

# A sticker shock for oil and gas producing counties

Last week at the North Dakota Association of Oil and Gas Producing Counties annual meeting in Williston I witnessed one of the biggest sticker shocks I had ever seen. The county officials saw a presentation that included a slide indi-



**JASON SPIESS**  
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cating oil towns, like Watford City, had the potential to see their property tax bill increase by \$14,000. Not shoot up to \$14K, rather increase by.

Now the reality of this happening is very unlikely, however, it does paint the picture of what is happening in western North Dakota. Brent Bogar of Bismarck-based Jadestone Consulting and Jeff Zarling, president of Williston-based DAWA Solutions Group, presented an overview of their latest study regarding infrastructure requirements, debts and suggested tax modifications to oil impacted counties.

Specifically speaking, Watford City, Dickinson and Williston have accumulated hundreds of millions in debt each, with Williston over a billion dollars. Dickinson's spending went from \$21 million in 2010 to \$210 million in 2014. Watford City's budget increased from \$6 million to \$33 million. As mentioned, the city of Williston is over a billion in debt with a projected \$210 million dollar budget. To put the city's annual operating budget into perspective, Bismarck, which has three times the population, operates at \$205 million.

Speaking with the Steve Holen, president of the NDAOGPC and superintendent of schools in Watford City, he said the sticker shock can be alarming at first, but state officials are confident assistance will be there. Using Watford City as the symbol for this discussion of rapid community debt, Holen expounded on the town's new balance sheet and activity report.

"From a school stand point we are there, we passed a \$27 million bond issue for the new high school which was absolutely needed, but, we indebted ourself to the max in the process," Holen said. "I think when you have a community like Watford City, it's not going to come into this (oil play) with a larger tax base that some larger communities are going to have, so the catch up game is magnified 10-fold. There's just no way the tax base

could come up with the infrastructure needs in Watford City."

Holen said that's the main crux behind why the NDAOGPC members are pushing for this new piece of 60/40 legislation. The lobby effort is a basic 60/40 split with 60 percent going to local governments and 40 percent to the state. Currently it is 75/25 (on the state's 5 percent oil gas production tax), with the state receiving 75 percent and the locals seeing 25 percent. This ratio, the industry's production speed and rate of local monetary disbursement are some of the chief reasons a group of western North Dakota legislators have proposed an \$800 million "surge" fund to the oil and gas counties.

"We need some of this oil (tax) revenue to come back, not because we are looking for some kind of a hand out from the state or otherwise, it's basically

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because that's the only resource there is to make this catch up happen. And there is absolutely no way we are going to put this on the backs of the taxpayers," Holen said. "It just isn't going to happen."

According to Bogar, the counties are "at least seven years behind the times", indicating yet another reason why western county officials are requesting the "surge funding" until the tax code is "fixed." Holen said the association has been dealing with issues like this for nearly as long as he has been active within the oil and gas community.

"It's (NDAOGPC) been an association that's been around for years and decades and obviously we are an organization adapting to the changes," Holen said. "I got on this association six years ago and then we met about three times a year, monitoring the situation and so forth, now we are into the dynamic of meeting every month to multiple meetings every month to try and keep up with all the changes happening in western North Dakota."

Holen added, "What is really at the core of the association is representing the political subdivisions and the legislative input to reflect the needs that are happening in the area."

When asked about education issues in McKenzie County, Holen took off his NDAOGPC's hat and put his superintendent hat on and said the students, faculty members and parents are trying to make the best of the situation, but understand the reality.

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Transitioning back to his NDAOGPC presidential role, Holen addressed the counties' mood.

"From the counties' standpoint, it's roads and infrastructure," Holen said. "It's the quality of life and current industry issues and struggles. For schools it's overcrowding."

Holen elaborated on the rapid increase in student population, which has created environments that are not very conducive for today's teaching standards. According to Holen, student population has grown approximately 75 percent in the last five years, translating into an increase of 630 new pupils. In response to the rapid rise in students, Watford City has been using temporary school houses, which contains a similar look and feel to the temporary workforce housing model. According to Holen, the temporary schools are basically double wide trailers put on site and filled with students.

"We have six portable classrooms that are elementary schools," Holen said. "We are scheduled to have our new high school done by the winter of 2015, but in the meantime we have six portable classrooms and it's very likely we could double that next year until we get that building finished."

Holen said these temporary classrooms have a number of challenges that are added to an already challenging profession in a challenging environment.

"We have had discussions of how to connect them to buildings due to the dynamic of North Dakota winters and you have students going in and out, going the bathroom," Holen said. "Getting services out to these areas and just simple safety concerns with getting codes, and so forth, out to the temporary structures. It's not easy, but in this dynamic you have to do it but you just don't want it to be long term."

The new high school looks to be just the beginning of Watford City's education aspirations. Holen said the projec-



tions clearly indicates the need for an additional elementary school too.

"The other part of this is we probably need a new elementary school, so prior to the high school getting done you may have to start another project," Holen said. "It's the rapidness of how this happens. It's a great opportunity, we understand that, it's exciting. But you just don't have the time to address these issues like other growth areas do at 3-4 percent when you are looking at 15-20 percent growth."

Holen is hopeful the state will restructure the tax disbursement system in order to help the western side build infrastructure within their respective counties to accommodate the industry's current demand.

"We can only pass so many bond issues and tap our locals for so much, eventually it just isn't going to happen anymore," Holen said. "We view this as a long term play, we need some long term solutions."

Holen said overall community development is taking place, just not at a speed to satisfy everyone. He hopes the next legislative session will address some issues and needs the North Dakota oil and gas producing counties have.

"The resources just aren't there to get them to meet the growth pace and I think that is the issue," Holen said. "We are fighting the battle; it's just hard to keep up."

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Jason Spiess is a multi-media journalist and host of Building the Bakken Radio. Building the Bakken Radio can be heard in Bismarck on SuperTalk KLXX 1270AM on Sundays at 10am CT. To see if your listening area carries the radio program or see the entire Building the Bakken Media Network, visit [www.buildingthebakken.com](http://www.buildingthebakken.com). Spiess can be contacted at [jason@buildingthebakken.com](mailto:jason@buildingthebakken.com).