



Western Dakota Energy Association
Legislative Report, April 1, 2017
[Geoff Simon](#), Executive Director

The 2017 legislative session is down to its final days, which means members are wrapping up discussion of policy issues and turning their attention to the budget. The House Appropriations Committee this week released a [proposal](#) to change the distribution of oil tax revenue to western counties and the numbers are not good, according to Senate Majority Leader Rich Wardner, R-Dickinson. The committee plan would reduce the allocation to the Hub Cities of Williston, Dickinson and Minot, which already face revenue losses of about 30 percent due to a change in the oil tax distribution formula. It would eliminate Hub City funding altogether in 2019. And it makes a major shift in township allocations, taking 2/3 of the money now going to the west and distributing it among townships in non-oil producing counties.

In the current biennium, the Hub Cities receive \$375,000 for each percentage point of employment related to the oil and gas industry. But the oil and gas definition is due to sunset this year, and reverts to the definition of mining employment, which is a significantly lower percentage. Williston, for example, receives a total of \$67.6 million in the current two-year biennium. But when the law reverts to the mining definition, that number drops to just \$49.7 million. The House proposal would cut Williston even further to \$46.4 million. Appropriators accomplish the reduction by only counting employment exceeding two percent (which eliminates Mandan from the Hub City allocation), and also reduces the amount per percentage to \$350,000. The same two percent discount would apply to Hub City school districts, but the \$125,000 per percentage point they receive under the formula would remain unchanged.

Townships in oil-producing counties receive a share of gross production tax revenue. A total of \$25 million is divided among them. But under the new proposal, the townships' share would drop to just \$8.9 million, with the other \$16.1 million going to townships in non oil-producing counties.

Senator Wardner believes the House proposal is unfair and has developed a [counter-proposal](#). He said western entities have already taken a larger drop in funding than any state agency. Wardner said the money, which oil companies pay in lieu of property taxes, is needed in oil-impacted communities to pay debt and address other challenges related to expanding oil and gas activity. His counter-proposal would keep the Hub City funding level at \$375,000 per percentage. He would also eliminate the transfer of revenue from the townships, which he characterized as a "takings."

Impact grant commitments made to oil-impacted communities by the 2015 legislature are also an issue yet this session. The decline in oil tax revenue means there will not be enough money this biennium to pay for all the grants, so western legislators are asking for dollars in the 2017-19 budget. The House proposal would largely address the biggest concerns – a \$39 million commitment to the new Williston airport, and \$5 million to the Dickinson airport. If current revenue coming into the impact fund remains relatively constant (the most recent monthly deposit was \$4.1 million), the revenue will come very close to the amount needed to fulfill all remaining commitments. The [list](#) includes \$4 million each to airports in Bowman and Divide County, \$2.3 million in EMS grants to western communities, \$4 million to nursing homes, and \$15 million to be distributed among school districts in the oil-impacted communities.

Two bills of significant importance to WDEA have cleared their second house, and have returned to the other house for concurrence with amendments. [SB 2286](#) received unanimous 92-0 approval in the House this week. The bill expands the Public Service Commission's siting process to incorporate conditions required by local planning and zoning boards. The bill's sponsor, Senator Don Schaible, R-Mott, said he will ask his Senate colleagues to concur. Action is also pending in the House on [HB 1320](#), which was approved this week in the Senate on a 45-0 vote. Prime sponsor Rep. Dan Ruby, R-Minot, has indicated he will ask fellow representatives to concur with the Senate amendment.

Other bills of interest receiving approval in their second house this week include [SB 2327](#), which separates the environmental health unit from the state Health Department to create a state Department of Environmental Quality. It was approved in the House on a 69-23 vote. And [HB 1151](#), the so-called spill bill which will no longer require spills of less than 10 barrels to be reported to state regulators if they are contained to a well pad, was approved in the Senate on a vote of 31-14. Both bills must return to their house of origin for concurrence with amendments from the other house.