

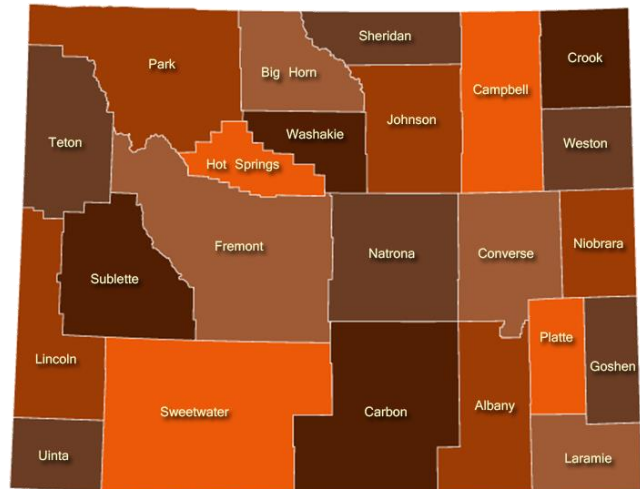
**Testimony of the Honorable Mark A. Christensen  
Commissioner  
Campbell County Board of Commissioners**

**United States House of Representatives Committee on Natural Resources,  
Subcommittee on Energy and Mineral Resources Legislative Hearing  
“H.R. 3846, the “Power Counties Act””  
April 18, 2018**

Good afternoon Chairman Gosar, Ranking Member Lowenthal, and Representative Cheney. My name is Mark Christensen and I am the Chairman of the Board of County Commissioners in Campbell County, Wyoming, located in northeastern Wyoming.

I am very pleased to be here today to talk about HR 3846, the “Power Counties Act”, because there is truly no other county in America that generates more power for our country than my county — Campbell County, Wyoming.

Campbell County encompasses about one-tenth of one percent of the entire land mass of the United States. Yet we produce approximately seven quadrillion BTU’s of energy annually, providing from one county nearly 10% of the entire country’s energy demand. Most of that demand takes the form of low sulfur coal from the Powder River Basin. Every single day over 80 trains with 130 cars each depart my county filled with Wyoming coal, so that your constituents can safely and affordably turn on their lights and heat. Campbell County coal is what keeps the grid reliable. According to the U.S. Geological Survey, there are approximately 25 billion tons of economically recoverable coal resources in Campbell County<sup>1</sup>. In fact, over 83 million tons of Wyoming coal were delivered last year to just the states represented on this subcommittee.



In addition to our abundant coal resources, Campbell County is also Wyoming’s number one producer of oil, producing over 17 million barrels of oil in 2017, which was enough to account for almost 23% of total Wyoming production<sup>2</sup>. We also produced almost 77 million Mcf of natural gas and are a leading producer of uranium through in situ mining. When you talk about energy and power generation, Campbell County really is all about, “all of the above.” In addition to our abundant fossil fuel resources, we also have some of the best wind potential in the nation.

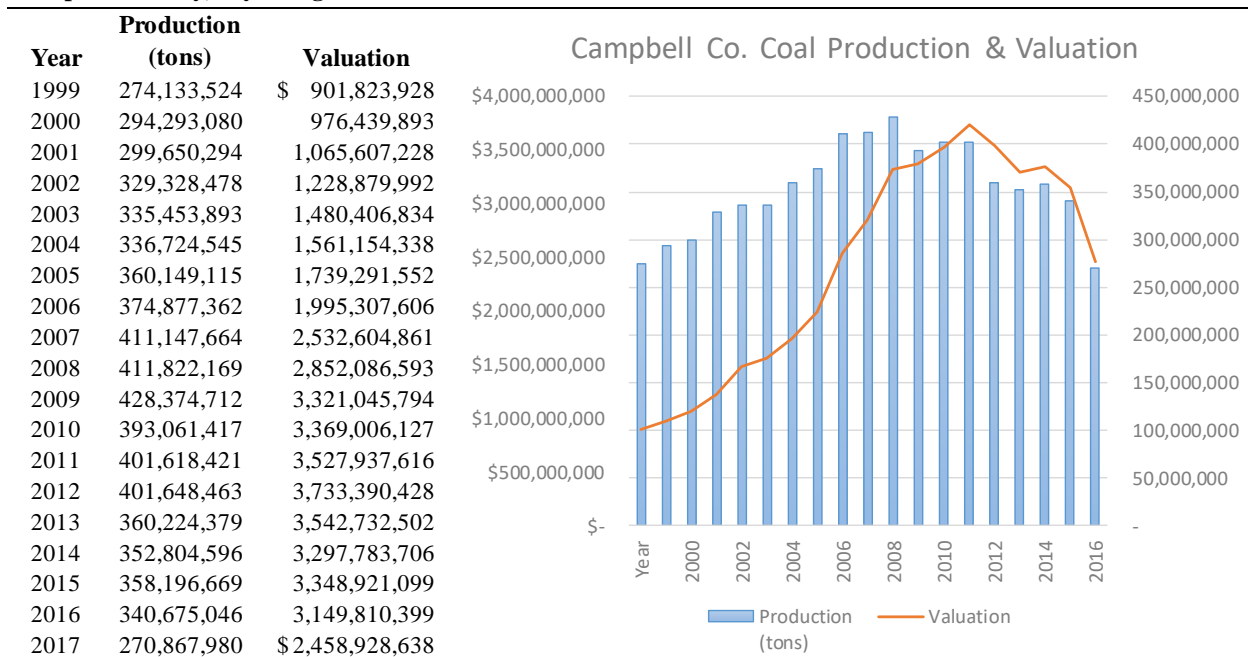
<sup>1</sup> Luppens, J. A., Scott, D. C., Osmonson, L. M., Haacke, J. E., & Pierce, P. E. (2013). *Assessment of Coal Geology, Resources, and Reserve Base in the Powder River Basin, Wyoming and Montana* (United States, U.S. Geological Survey). Retrieved April 15, 2018, from <https://pubs.usgs.gov/fs/2012/3143/fs-2012-3143.pdf>

<sup>2</sup> 2017 County Report (State of Wyoming, Wyoming Oil & Gas Conservation Commission). Retrieved April 15, 2018, from <http://wogcc.state.wy.us/countyreport.cfm>

Gillette, our county seat, is known as, “The Energy Capital of the Nation,” for very good reason. However, our community has been significantly impacted by declining coal and oil production. Production of Powder River Basin coal in Campbell County increased steadily from the 1980s through 2008. The 1970s and 1980s were a boom time for Campbell County as the opening of large surface coal mines, resulting from the Surface Mining Control and Reclamation Act of 1977 (“SMCRA”) and the passing of the Clean Air Act, made Campbell County’s low sulfur, sub-bituminous coal very attractive for power generation. Though we increased steadily from the 1980s through 2008, to a record production in Wyoming’s Powder River Basin of 446 million tons that year, we have also seen our production fall very quickly in the past couple of years, with calendar year 2016 production of coal in Campbell County amounting to approximately 280 million tons, a nearly 40% drop in just eight years.

**Campbell County, Wyoming Coal Production & Assessed Valuation**

**Figure 1**



Source: Campbell County Assessor's Office, Campbell County, Wyoming

Our population of approximately 45,000 has grown resilient to the rise and fall of energy prices affecting our lives, but we have never been as heavily impacted as recently. The majority of Campbell County’s budget – and the budget for our schools – is derived from property taxes and ad-valorem taxes, which are property taxes assessed by the county on the value of produced minerals. In Campbell County, upwards of 70%, in some years as high as 90%+, of our assessed valuation is attributed to produced minerals. Campbell County’s 2015 assessed valuation, driven by high oil prices in the 2014 calendar year the valuation is based upon, was nearly \$6.2 billion. Two years later, our assessed valuation was \$4.2 billion (based upon 2016 production). This 32% decrease in assessed valuation, which equated to a 32% decrease in ad-valorem taxes, was further compounded by a nearly 50% drop in sales tax collections.

Our county was fortunate that we were able to adjust to this drop through proactive planning, savings, no debt, and sound fiscal policy. However, our projections for 2017 production and associated assessed valuation appear to be approximately the same, and we see no indications that our valuation will pick back up in the immediate future.

Though I know you are all very aware, I want to provide a little background on the reclamation fund we are discussing amending today and the original Mineral Leasing Act of 1920 and the Reclamation Fund Act of 1902. The Mineral Leasing Act requires all money gained from the leasing of public lands to be divided in three ways, with the exception of Alaska:

- 50% of gross revenues to the state (Alaska receives 90% of gross revenue)
- 40% of gross revenues into the Reclamation Fund
- 10% of gross revenues go to the Federal Treasury

The legislation allowed for the deduction of administrative costs, which has deeply impacted Wyoming as the federal government elected to deduct 2% from the state share, changing the state distribution to 48%.

Through research, it appears the fund's original purpose was to aid in the development of irrigation projects in the west. Framed as a revolving fund for construction projects supported by the sale of land and water in the western United States, it has been amended to receive funds from other sources such as sales, rentals, and leases from federal land in the western United States. It appears that from the 1940s through the 1990s, the fund remained largely in balance. However, beginning in the mid-1990s, the fund balance began growing significantly from increased mineral leasing and production and power sales. Recently, Congress has authorized using monies from the fund for other purposes. The majority of the receipts deposited into the fund come from mineral royalties, with mineral royalties accounting for 79% of deposits from 2008 through 2012. There are of course nuances that affect the fund and distributions from the simple background I have provided, but I believe the background helps with our discussion with regard to local government today.

I previously mentioned the huge amount of coal Campbell County produces, which is nearly 40% of U.S. coal used for power generation, and given that we are talking about an account named the "Reclamation Fund", I feel I should also address mine land reclamation – though this fund is not used for that purpose. The coal mines in Campbell County are all required as part of SMCRA to make sure adequate resources exist to reclaim mine lands. Though some mines used to use an allowance within SMCRA called self-bonding, all of Campbell County's mines have in place bonding from third-party sureties, and even after seeing most of our coal mines go through bankruptcy, sureties are backing all required reclamation in my county. Additionally, with regard to oil and gas, the Wyoming Oil & Gas Conservation Commission ("WOGCC") requires all operators have bonding in place and also has a production tax that funds an account for reclaiming any wells that fall through the cracks.

For purposes of illustration, I have in my little over five years as a Commissioner seen budgets as high as \$170 million and as low as \$95 million. As I noted before, Campbell County as a general policy does not utilize debt, and we operate our organization in a way that is fiscally conservative.

The Power Counties Act is of importance to Campbell County because it would direct needed revenues and funds to our local government. I am a firm believer that the government closest to the people is the best for carrying out services, and I am proud of the quality of services Campbell County delivers.

Additionally, it makes sense that a portion of these funds be returned to the county within which the revenues were generated. Though all people recognize the importance of America's public lands, most U.S. citizens are from non-public lands states. These citizens are often critical of mineral extraction upon public lands in the West, and in states like Wyoming, but these same people are either reluctant or unwilling to recognize that their own states are free to tax those properties, derive revenues from them, and in the case of mineral development, better take advantage of development opportunities because of the ability to avoid federal lands and federal permitting and review processes. Though my county does receive PILT (Payments in Lieu of Taxes) funds, the \$740,000 that Campbell County received last year contributes little towards the services we are required to deliver to federal lands.

<b>County Services</b>		<i>Figure 2</i>
Courthouse	Juvenile Services	
- County Assessor	- Juvenile Court	
- County Treasurer	- Diversion	
- County Clerk (titles, deeds, recordings, licenses, rules)	- Probation	
- County Treasurer (tax collections, license plates)	- Crisis Center	
- County Attorney (prosecuting and civil)	Public Library	
- Clerk of District Court	Museum	
- District & Circuit Courts Courtrooms	Parks & Recreation	
- Public Defender Office Space	Public Health	
- Guardian Ad Litem Office Space	Public Works	
County Coroner	- Planning & Zoning	
County Sheriff & Detention Center	- Building Inspections / Permitting	
Airport	- Landfill	
Community College **	- Facilities Maintenance	
Emergency Management	Road & Bridge	
Fair	Senior Services	
Fire *	Weed & Pest	

\* Often reimbursed by BLM for costs on federal lands.

\*\* Community College funding at the county level is unique to Campbell County.

Additionally, though the WOGCC – up until recently being inundated in applications – can approve an Application for Permit to Drill (“APD”) in two weeks, this is contrasted with the Bureau of Land Management (“BLM”) which takes on average, and depending on the field office, 9-24 months to approve an APD. Further encumbering the federal permitting process is the requirement that many companies face in completing a lengthy, expensive, and time consuming NEPA (National Environmental Policy Act) analysis, such as an Environmental Impact Statement (“EIS”), before drilling can begin. Though you may not see this as a problem for the county, it impacts the ability of our mineral resources to compete with states that have minerals that are not subject to federal review and approval. For example, as hydraulic fracturing opened up huge amounts of new oil and gas reserves, much of that development and growth was initially focused in North Dakota and other private property states versus federally held states. This was a direct result of the drilling company's ability to obtain approved APDs in a much more timely manner

with less federal stipulations and costly restrictions that affected the pace of development and the ability to maximize rates of return. By the time companies brought the technology to Campbell County, we were already approaching a significant drop in oil prices and therefore missed many opportunities to tax this untapped production, opportunities for our people to have good employment, and opportunities for companies to do exploratory drilling in a time of higher prices.

As proposed, the Power Counties Act would send needed funds to Campbell County to utilize within our Road & Bridge department. We spend extensively on Road & Bridge projects to keep down dust particulates from gravel roads that could impact the ability of our mines to mine coal, and we recently cut approximately \$750,000 from the Road & Bridge department budget due to a reduction in activity and therefore revenue.

Though Wyoming's schools are set up in a way where revenues are redistributed between school districts so that all kids receive a quality education, the Wyoming K-12 system is running a \$400 million deficit this biennium.

Additionally, Campbell County, like many other places, has long-term costs associated with our mining legacy and its impacts (including population growth). For example, we are currently addressing nearly \$20 million worth of remediation activities at our landfills, much of that trash generated by people who moved to Campbell County to work in our coal, oil, and gas development plays. Let me be clear; these remediation costs are not outstanding because of poor management, but because of changes in federal and state regulations that require us now to readdress garbage from decades ago. Campbell County, like Wyoming, has consistently set aside funds for the continued operation of our facilities and to address the long-term costs of county activities. Unfortunately, there is no way of easily handling costs associated with changes in regulations.

Another beneficial use for these potential monies would be the county's contracts for services with local service agencies and non-profits. Decades ago, Campbell County made the decision to contract for services with local service agencies and non-profits as opposed to bringing in-house services that are found under local government in many other communities. The reason for this decision was simple because our service agencies and non-profits often do the same work at less cost and are better able to leverage and utilize private donations. Declining employment in our coal mines and the layoffs that were associated with the steep price declines of oil in 2014, led to a major increase in the demand for services from the organizations that the county contracts with.

Furthermore, I would encourage the Committee also consider allowing potential funds that could be redirected to be utilized for other purposes. For example, Campbell County and Wyoming, who have both benefitted from historically strong mineral economies, are both aware of the conversation surrounding emissions and carbon. The State of Wyoming has invested \$15 million in the Integrated Test Center ("ITC") at Dryfork Station Power Plant in Gillette. Wyoming has partnered with the X Prize to use this facility to find beneficial uses for power plant flue gases. The X Prize recently announced their finalist teams, half of which will be working in Gillette and half of which will be in Canada.

Campbell County intends to continue fully developing our existing mineral resources, but we are also looking to the future, recognizing we need to find new uses for our existing resources and new

ways to put our people to work. As recently reported by State of Wyoming Economic Analysis Division, Campbell County led the nation in decreasing population for the one year period between July 2016 and July 2017, with a 5.2% decrease in population<sup>3</sup>. This population decline comes after spending nearly a decade as one of the counties with the lowest unemployment rates in the country.

Additionally, because of the significant amount of tax revenues the county generates from mineral extraction activities – for many of which the long-term opportunities are being threatened – it is imperative to proactively address economic development and look for options to retrain our workforce. Unfortunately, the money for these activities is mostly non-existent.

For this reason, I would encourage the Committee to look at expanding the legislation to include opportunities for economic development, retraining, and research for new uses of our mineral resources. Examples like the ITC could be further developed to generate beneficial uses for Campbell County’s mineral resources, which have helped to power the U.S. for generations. Working with the State of Wyoming’s Economically Needed Diversification Opportunities for Wyoming (“ENDOW”) program to further diversify Campbell County’s economy also provides opportunities and a framework for our economic diversification activities.

Chairman Gosar, Ranking Member Lowenthal, and Representative Cheney, I appreciate the opportunity to have testified before you today. I am prepared to stand for questions. Thank you.

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<sup>3</sup> Liu, W. (2018). *Census Bureau shows population drop in Wyoming* (State of Wyoming, Economic Analysis Division). Posted March 22, 2018.