

FISCAL NOTE
Requested by Legislative Council
04/24/2017

Amendment to: HB 1152

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$100,000,000	\$(76,000,000)		
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1152 with Senate Amendments changes the allocation of the state share of oil and gas tax collections.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of engrossed HB 1152 with Senate Amendments modifies the allocation of the state's share of oil and gas tax collections by depositing \$75 million in the budget stabilization fund, and an additional \$100 million in the state general fund in the 2017-19 biennium. The bill also deposits up to \$3 million in the lignite research fund, and reduces the deposit into the state disaster relief fund by up to \$2 million. (Many of these are "other funds" for the purposes of 1A above, ultimately 'netting out' as a \$76,000,000 reduction in the strategic investment and improvements fund.)

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 04/24/2017

FISCAL NOTE
Requested by Legislative Council
02/07/2017

Amendment to: HB 1152

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
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Revenues			\$100,000,000	\$(100,000,000)		
Expenditures						
Appropriations						

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	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
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Cities			
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Engrossed HB 1152 changes the allocation of the state share of oil and gas tax collections.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of engrossed HB 1152 modifies the allocation of the state's share of oil and gas tax collections by depositing \$100 million in the budget stabilization fund, and an additional \$100 million in the state general fund in the 2017-19 biennium. The bill also deposits up to \$3 million in the lignite research fund, and reduces the deposit into the state disaster relief fund by up to \$2 million. (Many of these are "other funds" for the purposes of 1A above, ultimately 'netting out' as a \$100,000,000 reduction in the strategic investment and improvements fund.)

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- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
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Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 02/08/2017

FISCAL NOTE
Requested by Legislative Council
01/05/2017

Bill/Resolution No.: HB 1152

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2015-2017 Biennium		2017-2019 Biennium		2019-2021 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2015-2017 Biennium	2017-2019 Biennium	2019-2021 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

HB 1152 changes the allocation of the state share of oil and gas tax collections.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 2 of HB 1152 modifies the allocation of the state's share of oil and gas tax collections by including up to \$250 million to be deposited in the budget stabilization fund in the 2017-19 biennium. By allocating revenue to this fund, the bill reduces revenue to the strategic investment and improvements fund by the same amount. (Both of these are "other funds" for the purposes of 1A above, and would cancel each other out, so are not shown above.)

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- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
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Name: Kathryn L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 01/16/2017

2017 HOUSE APPROPRIATIONS

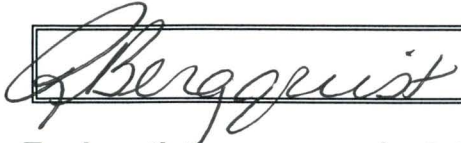
HB 1152

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB1152
1/18/2017
27084

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency.

Minutes:

0:36 Vice Chairman **Kempnich** Calling the meeting to order

Representative **Delzer District 8** - Testifying for HB 1152

Commonly called our buckets also deals with trying to put a little bit of money into the budget stabilization fund and set up a way that that fund could receive some money if revenues increase. In Governor Dalrymple Proposal, he took anything out of the state's share of the extraction tax. He used it as ongoing expenses to about 92-93%. I don't think we want to get that dependent on the general fund and to get that dependent on a commodity.

This changes the first set of buckets, changes them slightly, the first 200 million would go to state general fund like it already does. The next 300 million would go into tax relief fund just as it currently does. Then next 100 million would go into the budget stabilization fund but not on an amount that would bring the balance in the fund to more than the limit in sections 5-27.2-01 (sections 1-3, lines 13-17 of page 2 of the bill)

(Section 7, line 24-25 of page 2 of bill) 300 million into the strategic investment and improvements fund (SIIF fund)

If there's any money left, the next 150 million dollars would go into the stabilization fund but not in an amount that would bring the balance in the fund to more than the limit in section 54-27.2-01 (section 8, lines 26-29 page 2 of bill) Any additional revenues into the SIIF. Our forecast of \$48 and 900 thousand barrels for the next biennium I got the exact number but I think it puts it to the point of about 100 million dollars going into that second SIIF. I would like the committee to consider, we might need to change number 4 on bill to possible to 200 million dollars to the general fund, I also think we should look at changing the disaster relief

fund from 25 to possible 15, that last bucket that's there for the stabilization fund is there but we'd have really have an improve in oil before anything would ever hit there.

Representative **Delmore**: What's your advantage to putting it in here rather than the SIIF?

Chairman **Delzer**: I think we have to make sure that we have money in the stabilizing fund so that if there's an allotment you can do that. If it's in the SIIF fund everyone sees it and wants it and this way if there's a short fall we can get to it without a legislative session.

Representative **J. Nelson**: The SIIF fund is ready cash, you want to amend could we do that with the SIIF fund?

Chairman **Delzer**: No, I don't think we could do that, there's not money for that. We're sitting in a hole so that will reduce SIIF also.

8:45 Vice Chairman **Kempnich**: When you're dealing with mineral resources, we have to keep this out of ongoing as much as possible. I am not sure we want to raise that money on the 300 million it is mineral money.

Chairman **Delzer**: Putting another 100 million there, says we are expecting to spend that in the next biennium for ongoing expenses.

Representative **J. Nelson**: Is there any difference in the percentage from the general fund or if it was SIIF transfers?

Chairman **Delzer**: No, because the amount going in is based on the amount of expenditures that we do out of the general fund.

Vice Chairman **Kempnich**: it loses its's identity, you kind of lose where that money is coming from.

Representative **Delzer**: Part of the issue is truth in budgeting too. When we move that money we should move that to the general fund. Serge bill that we passed last session, that all went out and actually got added as general fund spending, but it didn't change anything because it was cash instead of something that might come in.

Representative **Monson**: Emergency clause, is that going to affect this biennium?

Representative **Delzer**: I am not sure why we asked for an emergency fund, it would only change it to August 1st instead of July 1st.

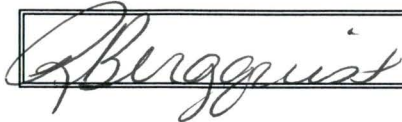
Brady Larson Legislative Council: There is an effective date for June 30th so it would not effect this biennium.

2017 HOUSE STANDING COMMITTEE MINUTES

Appropriations Committee
Roughrider Room, State Capitol

HB1152
2/2/2017
27801

- Subcommittee
 Conference Committee



Explanation or reason for introduction of bill/resolution:

Relating to the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency.

Minutes:

Attachment 1

Chairman Delzer: We've got amendments drafted for it, what it would mean is with the buckets the first 200 million to the general fund, the next 300 million would go to the tax relief fund, that's how it currently is. The issue with the tax relief fund, if there's enough reform passed this year the idea might to be to get us out of this type of tax relief. This is how we are funding the 12% and there is going to be 300 million in this fund by the end of the biennium. Both governors proposed we move that over to the stabilization fund, we thought that was a little aggressive to have to build that back up. I think we need to make sure our revenue forecast is accurate enough so that we are below what is forecasted.

2:25 (see attachment 1) We would add a bucket of 100 million for the budget stabilization fund, that would get us some seed money in there. Both governors proposed taking 300 million from the tax relief fund and 150 million from the SIIF fund and put it into the budget stabilization fund.

Then they are moving all the other revenues into the ongoing revenues. We think that a dangerous place for the state to be. We are trying to get back to the point that we have some buckets that will build up some money and not have to rely on our quantity based price situation for ongoing revenues.

Next one is the general fund for 200 million to get out of here this year I think we are going to have to recognize that we are going to need a little bit more. We would be going from 300 million in the general fund to 400 million.

Then the SIIF fund would get the next 100 million, with our revenue forecast you can see that's where it stops. By our forecast 16 million would go into the SIIF fund at that point.

State disaster relief; 20 million capped at 25 million, I think we should cap that at 20 million. Anything after that would go into the SIIF fund, and the governor did propose to try to get some money lined up for the Allen cycle and the clean coal issues that may need to be looked

at. If there's money that flowed into that he was saying 75% to SIIF 25 % to lignite research council with a cap of 3 million dollars, this amendment would put that with 90-10.

5:45 They could have considerably less but they could also have considerably more too. We're at 48 dollars straight through the biennium with 900 barrels, might be a little low.

Impact grant fund, may not be any money, Representative Kempenich said he'd like to have a little money in there, after visiting with Allen Knudson, since oil and gas is two months behind there would actually be 4 million in the, current law says there is 100 million, that will have to be amended.

Representative Streyle: I like these with the small change, I really think we should move the lignite up one and change it to 5 million. I think it should get the money before the SIIF fund gets its second chunk of money.

Chairman Delzer: I think there's more money than we think but there's a chance this won't get any money. You could move that up to the top one, in front of the disaster relief fund, I don't know if we need to go from 5 to 3.

9:45 Representative Streyle: I would propose to do that, and I think this a great start.

Chairman Delzer: Further discussion?

Representative J. Nelson: Has there been any discussion from the lignite energy council about the projected need?

Chairman Delzer: This is to make sure there is money there two years from now.

Representative J. Nelson: I think we are going to have to move in that direction, I think we need to support all of the forms of energy instead of just some.

Representative Streyle: Except for wind, we have no business supporting that industry

Representative Schatz: General fund, 300 to 400 you've increased that?

Chairman Delzer: We have to have some general fund money go get out of here. If you look at the big picture it's not that much of a percentage. In the end it's recognizing what we've been spending and what we need to spend this session to get out of here.

Representative Schatz: K-12 has taken no cut I fear that k-12 will get this and I think K-12 could defiantly cut some fat.

Chairman Delzer: They may come as zero and zero for no increase but no reductions, however with the passage of measure 2 they're been held harmless. So this 100 million won't go to K-12.

Representative Pollert: So lignite research would be in front of the SIIF fund? Right after the next 200 million?

Chairman Delzer: No it would be part of the first SIIF blue line, the two blue lines would move to the first, so it would be before the state disaster fund.

Representative Brandenburg: First SIIF fund is going to get 16 million with the forecast, we'll be able to get about 1.6 in there, if there's any extra it should hit that.

Chairman Delzer: We could move that to 80-20

Representative Streyle: I would propose to do that.

17:20 Representative Brandenburg: I make the motion to amend HB 1152 with 17.9261.0200

Representative Streyle seconded the motion

Representative Boe: Is that an existing fund or is that something we need to put in there?

Chairman Delzer: It's existing

Voice vote, all in favor, motion carries

Representative Streyle: I'll make a motion as DO Pass as amended

Representative Meier second motion

20:00 Representative Schatz: Why are we taking lignite money out of an oil and gas tax? Don't we already have a lignite tax?

Chairman Delzer: There is a severance tax, they moving the amount that goes into this research fund as well. I think total we're getting 10 million dollars that will be put towards clean coal technology.

Representative Kempenich: This is just the funding source correct?

Chairman Delzer: Yes, it's in the industrial commission

A Roll Call vote was taken. Yea: 20 Nay: 0 Absent: 1

Chairman Delzer will carry

2/16/17
Done
for

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1152

Page 1, line 11, overstrike "or the"

Page 1, line 11, after the second "fund" insert ", or lignite research fund"

Page 2, line 18, overstrike "one" and insert immediately thereafter "two"

Page 2, line 19, overstrike "into the strategic investment and improvements"

Page 2, line 20, overstrike "fund" and insert immediately thereafter ":

- a. Eighty percent into the strategic investment and improvements fund and twenty percent into the lignite research fund until three million dollars has been deposited into the lignite research fund to be used for advanced energy technology grants; and
- b. One hundred percent into the strategic investment and improvements fund after three million dollars has been deposited into the lignite research fund"

Page 2, line 21, overstrike "twenty-two" and insert immediately thereafter "twenty"

Page 2, line 22, overstrike "twenty-five" and insert immediately thereafter "twenty"

Page 2, line 23, remove the overstrike over "and"

Page 2, remove lines 24 through 28

Page 2, line 29, replace "9." with "7."

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

The amendment provides for the state share of oil and gas tax collections to be allocated as follows:

1. The first \$200 million into the general fund;
2. The next \$300 million into the tax relief fund;
3. The next \$100 million into the budget stabilization fund;
4. The next \$200 million into the general fund;
5. The next \$100 million:
 - a. 80 percent into the strategic investment and improvements fund; and
 - b. 20 percent into the lignite research fund up to \$3 million per biennium to be used for advanced energy technology grants;
6. The next \$20 million into the state disaster relief fund balance up to an amount that provides for a maximum fund balance of \$20 million; and
7. Any remaining funds into the strategic investment and improvements fund.

Date: 2/2/2017
 Roll Call Vote #: 1

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1152**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: 17.0141.02005

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative Brandenburg Seconded By Representative Streyle

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer					
Representative Kempenich			Representative Streyle		
Representative: Boehning			Representative Vigesaa		
Representative: Brabandt					
Representative Brandenburg					
Representative Kading			Representative Boe		
Representative Kreidt			Representative Delmore		
Representative Martinson			Representative Holman		
Representative Meier					
Representative Monson					
Representative Nathe					
Representative J. Nelson					
Representative Pollert					
Representative Sanford					
Representative Schatz					
Representative Schmidt					

Total (Yes) _____ No _____

Absent _____

Floor Assignment _____

If the vote is on an amendment, briefly indicate intent:

Date: 2/2/2017
 Roll Call Vote #: 2

**2017 HOUSE STANDING COMMITTEE
 ROLL CALL VOTES
 BILL/RESOLUTION NO. HB 1152**

House Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar
 Other Actions: Reconsider _____

Motion Made By Representative Streyle Seconded By Representative Meier

Representatives	Yes	No	Representatives	Yes	No
Chairman Delzer	X				
Representative Kempenich	X		Representative Streyle	X	
Representative: Boehning	X		Representative Vigesaa	X	
Representative: Brabandt	X				
Representative Brandenburg	X				
Representative Kading	X		Representative Boe	X	
Representative Kreidt	A		Representative Delmore	X	
Representative Martinson	X		Representative Holman	X	
Representative Meier	X				
Representative Monson	X				
Representative Nathe	X				
Representative J. Nelson	X				
Representative Pollert	X				
Representative Sanford	X				
Representative Schatz	X				
Representative Schmidt	X				

Total (Yes) 20 No 0

Absent 1

Floor Assignment Representative Delzer

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1152: Appropriations Committee (Rep. Delzer, Chairman) recommends AMENDMENTS AS FOLLOWS and when so amended, recommends DO PASS (20 YEAS, 0 NAYS, 1 ABSENT AND NOT VOTING). HB 1152 was placed on the Sixth order on the calendar.

Page 1, line 11, overstrike "or the"

Page 1, line 11, after the second "fund" insert ", or lignite research fund"

Page 2, line 18, overstrike "one" and insert immediately thereafter "two"

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- The first \$200 million into the general fund;
- The next \$300 million into the tax relief fund;
- The next \$100 million into the budget stabilization fund;
- The next \$200 million into the general fund;
- The next \$100 million:
 - a. 80 percent into the strategic investment and improvements fund; and
 - b. 20 percent into the lignite research fund up to \$3 million per biennium to be used for advanced energy technology grants;
- The next \$20 million into the state disaster relief fund balance up to an amount that provides for a maximum fund balance of \$20 million; and
- Any remaining funds into the strategic investment and improvements fund.

2017 SENATE APPROPRIATIONS

HB 1152

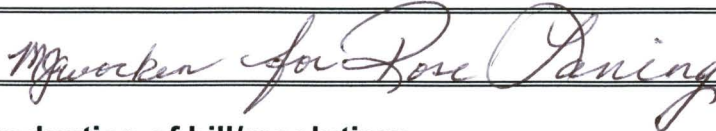
2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1152
3/21/2017
Job # 29483

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

Relating to the state share of oil and gas tax allocations

Minutes:

Testimony Attached # 1 – 2

Legislative Council: Adam Mathiak

OMB: Sheila Peterson

Chairman Holmberg called the committee to order on HB 1152.

Jeff Delzer, State Representative, District 8; Bill Sponsor

Testified in favor of HB 1152. Testimony Attached # 1.

Putting the money into the budget stabilization fund. Need to put some money in there. Anything over \$65M at the end of the biennium – this would put another \$100M in there before anything goes to the General Fund. This bill would put another \$100M.

Chairman Holmberg: The Dalrymple took a billion and put it directly into the General Fund. The Burgum budget had \$900 M and current law is \$300 M is what ended up there and this would change it to \$400M. This is an issue that we don't want to cement into yet. Visit down the road as we get closer.

Rep. Delzer: We don't have \$900M. \$816 is what our forecast is for the state's share. The next two buckets. It's an 80-20 split. It would put \$ into the Lignite Research. It's an important thing for the state of ND. We're limiting – up to \$20M with a cap of \$20M if it hits the \$20 M. I don't have the exact number with me, but I think there is so little bit unobligated money in the Disaster Relief Fund, but I don't think it's a whole lot. If things improve, anything above that would go into the SIFF fund which has been a very good deal for the State of North Dakota and its having these buckets is certainly the only way we managed to get through this last biennium with the reduction of about 30% in on-going revenue stream.

Chairman Holmberg: Do we have any adjustments that are made, if for example, the next oil report shows 990,000 barrels which might mean some money trickling in. Do we update

these numbers or are we locked into that? Is there any kind of adjustment in those numbers as we go along towards the end of the biennium?

Adam Mathiak: The price in production numbers are locked in, based on the approval of the two appropriations committees. A couple of weeks ago with the approving or adopting of the revised revenue forecast. As far as the 838 is not necessarily set into stone. This will happen when they have changes in the formulas. (7:20)

Rep. Delzer: If there's more money, you'd put it into the SIFF and State Disaster Relief Fund than into the SIFF again if there's less money it could actually walk up into the General Fund.

Senator G. Lee: Looking at the new buckets, all are broad categories except for Lignite Research. I'm not sure that's a healthy precedent. \$100M is a large number.

Rep. Delzer: This was put in by Dalrymple. There are certain places they were expecting money to come into the Lignite Research Fund. Also some renewable fuels money, language was changed to bring that available. We thought they'd need it by the end of the 2 years. Wouldn't make a difference than if we used oil impact dollars for it or SIFF dollars but this does let it come in during the next 2 years instead of cash up front.

Senator Mathern: In light of our projection of income, and our need is more amount into the general fund. Why not add to the general fund versus adding another bucket for the general fund?

Rep. Delzer: We're not adding another bucket. We only increased the 2nd bucket. The only way we have any room to work is with what is sitting in the budget stabilization fund. That's really the reason to put that first. The Tax Relief Fund if social services doesn't pass, and we want to continue the 12%, you have to set aside, and it's probably more important than adding money to the general fund. At least from the House's position, and in the discussions we had.

Senator Mathern: What I should have said is why add another bucket in front of the general fund when we are going to need that general fund, but I understand your explanation to that too.

Senator Oehlke: Would I be able to ask a question to Rep. Delzer on HB 1054? It was the one you presented just a minute ago. (They requested information that will be provided by OMB.)

Tyler Hamman, Lignite Energy Council

Testified in favor of HB 1152. Testimony Attached # 2.

(17:39) **Senator Bowman:** Where are we with the research fund that we put in \$5M two years ago – for the capture of CO2 Next Generation project in Texas? How is that coming along as far as the Lignite Coal Industry is concerned?

Tyler Hamman: That \$5M is pretty close to being fully utilized at this point. The Lignite Research Fund nets, last month to end of Feb. a lot of changes specifically tied to Allam Cycle development in ND. They also approved funding for a project known as Carbon Safe. This is something the EERC is working on to develop to further explore the potential for sequestration of carbon dioxide. On the one hand, we have to either capture or somehow reduce carbon dioxide emissions from coal beds, but the question is what do you do with it. If you have 30 million tons of carbon dioxide, that is a lot of substance that has to go somewhere. We're exploring the potential for an ancillary recovery both in conventional and Bakken shale wells. There is also potential to basically to do a geological sequestration where you pump it in the ground. We have the appropriate geology in ND to just permanently store that carbon dioxide underground. Part of those funds are being used for that project. As far as the facility that is being built down in Texas, the pilot plant, that's ongoing. They expect to have the plant complete in the next few months and they will start shake down sometime this summer, where they begin startup operations of the plant. They shake out the bugs and make sure it's running smoothly with the plan to be in full commercial operation by the end of the year.

Chairman Holmberg: Closed the hearing on HB 1152. This is one of the issues that will be around till the end of the session.

Discussion goes back to HB 1054.

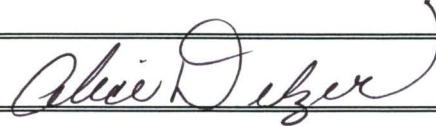
2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1152
3/31/2017
JOB # 29858

- Subcommittee
 Conference Committee

Committee Clerk Signature



Explanation or reason for introduction of bill/resolution:

A DO PASS regarding the bill relating to the State share of oil & gas allocations.

Minutes:

No testimony submitted

Chairman Holmberg: called the Committee to order on HB 1152. All committee members were present. Adam Mathiak, Legislative Council and Lori Laschkewitsch, OMB were also present.

Senator Sorvaag: There was no subcommittee but you had asked me to look at it and bring it back in front of this committee and I think everybody was clear on this bill. All it is rearranging the bucket on the last part of the formula. General Fund will get the same tax relief, the same \$300m in the beginning. The main change is the \$100m from the oil revenues going to the Budget Stabilization Fund. And then on the second, after that where the General Fund currently gets \$100m, it will get \$200m. And that will put a little in the Lignite and drops the rest in the SIIF except for disaster relief and that won't need any money the way it looks because we'll end up even in the next biennium with \$25m which is 5 over its \$20m.

Senator Sorvaag: Moved a Do Pass on 1152. 2nd by V. Chairman Bowman.

Chairman Holmberg: Discussion? Would you call the roll on a Do Pass on 1152?

A Roll Call vote was taken. Yea: 14; Nay: 0; Absent: 0. Senator Sorvaag will carry the bill.

The hearing on HB 1152 was closed.

2017 SENATE STANDING COMMITTEE MINUTES

Appropriations Committee
Harvest Room, State Capitol

HB 1152
4/21/2017
JOB # 30271

- Subcommittee
 Conference Committee

Committee Clerk Signature

Mary Jo Wacker for Alice DeZure

Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact sections of the NDCC, relating to the state share of oil and gas tax allocations; to provide an effective date; and to declare an emergency

Minutes:

1. Proposed Amendment # 17.0141.03002

Chairman Holmberg: called the Committee to order on HB 1152. Roll call was taken. All committee members are present. Lori Laschkewitsch, OMB and Adam Mathiak, Legislative Council are also present.

The first bill we will look at is 1152. There is an amendment that is being passed out.

Chairman Holmberg: We need a motion to reconsider the action by which we did what we did.

Senator Wanzek: Moved to rescind the motion made earlier. 2nd by Senator Dever.

Senator Wardner District 37: I've got some slight amendments. Here are the three things that we are doing by this amendment. # 1. This is the bucket bill. We are putting another bucket in there for the Budget Stabilization to start refilling that. There is \$100M slated to go in there this amendment will take it back to \$75M. That \$25M will go into the SIIF, that is where it will go to help us button up.

#2. The property tax relief bucket has \$300M slated for it. This amendment takes \$100M out which leaves \$200M for the county social services in the future. It takes one out, and drops it to the SIIF. There is \$125M being dropped to the SIFF here.

#3. We currently have \$300M for the general fund. We are going to do \$400M. There will be \$2M in the first bucket, and I believe it's the 4th bucket is where the other \$2M come in, but that normally was only one there. It was 2 in 1. Well, we are going to put a sunset on that second \$1M in there in the 2nd bucket. After this biennium we may end up staying with the 4. That was a compromise. So if you're wondering why, that was a compromise with someone. That's the amendments.

Senator Robinson: The emphasis here is to allow us to balance things out and go home Tuesday.

Senator Wardner: Yes. I think there will be a little bit left in the SIIF. There will be some flexibility left. I don't know how much, because we haven't had all the budgets taken care of yet, but yes that is basically why.

Senator Robinson: Not enough for a building though.

Chairman Holmberg: Can we have a motion on amendment # 17.0141.03002?

Senator Sorvaag: **Moved the Amendment # 17.0141.03002. 2nd by Senator Wanzek.**

Chairman Holmberg: Call the Roll on the amendment # 17.0141.03002.

A Roll Call vote was taken. Yea: 14; Nay: 0; Absent:0. Motion carried.

Senator Sorvaag: **Moved a Do Pass as Amended. 2nd by Senator Robinson**

Chairman Holmberg: Call the roll on a do pass as amended on HB 1152.

A Roll Call vote was taken. Yea: 14; Nay: 0; Absent: 0. Senator Sorvaag will carry the bill.

Chairman Holmberg: Senator Sorvaag was the original carrier on this bill. The hearing was closed on HB 1152.

CR
4/21/17

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1152

Page 2, line 14, overstrike "three" and insert immediately thereafter "two"

Page 2, line 15, replace "one hundred" with "seventy-five"

Page 2, line 18, overstrike "The" and insert immediately thereafter "For the period beginning August 1, 2017, and ending July 31, 2019, the"

Page 2, line 18, after "fund" insert "and after July 31, 2019, the next one hundred million dollars into the state general fund"

Renumber accordingly

STATEMENT OF PURPOSE OF AMENDMENT:

This amendment provides the following changes to the state's share of oil and gas tax allocations:

- Decreases the allocation to the tax relief fund from \$300 million to \$200 million;
- Decreases the allocation to the budget stabilization fund from \$100 million to \$75 million; and
- Provides that the second allocation to the general fund is \$200 million for the 2017-19 biennium and \$100 million thereafter.

Date: 3-31-17

Roll Call Vote #: 1

2017 SENATE STANDING COMMITTEE
ROLL CALL VOTES
BILL/RESOLUTION NO. 1152

Senate Appropriations Committee

Subcommittee

Amendment LC# or Description: _____

Recommendation: Adopt Amendment
 Do Pass Do Not Pass Without Committee Recommendation
 As Amended Rerefer to Appropriations
 Place on Consent Calendar

Other Actions: Reconsider _____

Motion Made By Sorvaag Seconded By Bowman

Senators	Yes	No	Senators	Yes	No
Chairman Holmberg	✓		Senator Mathern	✓	
Vice Chair Krebsbach	✓		Senator Grabinger	✓	
Vice Chair Bowman	✓		Senator Robinson	✓	
Senator Erbele	✓				
Senator Wanzek	✓				
Senator Kilzer	✓				
Senator Lee	✓				
Senator Dever	✓				
Senator Sorvaag	✓				
Senator Oehlke	✓				
Senator Hogue	✓				

Total (Yes) 14 No 0

Absent 0

Floor Assignment Sorvaag

If the vote is on an amendment, briefly indicate intent:

REPORT OF STANDING COMMITTEE

HB 1152, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman)
recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING).
Engrossed HB 1152 was placed on the Fourteenth order on the calendar.

REPORT OF STANDING COMMITTEE

HB 1152, as engrossed: Appropriations Committee (Sen. Holmberg, Chairman) recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends **DO PASS** (14 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1152 was placed on the Sixth order on the calendar.

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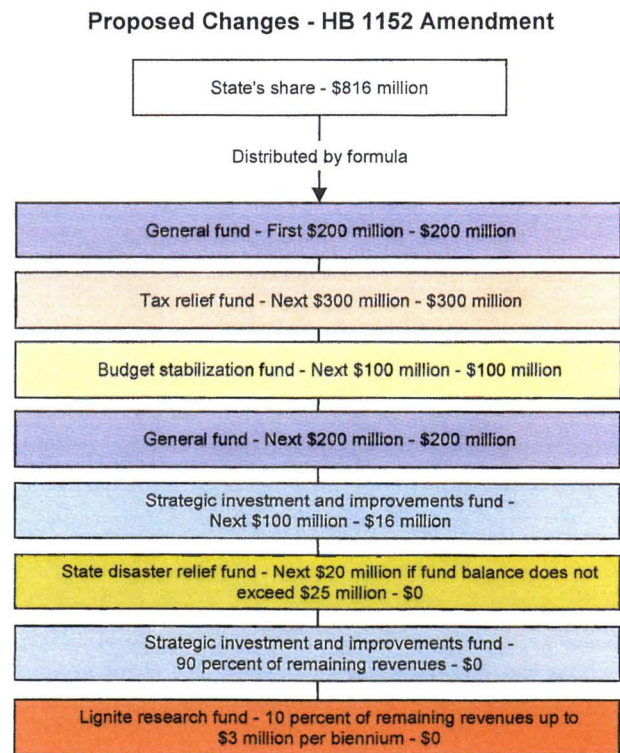
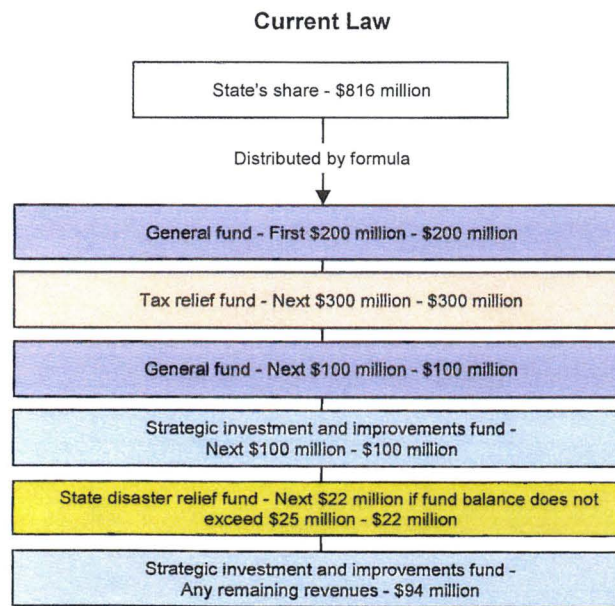
2017 TESTIMONY

HB 1152

2017-19 BIENNIUM ESTIMATED OIL AND GAS TAX ALLOCATIONS - STATE SHARE OF ALLOCATIONS (BASED ON PROPOSED AMENDMENTS TO HOUSE BILL NO. 1152)

The schedule and chart below provide information on the 2017-19 biennium estimated allocation of the state's share of oil and gas tax collections based on current law and proposed changes in amendments [17.0141.02004] to House Bill No. 1152. The 2017-19 biennium estimated allocations are based on the oil price and oil production levels in the January 2017 legislative forecast.

2017-19 Biennium Estimated Oil and Gas Tax Allocations			
	Current Law	Proposed Changes - HB 1152 Amendment [17.0141.02004]	Increase (Decrease)
Three Affiliated Tribes	\$218,840,000	\$218,840,000	\$0
Legacy fund	852,040,000	852,040,000	0
North Dakota outdoor heritage fund	20,990,000	20,990,000	0
Abandoned well reclamation fund	10,500,000	10,500,000	0
Oil and gas impact grant fund	104,050,000	104,050,000	0
Political subdivisions	501,970,000	501,970,000	0
Common schools trust fund	130,940,000	130,940,000	0
Foundation aid stabilization fund	130,940,000	130,940,000	0
Resources trust fund	261,870,000	261,870,000	0
Oil and gas research fund	10,000,000	10,000,000	0
General fund	300,000,000	400,000,000	100,000,000
Tax relief fund	300,000,000	300,000,000	0
Budget stabilization fund	0	100,000,000	100,000,000
Strategic investment and improvements fund	194,850,000	16,850,000	(178,000,000)
State disaster relief fund	22,000,000	0	(22,000,000)
Total oil tax allocations	\$3,058,990,000	\$3,058,990,000	\$0

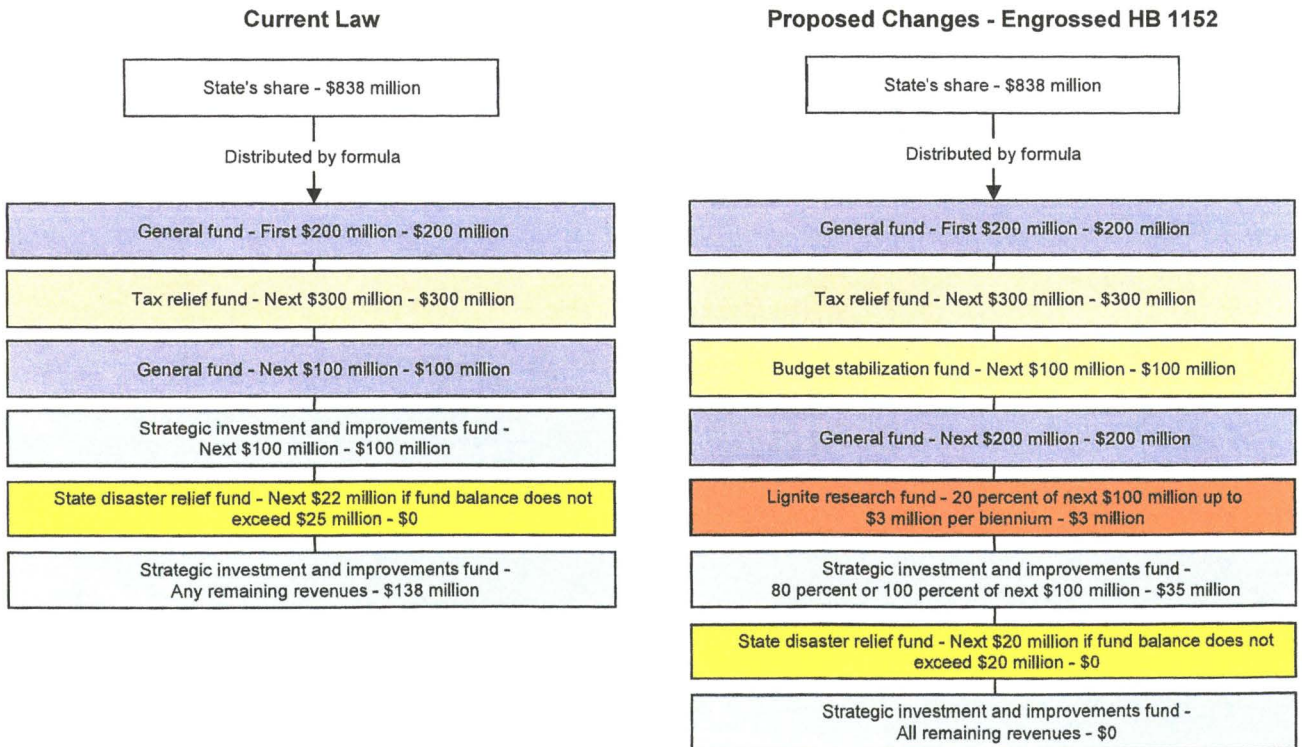


NOTE: The amounts reflected in these schedules are preliminary estimates. The actual amounts allocated for the 2017-19 biennium may differ significantly from these amounts based on actual oil price and oil production.

2017-19 BIENNIUM ESTIMATED OIL AND GAS TAX ALLOCATIONS - STATE SHARE OF ALLOCATIONS (BASED ON ENGROSSED HOUSE BILL NO. 1152)

The schedule and chart below provide information on the 2017-19 biennium estimated allocation of the state's share of oil and gas tax collections based on current law and the proposed changes in engrossed House Bill No. 1152 [17.0141.03000]. The 2017-19 biennium estimated allocations are based on the oil price and oil production levels in the March 2017 legislative forecast.

2017-19 Biennium Estimated Oil and Gas Tax Allocations			
	Current Law	Proposed Changes - Engrossed HB 1152 [17.0141.03000]	Increase (Decrease)
Three Affiliated Tribes	\$223,210,000	\$223,210,000	\$0
Legacy fund	869,060,000	869,060,000	0
North Dakota outdoor heritage fund	21,410,000	21,410,000	0
Abandoned well reclamation fund	10,700,000	10,700,000	0
Oil and gas impact grant fund	104,110,000	104,110,000	0
Political subdivisions	509,110,000	509,110,000	0
Common schools trust fund	133,550,000	133,550,000	0
Foundation aid stabilization fund	133,550,000	133,550,000	0
Resources trust fund	267,100,000	267,100,000	0
Oil and gas research fund	10,000,000	10,000,000	0
General fund	300,000,000	400,000,000	100,000,000
Tax relief fund	300,000,000	300,000,000	0
Budget stabilization fund	0	100,000,000	100,000,000
Lignite research fund	0	3,000,000	3,000,000
Strategic investment and improvements fund	238,270,000	35,270,000	(203,000,000)
State disaster relief fund	0	0	0
Total oil tax allocations	\$3,120,070,000	\$3,120,070,000	\$0



NOTE: The amounts reflected in these schedules are preliminary estimates. **The actual amounts allocated for the 2017-19 biennium may differ significantly from these amounts** based on actual oil price and oil production.



HB 1152
3-21-17

#2

Testimony in Support of HB 1152

Submitted by the Lignite Energy Council before the Senate Appropriations Committee

March 21, 2017

Mr. Chairman, members of the committee, please accept these comments on behalf of the Lignite Energy Council (LEC) in support of House Bill 1152. In particular, this bill provides additional funding to the Lignite Research Fund from the remaining state share of oil and gas taxes after critical state needs have been met. This funding, designated for advanced energy technology research grants, would play a critical role in helping our state's lignite industry develop technological solutions to its single greatest challenge. The LEC appreciates the support of this committee in approving lignite research funding through the Industrial Commission appropriations bill, and the provision contained in this bill is a second piece of the puzzle to help dedicate funds to advanced energy technology.

As the committee is aware, the focus of the Lignite Research Fund has traditionally revolved around identifying technological solutions to address criteria pollutants, improve power plant efficiency and operation, help launch new lignite conversion facilities, and activities that mutually-benefit the State of North Dakota and lignite industry as a whole. At the same time, our industry has increased its own commitment to the State of North Dakota, adding additional R&D dollars as well as paying a portion of the costs associated with the state's successful Next Generation Act lawsuit.

However, the largest limiting factor impacting the future of the coal-fired power industry is carbon dioxide. Achieving meaningful reductions in carbon dioxide is an enormous effort that will require the development of retrofit technology that can be applied to our existing power plants, as well as a next generation power facility that does not emit any carbon dioxide.

For these reasons, we have increased our focus on R&D funding to tackle this issue, and have asked the state to do the same. Last session, the legislature, and this committee in particular, was instrumental in make a one-time appropriation of \$5 million dedicated to CO2 capture and next-generation power technology.

Over the last two years, the Industrial Commission has put those funds to use in partnership with the EERC on significant research with a new option for power generation known as the Allam Cycle. In many years of trying to crack the code of carbon capture and power production, the Allam Cycle has emerged as one of the most promising technologies to achieve the often conflicting goals of carbon

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Bismarck, ND 58502
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www.lignite.com

pg 1



capture and economic power production. While a pilot plant utilizing natural gas is currently being constructed – on-schedule and on-budget – outside of Houston, Texas, the EERC has been in the process of analyzing coal gasification and metallurgy issues to be ready for the next Allam Cycle plant to be constructed in North Dakota, utilizing North Dakota lignite.

Further, given that the state currently has several billion dollars in existing power plant infrastructure, much of which has many decades of remaining useful life notwithstanding CO2 regulations, the industry has also focused on identifying a retrofit solution to capture CO2 from existing plants. This effort is currently being led by Minnkota Power Cooperative and ALLETE Clean Energy with a potential project for the Milton R. Young Station. Again, the specific technology is based off that which has just been put into operation – on-schedule and on-budget - at the W.A. Parish Generating Station, known as the Petra Nova Project, outside Houston, Texas.

While these projects are two real world examples that our industry is taking a hard look at, the universe of carbon capture technology is continuously evolving and we remain open to new ideas to solve this issue. It is for these reasons the LEC and its members have been working in recent years to expand our partnership with the state and develop a funding stream that is dedicated to advanced energy technology – the next 50 years of our state’s power industry, versus the traditional issues our industry continues to address through the Lignite Research Fund such as regional haze, criteria pollutants, etc.

This legislation is an important step to achieving commercial development of carbon capture technologies that will allow North Dakota to continue enjoying the benefits provided by the lignite industry for the next generation of North Dakotans and beyond. We request your favorable consideration of this provision.

Jason Bohrer, President & CEO
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HB1152
4-21-17
#1
p1

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1152

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Re-number accordingly

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