

**Meeting Minutes of the Funding Levels and Potential Funding Sources  
Study Group of the  
North Carolina Mining and Energy Commission  
August 30, 2013**

The North Carolina Mining and Energy Commission's (MEC) Funding Levels and Potential Funding Sources Study Group met in regular session on Friday, August 30, 2013 in Conference Room (742-A) of the Archdale Building. Chairwoman Jane Lewis-Raymond called the meeting to order at 12:02 pm via teleconference. She welcomed all study group members and others attending. She also read the ethics statement and asked Study Group Members whether or not they had conflicts of interest with respect to any action items on the agenda. No conflicts were noted.

Study Group Members Present

Jane Lewis-Raymond, Study Group Chairwoman (via telephone)  
Jim Womack, Chairman MEC (via telephone)  
Dr. Vikram Rao, MEC  
Johanna Reese, NC Association County Commissioners  
Judith Corley-Lay, NC Department of Transportation (NCDOT)

Study Group Members Absent

Brandon Jones, NCDOT  
George Howard, MEC  
Erin Wynia, League of Municipalities  
Sergeant Kenneth Sneed, NCDOT

DEMLR Staff Members Present

Tracy Davis  
Rosalind Harris  
Katherine Marciniak  
Walt Haven  
Others in Attendance (See attached Sign-in Sheet)

Introductions

Those in attendance introduced themselves to others in the group.

**Items of Business**

1. Approval of Minutes of July 30, 2013

Dr. Vikram Rao made a motion to approve the minutes, with MEC Chairman Mr. Jim Womack seconding the motion. The Study Group approved the minutes.

2. Review of the Draft Study Group Report (attached)

Chairman Womack reviewed the report preamble, which he authored. He explained that his manuscript included statutory authority for report generation, references from other states, and recognition of the authors of the report.

Ms. Marciniak led additional discussion of the draft report which specifically addressed these items:

- a. Anticipated DENR staffing needs;
- b. Anticipated DENR equipment needs;
- c. Expected future cost impacts to DEMLR, which included updated cost figures to reflect needed staff to process impact fee monies. These new cost figures were accepted by the Study Group;
- d. Ms. Johanna Reese volunteered to provide additional, detailed text to include within the report section addressing Local Government costs;
- e. The Study Group agreed with the following impact fee strategy: A \$2,000 "flat" fee per well, along with an \$1,800 fee applied for each hydraulic fracturing stage. Additionally, the Group recommended that the fracturing stage fee could be reduced to a rate of \$900 for liquid-free fracturing;
- f. The Study Group agreed that the permitting fee defined in Session Law 2012-143 as being \$3,000 remain as is;

- g. Ms. Johanna Reese volunteered to provide additional, detailed text to include within the report to address property taxation;
- h. The Study Group agreed with recommendations in the draft report related to bonding and financial assurance;
- i. The Study Group agreed that any severance tax should be enough to cover DENR and DOT costs. However, quantifying a severance tax rate within the report would depend on results from the pending study by Dr. Kenneth Taylor and Dr. Ray Covington regarding anticipated shale gas yields.

### 3. Additional Remarks Regarding the Draft Report:

Ms. Reese noted that property taxes should not only recover cost impacts, but that respective revenues should be enough to provide additional funding to local governments.

The Study Group agreed that the final report should include a recommendation that appropriated funds be used to initially maintain DEMLR staff positions. However, staff funding should be transferred from appropriations to fee-based, once oil and gas operations were prevalent enough to generate needed revenue.

Ms. Judith Corley –Lay asked that the report table delineating severance taxing among different states be modified to explain that none of the states listed maintain county roads, whereas NC DOT does maintain these roads.

The Study Group asked that report tables with support information be moved into an appendix, while tables reflecting Group recommendations should be shown in the text.

Chairman Womack asked that the report include a section to summarize production estimates provided by Dr. Taylor and Dr. Covington. He also asked that report recommendations for geophysical exploration bonding only apply to seismic work involving explosives. Group members agreed with this request.

Ms. Johanna Reese volunteered to send DEMLR staff updated information regarding county property tax rates, for updating the report.

Chairman Womack asked that a “Table of Contents” and an “Executive Summary” be included within the report. He volunteered to draft the latter.

### 3. Concluding Remarks

The next Study Group meeting was scheduled for September 19, 2013 from 10:00 am until 12:00 pm, in the Archdale Building.

**The Funding Levels and Potential Funding Sources Study Group adjourned at 1:21 pm.**

Respectfully submitted,

Walt Haven, Energy Program Supervisor  
DEMLR Staff