

NATURAL RESOURCES DEVELOPMENT ISSUES

Natural resource development in Montana and North Dakota is expected to continue for the foreseeable future. This development impacts state and local services in a variety of ways.

Local Government Impacts

Extraction activities bring additional populations to communities which cause pressure on the local government infrastructure and services. Many of the affected communities have struggled to find the means to fund these infrastructure and local service demands. In addition, local governments compete for employees with the natural resource industry and have challenges from rising housing costs for their employees.

Current distribution of natural resource taxes allocates revenue to Montana county governments. Cities and towns do not receive significant revenues from natural resource extraction. An additional factor in the funding issues is timing of the tax receipts. While service demands are the greatest during the drilling and fracking phase of extraction, revenues from extraction begin six months to two years after the drilling and fracking is complete.

K-12 Public School Impacts

Schools in impacted areas also have challenges:

- Additional enrollment for which the district may or may not have capacity to serve
- Many students are transient and do not stay the full year
- A higher proportion of students with special needs are enrolled
- Recruitment, retention, and high housing costs described for local governments are also issues for schools

Funding issues for impacted schools are similar to those of local governments. Districts in which oil wells are located receive revenue from these wells that helps offset the costs. However, other nearby districts without wells or oil revenue face some of the same impacts without additional funding. The revenue timing issues mentioned for counties also impact school districts. Finally, the state's K-12 funding formula does not recognize impacts related to rapid natural resource development.

State Government Impacts

Natural resource development has broad implications on a statewide level as well. Regional transportation challenges, public works improvements, and the same recruitment, retention, and housing cost issues impact state employees as well as local government employees.

A number of state-administered capital improvement programs both benefit from and are affected by natural resource development. Most of these state programs directly benefit local communities through improvements to local government, school district, and university infrastructure and buildings. The increased demand for infrastructure within affected communities will cause increased demand for these programs.

Proposed Legislation

A number of bills intended to address these issues will be before the 2013 Legislature, including proposals by Governor Bullock and various legislators. Governor Bullock has a proposal to create a one-time \$15 million municipal infrastructure grant program. A number of other infrastructure-focused bills are in the drafting stage, many of which will create ongoing programs to provide funding assistance to oil and gas impacted communities – including incorporated and un-incorporated governmental entities. Legislative research, fiscal, and legal staff are available to assist legislators in the creation of additional proposals upon request.