17.0521.03000

FISCAL NOTE
Requested by Legislative Council
04/10/2017

Amendment to: SB 2013

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			$0	$8,625,000		
Expenditures			$0	$0		
Appropriations			$0	$0		

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		$0	
Cities		$(5,271,000)	
School Districts		$(3,354,000)	
Townships		$0	

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).*

Section 13 of Engrossed Senate Bill 2013 makes changes to the oil and gas gross production tax distribution formula.

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 13 of Engrossed Senate Bill 2013 changes a number of items in the gross production tax distribution formula that would have fiscal impacts on political subdivisions and/or state special funds:
1). It allows the hub city calculation to revert back to using the mining employment percentages but it excludes the first two percentage points from the calculation of their annual amounts. Excluding the first two percentage points would cause a decrease in the amounts going to hub cities of about $5,271,000 from current law for the 2017-2019 biennium.
2). It also excludes the first two percentage points for the calculation of the hub city school distribution amounts. Excluding the first two percentage points would cause a decrease in the amounts going to hub city schools of about $1,437,000 from current law for the 2017-2019 biennium.
3). It creates a tiered calculation for the amounts to be paid to the schools within counties that received between $5M and $30M in GPT revenue in the most recently completed even-numbered fiscal year. This change would cause five counties to continue receiving $1.5M per year for their schools and one county to receive $500K per year for its schools. This would reduce the amount going to schools by about $1,917,000.
4). It would reduce the biennial cap for amounts going into the outdoor heritage fund from $40M down to $10M. Based on the March '17 legislative forecast for oil and gas collections, this would reduce the estimated amount going into the fund by about $10,900,000.
5). It would reduce the annual cap for amounts going into the abandoned oil and gas well plugging and site reclamation fund from $7.5M to $4M per year. Based on the forecast, this would reduce the estimated amount going into the fund by about $2,450,000.
6). It would reduce the biennial cap for amounts going into the oil and gas impact grant fund from $100M down to $25M for the 2017-2019 biennium.
7). The net impact of changes 1-6 would increase the amount projected to be deposited in the strategic investment and improvements fund (SIIF) by around $96,975,000.

Combining these changes would cause an estimated decrease in the funds distributed to political subdivisions of around $8,625,000 and an increase in total state special fund revenue of this same $8,625,000 when compared to current law.

Also, as part of these changes, Section 13 of Engrossed SB 2013 would change the determination year for all calculations to be "the most recently completed even-numbered fiscal year" rather than "fiscal year 2014". This change would impact the distribution of revenue at the county level for a specific county, but would not impact the total amounts being distributed to political subdivisions in total or any other special funds.

A final change made by this section would be to the gross production tax distributions made to the townships in the “over $5M counties”. Current law allocates 3% and 3% of the county’s allocation to the townships within that county and within all counties considered “over $5M counties”. This section would reduce those percentages to 1% and 1%. It would then take the remaining 4% and allocate that amount equally to all the townships in all the “non-oil-producing” counties. Although this wouldn’t change the amount going to townships as a whole, it would change which townships the amounts are distributed to as it would add all of the township in the “non-oil-producing” counties to the distribution.

The amounts included above do not include any costs associated with the Office of State Treasurer needing to rewrite its distribution software to facilitate these changes. See expenditure section below for further explanation.

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.*

   The amounts included above do not include any costs associated with the Office of State Treasurer needing to rewrite its distribution software to facilitate these changes. In looking at all the proposed changes, the only two sections that would require any type of rewrite would be the change to the determination year and the changes to the township distributions. We have a request into ITD for a cost estimate that hasn't been completed yet but, based on a conversation with ITD, we are estimating that these costs will come in around $30,000. This amount would be needed to make the appropriate changes to our software.

   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: Ryan Skor
Agency: Office of State Treasurer
Telephone: 701-328-2643
Date Prepared: 04/11/2017