496	\$183,277	\$215,620			\$183,277	6.25%
41	Lincoln	2,406	220,994	\$234,806	\$276,243			\$234,806	6.25%
42	Mandan	18,331	1,683,722	\$1,788,955	\$2,104,653	\$239,737,828	\$373,954	\$2,162,909	28.46%
43	Mayville	1,858	170,659	\$181,325	\$213,324			\$181,325	6.25%
44	Minot	40,888	3,755,608	\$3,990,334	\$4,694,510	\$1,625,677,459	\$2,535,806	\$6,526,139	73.77%
45	New Rockford	1,391	127,765	\$135,750	\$159,706			\$135,750	6.25%
46	Northwood	945	86,799	\$92,224	\$108,499			\$92,224	6.25%
47	Park River	1,403	128,867	\$136,921	\$161,084			\$136,921	6.25%
48	Rugby	2,876	264,164	\$280,674	\$330,205			\$280,674	6.25%
49	Stanley	1,458	133,919	\$142,289	\$167,399			\$142,289	6.25%
50	Tioga	1,230	112,977	\$120,038	\$141,221			\$120,038	6.25%
51	Valley City	6,585	604,839	\$642,641	\$756,049			\$642,641	6.25%
52	Wahpeton	7,766	713,316	\$757,898	\$891,645			\$757,898	6.25%
53	Walcott	235	21,585	\$22,934	\$26,981			\$22,934	6.25%
54	Wales	31	2,847	\$3,025	\$3,559			\$3,025	6.25%
55	Walhalla	996	91,484	\$97,202	\$114,355			\$97,202	6.25%
56	Watford City	1,744	160,188	\$170,200	\$200,235			\$170,200	6.25%
57	West Fargo	25,830	2,372,514	\$2,520,796	\$2,965,643	\$293,281,598	\$457,474	\$2,978,270	25.53%
58	Williston	14,716	1,351,681	\$1,436,161	\$1,689,601	\$3,211,956,495	\$5,010,156	\$6,446,317	376.91%
59		419,845	38,563,222	\$40,973,423	\$48,204,028	\$18,836,826	\$18,836,826	\$59,810,249	
60									
61									
62									
63									
64									



**STATE AID DISTRIBUTION TOTALS USING 2010
POPULATION NUMBERS AND 2012 FY SADF NUMBERS
AND NEW FORMULA**

727	COUNTY	COUNTY	RURAL	COUNTY	COUNTY SADF	NEW	% OF
783	NAME	POPULATION	POPULATION	10% SADF	OLD FORMULA	DOLLARS	INCREASE
1321							
1680	ADAMS	2,343	905	469,569	\$441,947	\$27,622	6.25%
1846				0		\$0	
1968	BARNES	11,066	3,360	1,190,758	\$1,120,713	\$70,045	6.25%
1975				0		\$0	
1990	BENSON	6,660	5,274	912,302	\$858,637	\$53,665	6.25%
2071				0		\$0	
2246	BILLINGS	783	671	309,583	\$291,372	\$18,211	6.25%
2343				0		\$0	
2385	BOTTINEAU	6,429	2,988	888,611	\$836,340	\$52,271	6.25%
2394				0		\$0	
2420	BOWMAN	3,151	1,035	552,434	\$519,938	\$32,496	6.25%
2435				0		\$0	
2470	BURKE	1,968	872	431,110	\$405,751	\$25,359	6.25%
2477				0		\$0	
2809	BURLEIGH	81,308	17,274	4,365,902	\$4,109,084	\$256,818	6.25%
3126				0		\$0	
3151	CASS	149,778	7,611	7,460,946	\$7,022,067	\$438,879	6.25%
3343				0		\$0	
3536	CAVALIER	3,993	1,500	638,786	\$601,210	\$37,576	6.25%
3550				0		\$0	
3829	DICKEY	5,289	1,873	771,698	\$726,304	\$45,394	6.25%
3993				0		\$0	
4139	DIVIDE	2,071	832	441,674	\$415,693	\$25,981	6.25%
4153				0		\$0	
4207	DUNN	3,536	2,364	591,918	\$557,099	\$34,819	6.25%
4357				0		\$0	
5289	EDDY	2,385	790	473,876	\$446,001	\$27,875	6.25%
5395				0		\$0	
5457	EMMONS	3,550	1,717	593,354	\$558,451	\$34,903	6.25%

	63				0				
	6429	FOSTER	3,343	1,068	572,125	\$538,471	\$33,654	6.25%	
	6660				0		\$0		
	7413	GOLDEN VALLEY	1,680	544	401,575	\$377,953	\$23,622	6.25%	
	7673				0		\$0		
	8121	GRAND FORKS	66,861	9,539	3,712,854	\$3,494,451	\$218,403	6.25%	
	8424				0		\$0		
	8962	GRANT	2,394	1,222	474,800	\$446,871	\$27,929	6.25%	
	11066				0		\$0		
	11119	GRIGGS	2,420	1,122	477,466	\$449,380	\$28,086	6.25%	
	11451				0		\$0		
	13937	HETTINGER	2,477	996	483,312	\$454,882	\$28,430	6.25%	
	16321				0		\$0		
	21100	KIDDER	2,435	1,275	479,005	\$450,828	\$28,177	6.25%	
	22398				0		\$0		
	24199	LAMOURE	4,139	1,967	653,759	\$615,303	\$38,456	6.25%	
	27471				0		\$0		
	61675	LOGAN	1,990	828	433,367	\$407,875	\$25,492	6.25%	
	66861				0		\$0		
	81308	McHENRY	5,395	2,625	782,568	\$736,535	\$46,033	6.25%	
	149778				0		\$0		
TOTAL	672591	McINTOSH	2,809	896	517,361	\$486,928	\$30,433	6.25%	
					0		\$0		
		McKENZIE	6,360	4,278	881,534	\$829,679	\$51,855	6.25%	
TOTAL17	551864				0		\$0		
Largest Counties		McLEAN	8,962	3,504	1,095,651	\$1,031,201	\$64,450	6.25%	
					0		\$0		
		MERCER	8,424	1,984	1,071,332	\$1,008,312	\$63,020	6.25%	
TOTAL36	120727				0		\$0		
Rest of the counties		MORTON	27,471	6,286	1,932,314	\$1,818,648	\$113,666	6.25%	
					0		\$0		
		MOUNTRAIL	7,673	2,965	1,037,386	\$976,363	\$61,023	6.25%	
					0		\$0		
		NELSON	3,126	1,161	549,870	\$517,525	\$32,345	6.25%	
					0		\$0		
		OLIVER	1,846	1,275	418,600	\$393,976	\$24,624	6.25%	
					0		\$0		





WILLIAMS

22,398

5,322



0

1,702,998

\$1,602,822



\$100,176

6.25%

(POPCOUNTIES)

672,591

\$57,320,460

\$53,948,668

\$3,371,792

Chairman Belter and members of the Finance and Tax Committee, for the record I am Representative Patrick Hatlestad, District One, Williston.

I stand before you in support of House Bill 1096, a bill for the reallocation of funds among political subdivisions from the state aid distribution fund.

The nice thing about being second, behind Rep. Sukut, is that you can say "ditto" and sit down.

However, I seldom just say ditto and sit down. *But I will be brief.*

HB 1096 is critical to Williston, to Western North Dakota and to ^{Every city & County in} State of ND. Every city ^{& County} benefits with at least a 6.25% increase in funds. Those who help to create the state's good fortune should also benefit from it.

I respectfully ask you to support HB 1096. Thank you.

*Others to speak - Mayon Koester
Brad Bekkedahl - CFO*



P.O. Box 1306
Williston ND 58802-1306
PHONE: 701-577-8100
FAX: 701-577-8880
TDD State Relay: 711

January 15, 2013

Chairman Wesley Belter
Finance and Taxation Committee
House Bill 1096

Chairman Wesley Belter, Vice Chairman Craig Headland and Committee Members:

My name is Brad Bekkedahl and I serve as Finance Commissioner for the Williston City Commission. I have held this position for over 17 years and am pleased to address your committee this morning in support of House Bill 1096.

Williston is truly at ground zero of the Bakken Oil Play. We are the largest city in the oil patch and the economic hub of the Bakken oil boom.

Williston is the engine that is driving the state's dramatic economic growth. In fact, the City has led the state in Taxable Sales and Purchases for the past five quarters. During the third quarter of 2012 Williston collected more than \$950 million dollars in sales tax compared to Fargo which collected \$711 million. Twenty-eight percent of the total in-state Taxable Sales and Purchases for the third quarter of 2012 were generated in Williston and Williams County.

We support House Bill 1096 because it proposes to take a portion of state money and reallocate it based on a sales tax equity approach. With the increased revenue to cities there would be a \$63.328 million infusion of new state funds to the nine largest cities based on a formula of sales tax generated by each city. This bill is one way to allocate state funds based on extreme economic activity levels rather than rely solely on historical population numbers. No city is harmed. In fact all cities will enjoy a minimum increase of 6.25% with this approach.

The increase in distribution funding is recognition of how cities contribute to state revenue as centers of commerce. Also, by increasing state aid distribution it helps get funds to cities and counties and may help reduce their need for property tax increases, hence acting as another area of property tax relief.

While Williston would still not see the same level of state aid distribution as Fargo with this equity adjustment, it would provide an increase that would assist in coping with the demands placed by rapid state oil development.

We believe equity adjustment distribution brings fairness to the allocations based on economic activity contribution.

I ask you to please support House Bill 1096 so that all cities benefit from this partnership of prosperity in the State.



CAPITAL IMPROVEMENTS PLAN

September 2012



TECHNICAL MEMORANDUM

City of Williston

From: David Johnson, PE
Operations Manager, AE2S

Re: Capital Improvements Plan Update

Date: 8/27/2012



INTRODUCTION

The City of Williston has experienced a large and rapid growth in population over the last few years as a result of the activity associated to the oil industry in western North Dakota. The City has undertaken several planning efforts to identify growth areas and plan for infrastructure needs to serve the growth areas. The infrastructure needs identified in these planning efforts amount to hundreds of millions of dollars of studies, architectural and engineering fees and construction projects. These costs are far beyond the City's ability to absorb on its' own. Significant financial help from the State of North Dakota will be necessary to fund all the projects necessary to support the anticipated growth.

In 2010 Advanced Engineering and Environmental Services, Inc. (AE2S) prepared a Capital Improvements Plan for the City of Williston to identify future infrastructure needs and associated costs. This plan used population milestones to denote when specific projects would need to be done to serve the growth areas. In June, 2012 the City hired AE2S to update the Capital Improvements Plan to include a current list of anticipated projects and associated costs. The City also requested that the information be presented in a timeline format rather than by population milestones. This technical memorandum presents the current anticipated projects, the anticipated project timelines and the associated costs.

GROWTH ANALYSIS

The City has contracted with SRF Consulting Group to prepare a Future Land Use Plan to identify future growth areas and land uses as the City expands. Their work, while looking at where growth will be and what kinds of uses may make up that growth, does not address the timing of the growth. To address the timing of the growth and anticipated populations, the State has contracted with North Dakota State University to analyze the growth occurring in western North Dakota and project population increases and timing of growth for various cities in the region. This work is currently underway, but results of this work are not anticipated to be available until Fall 2012.

AE2S has conducted interviews with the various City departments to gather information about where the City anticipates growth will occur and the timing of that growth. Information was also gathered about what kinds of capital improvements each department anticipated would be necessary to serve that growth. The growth information was compiled and used to prepare a

#11

Technical Memorandum

Re: 2012 Capital Improvements Plan Update

Page 2 of 2

Projected Future Growth Areas by Biennium map. This map, along with the input from the various departments, was used to prepare a list of infrastructure projects, projected costs, and anticipated timing.

INFRASTRUCTURE AND BUILDING PROJECTS

The list of infrastructure and building projects has been broken down by category. Specific projects that have been identified by the various City departments have been noted within each category. General projects (i.e.: future trunk sewer and watermain projects) have been included for future growth areas where specific projects have not been identified.

OPINION OF PROBABLE COSTS

Costs were determined using representative projects in the City of Williston within the last two years, adjusted for inflation. The construction cost opinions presented are based on 2012 dollars. Inflation factors should be applied to the costs as appropriate to determine the actual cost for future costs.

COST SUMMARY

	2013-2015	2015-2017	2017-2019	Totals
Transportation	\$98,520,000	\$148,770,000	\$2,640,000	\$249,930,000
Airport	\$36,000,000	\$24,000,000	\$0	\$60,000,000
City Buildings	\$34,910,000	\$30,350,000	\$9,230,000	\$74,490,000
Wastewater	\$40,340,000	\$43,900,000	\$3,420,000	\$87,660,000
Water	\$6,530,000	\$12,350,000	\$4,770,000	\$23,650,000
Stormwater	\$32,350,000	\$47,400,000	\$22,500,000	\$102,250,000
Solid Waste	\$6,000,000	\$12,400,000	\$0	\$18,400,000
TOTALS	\$254,650,000	\$319,170,000	\$42,560,000	\$616,380,000

Attachments: 1 - Projected Future Growth Areas by Biennium
2 - Cost Breakdown Spreadsheet





Williston 2012 CIP Update
(all costs in millions of dollars)

#4

	Biennium		
	2013-2015	2015-2017	2017-2019
Transportation			
11th Street Extension		11.85	
26th Street Extension		8.03	
32nd Avenue Extension*	10.60		
32nd Street Extension**	2.00		
University Avenue Extension**	10.61		
135th Avenue Improvements**	5.47		
56th Street NW Improvements	1.90		
Highway 2/85 Bypass Intersection Improvements	17.50	6.00	
42nd Street/County Road 7/County Road 7C	8.30		
Existing Rural Subdivisions to be Annexed	32.42	3.09	
New School Improvements***	2.20		
Future Minor Arterial Roads & Intersections	7.52	71.62	
Future Collector Roads		48.18	2.64
Subtotal	\$98.52	\$148.77	\$2.64
*includes sewer cost			
**includes water cost			
***includes sewer and water cost			
Airport			
New Airport*		36.00	24.00
Subtotal	\$36.00	\$24.00	\$0.00
*\$150 est cost, 40% est. city share (project has not been reviewed by FAA, costs may change)			
City Buildings			
Facility/Needs Studies	0.20		
City Hall	15.70	15.70	
Public Works	10.28	10.28	
Police			4.86
Fire	8.73	4.37	4.37
Subtotal	\$34.91	\$30.35	\$9.23
Wastewater			
West Forcemain	4.00		
Highway 2/85 Interceptor	2.30		
West Lift Station	4.00		
Treatment Plant	25.00	25.00	
I & I Remediation		0.50	0.40
Trunk Sewer for Future Growth Areas	5.04	17.65	2.52
Lift Stations for Future Growth Areas		0.75	0.50
Subtotal	\$40.34	\$43.90	\$3.42

Water				
East Pump Station & Reservoir		3.00		
Northwest Pump Station & Reservoir				3.00
Trunk Watermain for Future Growth Areas		3.53	12.35	1.77
Subtotal		\$6.53	\$12.35	\$4.77
Stormwater				
Stormwater Master Plan/Studies		1.25	0.50	0.20
Retrofits/ Improvements to Existing System		10.00	10.00	10.00
Stormwater Infrastructure for Future Growth Areas		17.00	30.00	10.00
Land Acquisition Cost		4.10	6.90	2.30
Subtotal		\$32.35	\$47.40	\$22.50
Solid Waste				
Open New Cell/Permitting			2.40	
Land Acquisition Cost		6.00	10.00	
Subtotal		\$6.00	\$12.40	\$0.00
Totals		\$254.65	\$319.17	\$42.56

To: Mayor Ward Koeser
From: Dawn Keeley, Funding Strategist
Re: City of Williston – Estimated Additional Cost of Doing Business in 2013
Copy: Williston City Commission
 John Kautzman, City Auditor
Date: September 25, 2012

As the largest City within the heart of the Bakken Formation, the City of Williston is the primary economic hub of the Bakken Oil Play. As the economic hub of the play, demand for City services has increased at excessive rates through industrial, commercial, and residential growth. There are varied estimates on the City's actual population growth, however, it is widely agreed that the City's population has more than doubled since 2009. Expectedly, the City's operational costs have more than doubled within many line items in the City budget between 2009 and 2013. The City's "additional cost of doing business" is the sum of the costs above 100 percent for the line items within the City's 2013 budget compared to 2009 actual expenses. **The additional cost of doing business is estimated at \$13.2 million in the 2013 City Budget.**

Expense line items that have had the most substantial increases include: machinery and equipment purchases, salaries, contracted professional and management services, insurance, and contracted repair and maintenance. The additional cost of doing business also includes notable measures including securing and subsidizing employee housing and providing employee retention bonuses.

Additional Cost of Doing Business Operational Expenses

Of the estimated 624 line items within the City Budget relating to operational costs, approximately 400 line items had increases in excess of 100% from 2009 to 2013. Notable increases of the specific line items with an increase greater than 100 percent in the 2013 budget include:

- Machinery and Equipment \$3,208,775
- Salary \$2,762,078
- Contracted Professional/Management Services \$2,373,726
- Insurance \$ 761,000
- Contracted Repair and Maintenance \$ 566,000

Expectedly within the operational expenses highlighted above are additional measures that the City has taken to assist in employee retention and recruitment. These additional measures include securing and subsidizing employee housing as well as providing employee retention bonuses. These two specific measures are highlighted below.

Employee Housing

The City has secured 41 apartments to assure City staff will have adequate housing. The City is expecting to secure an additional 30 units in 2013. The City offers these units to staff at a subsidized rental rate. It is estimated the City's cost of the rental subsidy will \$1.3 million in 2013 with 71 units.

Employee Retention Bonuses

City employees not utilizing employee housing can qualify for a quarterly retention bonus in the amount of \$350. Based on an estimated 117 employees qualifying for the retention bonus, the estimated cost to the City in 2013 is \$163,800.

House Bill 1096

January 15, 2013

Dear Finance and Tax Committee Members,

My name is Bill Wocken and I am City Administrator for the City of Bismarck. I am appearing this morning in opposition to House Bill 1096.

I respect the fact that many cities are heavily impacted by growth and that additional state revenues would be greatly appreciated by them as they deal with growth impacts.

I recognize that Western North Dakota and Williston, in particular, is experiencing huge impacts.

I would submit that my own city could easily utilize the funds this bill would add to the present State Aid formula to deal with local growth impacts.

However, I cannot agree with the change in the distribution of the fund proposed by House Bill 1096. Many different distribution formulae were considered in 1997 when the fund as we know it today was put into the code. We all agreed that if the state did well the local political subdivisions would do well under the formula but if the state's financial fortunes were not so rosy, local political subdivisions would share proportionately in a smaller fund balance. That was the agreement struck at that time and I am concerned that it be altered now.

Additional funds for local government are included in other measures before this Assembly. I would hope the needed funds for western North Dakota could be included in measures that appropriate funds in a way that does not change the State Aid Distribution Fund. A change to this formula needs discussion with all fund recipients and the Legislature. This was the process used to initiate the fund and changes should be accomplished in a like manner.