

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

ECONOMIC IMPACT COMMITTEE

Tuesday, October 8, 2013
Fourth Floor, Frontier Hall, Williston State College
Williston, North Dakota

Senator Dave Oehlke, Chairman, called the meeting to order at 9:50 a.m.

Members present: Senators Dave Oehlke, Tom Campbell, Ron Carlisle, Mac Schneider, George B. Sinner, Terry M. Wanzek; Representatives Joshua A. Boschee, Mike D. Brandenburg, Ed Gruchalla, Bob Hunskor, Vernon R. Laning, Gary R. Sukut

Members absent: Representatives Thomas Beadle, Rick Becker, Nancy Johnson, Matthew M. Klein

Others present: Patrick Hatlestad, State Representative, Williston
David S. Rust, State Representative, Tioga
See attached [Appendix A](#) for additional persons present.

Chairman Oehlke thanked Representative Sukut for arranging the meeting and thanked Williston State College for hosting the committee. He said Ms. Shanna Curlin, Williston State College, has been very accommodating arranging the meeting location. He thanked Mr. Ward Koeser, Mayor, Williston, for leading the committee on a tour of Williston.

It was moved by Representative Sukut, seconded by Senator Schneider, and carried on a voice vote that the minutes of the July 31, 2013, meeting be approved as distributed.

TRANSPORTATION INFRASTRUCTURE STUDY

Chairman Oehlke called on Mr. Koeser for comments regarding transportation infrastructure in Williston and oil-impacted areas. He thanked the committee for visiting Williston. He said people need to see what is going on in oil-impacted areas to fully comprehend the magnitude of the impact. He said he encourages legislators to consider a different thought process when looking at providing funding to address oil impact. Although the funding provided by the 2013 Legislative Assembly is beneficial and appreciated, he said, a different formula to fund growth from oil is necessary. He said both Williston and Dickinson will need to borrow through bonding authority for operating expenses. He said Williston will use approximately \$60 million in oil impact grants to meet its obligations, but will need approximately an additional \$45 million in its budget. He said Dickinson will need approximately \$100 million in bonding authority. Because the state economy is in good shape, he said, the oil-impacted cities should not need to borrow funds to operate. He said the oil-impacted cities need to pay for normal growth, but need assistance to fund the additional growth due to oil impact. He said this interim should be used to explore new ideas for funding to address oil impact. During the interim, he said, it would be helpful to create a group that could work with city and county officials to examine impacts and develop solutions for consideration by the 2015 Legislative Assembly.

In response to a question from Senator Carlisle, Mr. Koeser said Williams County will receive oil impact grants to provide for additional law enforcement. He said Williston also will need to add seven law enforcement officers to address the impact due to oil activity in the Williston area.

In response to a question from Representative Brandenburg, Mr. Koeser said a team of experts is needed to look at issues over the next year and develop solutions. He said one example of a problem faced in the Williams County area is the lack of courtroom space after the addition of a new district judge which was granted by the Supreme Court.

In response to a question from Senator Sinner, Mr. Koeser said approximately 20 percent of the gross production taxes are returned to the impacted political subdivisions, which is an amount substantially lower than the amounts returned in other states that have oil production. He said the amount returned to the political subdivisions in other states is generally around 35 percent. He said it is almost impossible to keep up with the road needs in the impacted counties.

In response to a question from Senator Schneider, Mr. Koeser said it would be helpful to establish a new formula for distribution of oil taxes to political subdivisions even if it were a test for one biennium.

Senator Wanzek said he understands the problems faced by the oil-producing areas. However, he said, other areas of the state also are being affected by the increased oil production. He said the Jamestown area has experienced a significant increase in traffic, particularly truck traffic.

Mr. Koeser said it is important to note Williston generated more taxable sales during the last year than Fargo. He said impacts in areas such as Bismarck are generally positive, such as people retiring from the oil-impacted areas to the Bismarck area. He said he is pleased the entire state is doing well, but much of the additional income being generated is due to oil activity.

In response to a question from Senator Oehlke, Mr. Koeser said it has been difficult to predict which areas are likely to experience substantial growth. He said representatives of the Oil and Gas Division would be in the best position to know where future development is likely to occur. He said it is very difficult to be proactive in addressing infrastructure needs.

Chairman Oehlke called on Mr. Monte C. Meiers, Director of Public Works/Engineering, Williston, for comments regarding infrastructure needs in Williston. Mr. Meiers said the city has grown from about 7 square miles to 21 square miles. He said the city has been using impact funds and sales tax funds for projects to expand the city's infrastructure. He said the original intent was to reserve sales tax funds for addressing existing infrastructure. However, he said, those funds are now being used for the new corridor projects. He said approximately \$183 million is earmarked for corridor projects that are transportation-related, and other projects such as waste water treatment will require nearly \$70 million dollars in additional funding. He said the first phase of a project bid during the spring resulted in only two bids being submitted. He said the low bid was from a company from Missouri and was approximately double the amount that was expected.

In response to a question from Senator Oehlke, Mr. Meiers said the design-build process is helpful for some projects. However, he said, the project bid in the spring would not likely have been any different under the design-build process. He said the timing of the bidding process was largely responsible for the high bids.

Mr. Meiers said the city can recapture funds invested on water and sewer projects but not on road projects. He said the city has avoided using special assessments for road projects. Because acquiring rights of way is more expensive, he said, the cost of road construction in Williston is higher than in other areas. He said drainage issues have also been a problem with some projects.

In response to a question from Senator Carlisle, Mr. Meiers said sewerlines placed in the 1950s were designed to be high capacity and have not had to be replaced. However, he said, the waste water treatment plant facility is at its maximum capacity, and the city is designing a new facility.

In response to a question from Representative Brandenburg, Mr. Meiers said it has been difficult to receive approval from the Army Corps of Engineers for the waste water treatment plant because the lines cross corps' levies. He said there have also been some issues in dealing with the United States Fish and Wildlife Service.

In response to a question from Senator Sinner, Mr. Meiers said although the 2011 flood did not substantially impact the water treatment plant, there have been some concerns due to high ground water.

Mr. Meiers said Williston has been working on road intersection projects and installing traffic signals, including temporary signals. He said the city has rented some portable signals at a cost of approximately \$100,000 for the summer. He said the Department of Transportation is upgrading some intersections and installing signals. He said there is a substantial need for signals at other intersections, and many roads do not have dedicated left turn lanes. He said it takes approximately two years to get federal aid for intersection and signal upgrades. He said the city needs approximately 10 permanent signals at a cost of \$1 million to \$4 million per signal.

Chairman Oehlke called on Mr. David Nicoletti, Mountrail County Highway Department, for comments regarding transportation infrastructure in Mountrail County. Mr. Nicoletti said he has been a resident of this state for about three years and has seen drastic changes during the time he has lived here. He said Mountrail County has

317 miles of county roads and 1,250 miles of township roads. He said the county maintains a significant portion of the township roads under agreements with the townships. He said the county has 94 miles of paved roads. He said the county paved 37 miles of roads during this construction season. He said gravel roads in the county have been impacted by the amount of truck traffic, and the roads are generally losing two inches to six inches of gravel per year. Because the cost of gravel is going up, he said, the county has increased its gravel placement budget from \$750,000 this year to \$2,000,000 next year.

Mr. Nicoletti said the county is regularly receiving requests from townships for road maintenance assistance. He said neither the townships nor the county have adequate funds to maintain the roads. However, he said, the county intends to add 20 miles of asphalt during the next construction season. He said the county also will reconstruct a bridge. Because bridges in the county are significantly underrated for the loads being hauled through the county, he said, it is challenging to route traffic through the county. He said the county is examining construction of a corridor to get from Highway 2 to Highway 23. Because tankers are having such a significant impact on the roads, he said, there is an extreme need for reconstruction, and the county is examining the possibility of requesting companies doing business in the county to share some of the cost of reconstruction. He said \$18 million in reconstruction is planned for the next year from a variety of sources, including impact funds and funds provided by companies doing business in the county.

In response to a question from Senator Oehlke, Mr. Nicoletti said he expects a steady rate of growth for 20 years. Therefore, he said, the county is just trying to keep up with the growth. He said the traffic between Minot and Williston goes through Mountrail County.

In response to a question from Representative Sukut, Mr. Nicoletti said the county has a five-year transportation plan and has traffic counts that show traffic is primarily routed on newly reconstructed roads. Therefore, he said, the amount of traffic on the newly reconstructed roads has doubled. He said the reconstruction is designed to handle the legal road limit for a 20-year service life. However, he said, a chip seal overlay is necessary after 10 years, and structural overlay will also be necessary during the service life. He said the cost of construction is approximately \$1.3 million per mile. He said the cost of gravel has increased to approximately \$6,000 per mile plus about \$2,000 for hauling the gravel.

In response to a question from Representative Hunsakor, Mr. Nicoletti said he has received a substantial amount of feedback from oil companies regarding cost-sharing of road reconstruction. He said one company has contributed \$500,000, and representatives of another company are in discussions with the county which are encouraging. However, he said, representatives of the companies feel as if they are being double-billed because they are paying funds to the state and to the county.

In response to a question from Senator Wanzek, Mr. Nicoletti said the increased amount of traffic and road construction affects farmers, particularly during the harvest season. In addition, he said, load restrictions impact the agriculture industry.

In response to a question from Representative Brandenburg, Mr. Nicoletti said the county contracts with many of the townships in the county to perform road maintenance. In addition, he said, the oil industry has performed some maintenance for townships. He said many of the reputable companies work closely with the townships to aid in maintaining roads. However, he said, some companies will use township roads during the frost season to avoid restrictions on county and state roads.

Chairman Oehlke called on Mr. Grant Levi, Director, Department of Transportation, for a presentation ([Appendix B](#)) regarding transportation infrastructure in oil-impacted areas.

In response to a question from Senator Oehlke, Mr. Levi said oil that is shipped by rail usually needs to be transported by pipeline or truck to the rail line.

In response to a question from Representative Brandenburg, Mr. Levi said the Department of Transportation is facing challenges with crossing the river on the Highway 85 project and with the shutdown of the federal government. He said the department has submitted all of the documentation necessary for the environmental impact and will be installing wildlife crossings as part of the project. He said the wildlife crossings have added about \$5 million in cost to the project.

In response to a question from Senator Carlisle, Mr. Levi said the wildlife crossings are modeled after crossings in other states which have been shown to be utilized safely. He said the crossings are a cost of doing business and need to be part of the project design.

In response to a question from Representative Gruchalla, Mr. Levi said the department is generally seeing better participation on projects. He said the project in Williston that had only two bidders was negatively affected by the aggressive schedule and the time the bids were solicited.

In response to a question from Senator Oehlke, Mr. Levi said he can provide the committee additional information regarding the amount of loans outstanding from the rail loan program.

In response to a question from Representative Brandenburg, Mr. Levi said the rail loan program is designed to pay only a portion of a railroad rehabilitation project. He said a railroad company is responsible for a majority of the cost of a project.

In response to a question from Senator Campbell, Mr. Levi said the United States Department of Transportation will need to pay for projects for which it has made commitments, but the department does not have enough revenue for fiscal year 2015. He said there has never been a situation in which the federal highway trust funding could decrease to the point to which it is projected in 2015 if nothing is done to address the shortfall.

In response to a question from Representative Boschee, Mr. Levi said there is approximately \$12 million in federal funding available during the biennium for transit in the state.

Chairman Oehlke requested Mr. Levi to provide additional information at the next meeting of the committee regarding the Moving Ahead for Progress in the 21st Century Act (MAP-21).

Chairman Oehlke called on Dr. Denver Tolliver, Director, Upper Great Plains Transportation Institute, for a presentation ([Appendix C](#)) regarding the needs study of North Dakota roads and bridges.

In response to a question from Senator Campbell, Dr. Tolliver said he uses the Oil and Gas Division forecasts for wells in each county in making its projections regarding impact. In addition, he said, feedback from the industry is used in developing the projections. He said the existing ratio for oil going by pipeline was used as well as projections for determining road impact. Although the researchers use the latest data available, he said, sensitivity analyses are used and assumptions may be adjusted by a variety of factors, including changes in technology.

Chairman Oehlke called on Mr. Jon Mielke, Upper Great Plains Transportation Institute, for a presentation ([Appendix D](#)) regarding short line railroad grain shipments.

In response to a question from Senator Wanzek, Mr. Mielke said there is a significant amount of commodity, including fertilizer, that is being transported by the short line railroads.

In response to a question from Representative Brandenburg, Mr. Mielke said although a reduction in 200,000 truckloads statewide due to the use of the short lines may not seem significant, the reduction in road use due to short line railroads is more significant in certain areas.

Chairman Oehlke called on Mr. Steven Kjergaard, Airport Manager, Sloulin Field International Airport, Williston, to present information ([Appendix E](#)) regarding infrastructure needs for the Williston airport.

Mr. Kjergaard said the city examined the possibility of establishing a regional airport to the south, but suitable land was not available. He said it would take approximately \$350 million to expand the airport at its current site. He said establishment of an airport at a new site would cost approximately \$200 million. He said the airport runway pavement strength is not adequate at the airport, and the city has accepted responsibility from the Federal Aviation Administration for the runway. He said expansion at the current site would require the lowering of the west side of the airport property by about 40 feet. He said the city hopes to receive 50 percent of the funding needed for the construction of a new airport from the federal government over a 10-year period. He said the city can sell the current airport property which should be quite valuable. In addition, he said, the city has submitted a request for \$25 million of the funds provided by the 2013 Legislative Assembly for airports and hopes the state will provide another \$25 million during the next biennium.

In response to a question from Senator Oehlke, Mr. Kjergaard said the large hangers at the airport are owned by the city. He said there are 15 privately owned hangers, and the city would compensate the owners of those hangers for relocation expenses when the new airport is constructed. He said the city will examine the desirability of allowing private hangers at the new airport facility.

CHILD CARE SERVICES STUDY

Chairman Oehlke called on Ms. Linda Reinicke, Child Care Aware of North Dakota, for a presentation ([Appendix F](#)) regarding the committee's study regarding child care services.

In response to a question from Representative Boschee, Ms. Reinicke said one potential solution to getting more parents and child care providers to take advantage of the child care assistance program would be to reduce or eliminate the gap in providing payments to providers. She said some states make the payments to providers in advance so the parent does not have to front the money to the provider. She said the child care assistance program does not pay enrollment fees or pay for time during which the child is not at the day care. She said the grants through the Department of Commerce will likely be distributed at one time rather than in phases.

In response to a question from Senator Oehlke, Ms. Reinicke said there is no limit as far as the size of a day care center so long as each group size remains within the applicable guidelines.

In response to a question from Senator Schneider, Ms. Reinicke said turnover in the child care business is high, in part, because providers often get into business when they have children at home and then leave the business once the children go to school. In addition, she said, the workforce in the child care industry is aging.

In response to a question from Senator Oehlke, Ms. Reinicke said turnover is especially high for the self-declared day cares.

In response to a question from Senator Carlisle, Ms. Reinicke said Native American children residing on reservations are represented in the child count, but the number of providers on the reservations is not reflected in the statistics listing the number of providers. She said there are likely about 30 licensed providers on the Fort Berthold Reservation and only 2 licensed providers on the Spirit Lake Reservation.

Senator Carlisle asked the Legislative Council staff to request the Department of Human Services to provide information regarding day care providers on reservations.

In response to a question from Representative Boschee, Ms. Reinicke said she can provide the committee with information from an economic impact study that was prepared about five years ago.

Chairman Oehlke called on Mr. Shawn Wenko, Williston Economic Development, for comments regarding the committee's study of child care services. Mr. Wenko said the Williston Economic Development agency commissioned a study that indicated over 1,000 spaces will be needed in Williston for child care. He said the lack of child care services is a significant economic development problem, and the study suggested there is a great need to focus on large-scale capacity day care centers. He said Williston Economic Development adjusted its incentive program to address the need for day care services, but there has not been much interest in utilizing those incentives. He said of the \$1.3 million invested in incentives for businesses in 2013, none was used for child care services. He said economic development officials continue to look for answers to the lack of interest in the child care business and to try to determine why large-capacity day care operators are not moving into the area to address the need for child care services.

In response to a question from Senator Carlisle, Mr. Wenko said large companies will likely add child care services to their businesses in the future. However, he said, the companies are addressing other problems first.

Ms. Kathleen Molland, Williams County Social Services, said the lack of child care services was beyond a crisis level a couple of years ago and has gotten worse as the area is losing providers. She said two group providers serving a total of 28 children recently closed, and she receives calls every day from parents looking for referrals to child care providers. She said she provides parents lists of providers and refers them to Child Care Aware of North Dakota. She said individuals often inquire about opening a child care business but generally do not follow through after receiving information about the business. On the positive side, she said, Neset Consulting Service in Tioga

has added day care services for its staff and has opened some spots for others in the community. In addition, she said, the Ray Public School District has added child care for some teachers and four of the five elementary schools in Williston now offer afterschool care. She encouraged the committee to keep child care needs in mind during the next legislative session.

In response to a question from Senator Oehlke, Ms. Molland said the lack of child care services is an economic development problem, and it is important to find ways to provide incentives for people to get into the business.

In response to a question from Representative Hunskor, Ms. Molland said the cost of staffing a child care business is a big factor in the lack of availability of child care. She said there is often a revolving door for staff moving from one provider to another, and it is expensive to hire and train workers.

In response to a question from Senator Oehlke, Ms. Molland said Williston State College had a privately run day care on campus until about five years ago. However, she said, it was difficult for the center to keep staff.

In response to a question from Senator Wanzek, Ms. Molland said although employers are beginning to realize providing day care services is important for their employees, development of the services has been slow.

In response to a question from Representative Sukut, Mr. Keith Olson, Small Business Development Center, Williston State College, said he has worked with many day care providers over the last decade and is currently assisting the development of two day cares in the Crosby area. He said Watford City is building a large community-owned day care. However, he said, it has been difficult to attract large out-of-state day care providers to open businesses in the area. He said one problem in attracting the large out-of-state providers is adjusting to the regulations adopted by the Department of Human Services. He said large day care centers are often run like schools with excellent quality of care, but the state guidelines make it difficult to operate the facilities due to the high cost of labor. He said the lack of day care in the area may be reduced to a certain extent because many workers have not brought their families to the state and many spouses work split shifts to avoid the need for day care. He said the day care business is very difficult, and despite communities in the area being willing to provide incentives, it is difficult to attract providers. He said tax incentives and other state incentives are needed to attract the businesses.

STAFF DIRECTIVES AND MISCELLANEOUS MATTERS

Chairman Oehlke requested members of the committee to provide suggestions for future meetings.

Senator Carlisle said he would like to see additional information regarding employer-provided child care and information regarding whether the Three Affiliated Tribes are providing assistance for child care services from the additional oil revenue the tribes are receiving.

Representative Gruchalla said Mr. Lynn Helms, Director, Department of Mineral Resources, provided information to a committee regarding the life of an oilfield and the change in impact and transportation needs. He said an update similar to that presentation would be helpful.

Representative Brandenburg requested additional information from representatives of the short line railroads with respect to use of the railroad loan fund.

Senator Schneider said a joint meeting with the interim Taxation Committee might be helpful in examining different methods for allocating oil revenue.

Senator Oehlke said it may be helpful to invite finance directors from oil-impacted cities and counties to address the committee regarding financial issues faced by the political subdivisions.

In response to a question from Representative Boschee, Chairman Oehlke said the committee will continue to receive reports from the Housing Finance Agency regarding its housing study. He said he requested representatives of the Greater North Dakota Chamber to provide additional information regarding the requests submitted by the chamber to further study housing. However, he said, he did not receive a response, and it appears the representatives of the chamber are satisfied with what was previously discussed.

Senator Sinner requested the Legislative Council staff to ask representatives of the Department of Transportation to report on road standards in other states and whether other states are exceeding material standards that are used in this state.

Chairman Oehlke said the committee can get an update regarding MAP-21 at the next meeting and may be able to arrange an update regarding discussions from the Western States Transportation Association.

Senator Sinner said additional information regarding allocations of oil production taxes from other states would be helpful.

Representative Sukut said 2011 House Bill No. 1358 had solid support as it was originally proposed until running into problems in the Senate. He said finance leaders from the oil-impacted counties may be able to provide the committee specific information regarding problems and needs so similar legislation can be considered in 2015. If the local leaders are able to justify and support their requests, he said, the legislation will have a better chance of being successful.

No further business appearing, Chairman Oehlke adjourned the meeting at 2:45 p.m.

John Bjornson
Assistant Code Revisor

ATTACH:6