

2009 HOUSE APPROPRIATIONS

HB 1485

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1485

House Appropriations Committee

Check here for Conference Committee

Hearing Date: January 28, 2009

Recorder Job Number: 7957

Committee Clerk Signature

Hally N. Sand

Minutes:

Chm. Svedjan opened the hearing on HB 1485.

Pam Sharp, Office of Management and Budget approached the podium. This bill represents a portion of the OMB budget that was pulled out and put into its own bill. This bill changes the oil revenue to the General Fund which now is capped at \$71 million to \$110 million. When the Permanent Oil Tax Trust Fund was originally conceived the cap was set at \$61 million based on the oil revenue biennium in the late '90s. That cap was later changed to \$71 million and has not been changed for several biennia. The production and price of oil has changed and this bill requests that the cap will be changed from \$71 million to \$110 million. When the legislature passed the Constitutional measure that was voted on this fall regarding the Permanent Oil Tax Trust Fund it was about \$100 million plus we were assuming about \$10 million in interest.

Chm. Svedjan: How do you feel about the recommended change based on where oil prices are today? (2:55)

Ms. Sharp: When the cap was set at \$71 million, oil prices were considerably lower at that time. It's not a huge change. Money will still go into the Permanent Oil Tax Trust Fund. Based on the budget, our revenue forecast does assume this \$110 million in the General Fund. Even when we did the lower forecast assuming there would be \$40 per barrel throughout the year

and the incentives were triggered on, there was still \$400 million going into the Permanent Oil Tax Trust Fund.

Rep. Kaldor: Was there any discussion about considering a percentage instead of a flat dollar amount? (3:45)

Ms. Sharp: There was a lot of discussion before the election – before the constitutional measure was voted on. I don't know what the appropriate percentage should be.

Rep. Skarphol: Maybe it should be 100 percent up to \$110 million and anything in excess of that goes . . . I'm being facetious. Why didn't you use \$410 million since the Governor took \$300 million out of the Permanent Oil Tax Trust Fund for property tax? (4:36)

Ms. Sharp: We didn't want to change the whole structure of the Permanent Oil Tax Trust Fund. There was a Constitution measure saying . . . believing that the legislature wanted a significant amount of money going into the Permanent Oil Tax Trust Fund and we do respect that and it wasn't anything we discussed.

Chm. Svedjan: The effect of this is that it would allow more money to flow into the General Fund before it spills over into the Permanent Oil Tax Trust Fund?

Ms. Sharp: That's correct.

Chm. Svedjan: Since the defeat of the initiated measure, I'm not sure what the experience of all of you has been, I've heard that despite the defeat, they don't want us to spend all the money. They have said, "We hope you do something to reserve a significant amount of money that is coming in as a result of oil revenues." It would seem to me that we would want to keep it at \$71 million and let the Permanent Oil Tax Trust Fund grow. (5:33)

There was no other testimony on HB 1485.

Rep. Glassheim: My reading is that the vote on Measure 2 was that the people wanted some monies saved, but they wanted some monies used. So, rather than pile up too much in the

Permanent Oil Tax Trust Fund, that's what the vote was rejecting, that position, and that they wanted more money used for things that are needed. This bill would go along with the voice of the people. There is another bill coming through that would lock up 25 percent of the revenues that I favor. All through the attempt to defeat Measure 2 I had pledge to locking away 25 percent rather than 75 percent which the measure we voted on would have done. We have a slightly different take, but I think the people would like us to save some of the oil revenues and spend some. \$35 million would not be a significant amount out of \$4 to \$800 million that will be flowing into it. (7:10)

Chm. Svedjan: I don't mean to suggest that mine was a scientific survey.

Rep. Glassheim: I'm talking about the people at the ballot box.

Chm. Svedjan: Where does that bill reside? What is that bill number?

Rep. Glassheim: It's a Senate Bill.

Rep. Ekstrom: It's a proposed constitutional measure that would go on the ballot. (9:22)

Chm. Svedjan closed the hearing on HB 1485 and recessed until 11 am.

2009 HOUSE STANDING COMMITTEE MINUTES

HB 1485

House Appropriations Committee

Check here for Conference Committee

Hearing Date: February 5, 2009

Recorder Job Number: 8744

Committee Clerk Signature

Holly N. Sand

Minutes:

Chm. Svedjan called the Committee back to order and moved to HB 1485 which deals with the Permanent Oil Tax Trust Fund. It changes the cap from \$71 million to \$110 million.

Anything over \$110 million would flow into the Permanent Oil Tax Trust Fund.

Rep. Kaldor moved a Do Pass. Rep. Klein seconded the motion. (2:22)

Rep. Delzer expressed that he will resist the motion. I think this is a decision that should be made by the legislature. I don't see a reason to change that to \$110 million. (2:38)

Rep. Kaldor: I moved this because I believe the language is somewhat dated. I don't know that a dollar amount is best, I would probably prefer a percentage, but we can move it up. The \$71 million was very high for a long time. Maybe we are acting prematurely, but I think we can sustain this. (3:00)

Rep. Wald: I can't support this bill. I would encourage a no vote. \$100 million is too high. (4:05)

Chm. Svedjan: I have a real concern about the price of oil. I believe there are some who do believe oil will come in at prices higher than I think they will. For us to elevate this to \$110

million at a time when the price of oil is questionable, I think, is making a mistake. I think we need to be looking to reserve funds given the volatility in that market right now. (4:30)

Rep. Delzer: The concerns you voice are some of the same ones I have. If something happens that we don't receive \$110 million, then we've appropriated money we don't have coming in. I don't know how you make that up. We also have other issues on the table that may affect oil and tax revenue as well. I think we should keep it as \$71 million. I'm not even sure I agree with the \$71 million. (5:23)

Rep. Berg: In my opinion, the purpose of the Permanent Oil Tax Trust Fund is to collect money one biennium and spend it the next biennium. There was a bill in to eliminate this fund a few years ago, but really we're not losing any money regardless of what this amount is. It's just a question of whether we build into this budget or it's available for future spending. I think a Do Not Pass on this bill is consistent with what this chamber passed last year with the Permanent Oil Tax Trust Fund that turned into Measure 1. What we said then was, "We're going to lock this up forever." In doing that, let's go with a number that's probably higher than it's been and that's where the \$110 million came from. The people defeated that initiated measure. It behooves us to be very conservative with the amount of oil money we're going to spend in the same biennium as collecting it. (6:05)

Rep. Kaldor: Whatever the election told us, there's one thing that was a common theme as I talked to people and that was that we needed property tax relief. We needed to fund our operating expenditures. We need roads and bridges and some of the one-time expenditures that are in the budget and that this was not imprudent, that using this in the current biennium would not be imprudent. I believe oil prices are going to come back. I think we will have ample dollars to set aside. Our care is in how we appropriate the dollars. The money is in one fund or

another. We need to be careful in how we appropriate those dollars. I think the Governor's plan is appropriate. (7:19)

Rep. Kerzman: I have trouble distinguishing this from the Budget Stabilization Fund. I think we are trying to accomplish the same thing. The Permanent Oil Tax Trust Fund is building up an account you can fall back on much like the Budget Stabilization Fund. Why would we support one and not the other? (8:57)

Chm. Svedjan: By going to \$110 you will have less in the Permanent Oil Tax Trust Fund. The \$110 million says the first \$110 million flows into the General Fund. Any overage . . . you were actually arguing against the motion.

Rep. Nelson: I think we're splitting hairs here. This is discussion between one-time and ongoing spending proposals, really. The Governor has certainly appropriated money at will from the Permanent Oil Tax Trust Fund for one-time spending proposals and the property tax situation. If you vote for this bill, you would ensure a pool of money for property tax and some of the things we've looked at. It's a lot easier to access the Permanent Oil Tax Trust Fund than the Budget Stabilization Fund. The ongoing spending in the General Fund, if that increases, when we come back next session then we have that to look forward to. I think this is a reasonable situation. (9:59)

Rep. Kroeber: There isn't anything in the Governor's budget other than the property tax relief that is budgeted to be out of the Permanent Oil Tax Trust Fund. (3:59)

Chm. Svedjan: That is correct. That raises the question of the sustainability of the Budget Stabilization Fund as it relates to property tax relief. If we move the threshold up to \$110 million less will flow into the source that property tax relief emanates.

Rep. Skarphol: If the Governor really wanted to reflect his actions he should have changed this to \$410 million, not \$110 million. (12:17)

The Do Pass motion on HB 1485 failed by a roll call vote of 8 yeas, 17 nays and 0 absent and not voting.

Rep. Wald moved a Do Not Pass. Rep. Thoreson seconded the motion. The motion carried by a roll call vote of 17 yeas, 8 nays and 0 absent and not voting. Rep. Wald will carry the bill.

FISCAL NOTE
Requested by Legislative Council
01/20/2009

Bill/Resolution No.: HB 1485

1A. **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.*

	2007-2009 Biennium		2009-2011 Biennium		2011-2013 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues			\$39,000,000	(\$39,000,000)	\$39,000,000	(\$39,000,000)
Expenditures						
Appropriations						

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

2007-2009 Biennium			2009-2011 Biennium			2011-2013 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

HB1485 increases the General Fund share of oil and gas tax revenues from 71 million dollars to 110 million dollars per biennium.

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 1 of HB1485 increases the General Fund share of oil and gas tax revenues from 71 million dollars to 110 million dollars per biennium.

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.*

General fund revenue will be increased \$39,000,000 to reach the new \$110,000,000 cap. The Permanent Oil Tax Trust fund will receive \$39,000,000 less each biennium.

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 is also included in the executive budget or relates to a continuing appropriation.*

Name:	Lawrence Hopkins	Agency:	Treasurer's Office
Phone Number:	701-328-2643	Date Prepared:	01/23/2009

Date: 2/5/09
 Roll Call Vote #: 1

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
BILL/RESOLUTION NO. 1485

Full House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Pass

Motion Made By Kaldor Seconded By Klein

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan		✓			
Vice Chairman Kempenich		✓			
Rep. Skarphol		✓	Rep. Kroeber	✓	
Rep. Wald		✓	Rep. Onstad	✓	
Rep. Hawken	✓		Rep. Williams		✓
Rep. Klein	✓				
Rep. Martinson		✓			
Rep. Delzer		✓	Rep. Glassheim	✓	
Rep. Thoreson		✓	Rep. Kaldor	✓	
Rep. Berg		✓	Rep. Meyer		✓
Rep. Dosch		✓			
Rep. Pollert		✓	Rep. Ekstrom	✓	
Rep. Bellew		✓	Rep. Kerzman		✓
Rep. Kreidt		✓	Rep. Metcalf	✓	
Rep. Nelson		✓			
Rep. Wieland		✓			

Total (Yes) 8 No 17

Absent 0

Floor Assignment _____

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

Date: 2/5/09
 Roll Call Vote #: 2

2009 HOUSE STANDING COMMITTEE ROLL CALL VOTES
 BILL/RESOLUTION NO. 1485

Full House Appropriations Committee

Check here for Conference Committee

Legislative Council Amendment Number _____

Action Taken Do Not Pass

Motion Made By Wald Seconded By Thoreson

Representatives	Yes	No	Representatives	Yes	No
Chairman Svedjan	✓				
Vice Chairman Kempenich	✓				
Rep. Skarphol	✓		Rep. Kroeber		✓
Rep. Wald	✓		Rep. Onstad		✓
Rep. Hawken		✓	Rep. Williams	✓	
Rep. Klein	✓				
Rep. Martinson	✓				
Rep. Delzer	✓		Rep. Glassheim		✓
Rep. Thoreson	✓		Rep. Kaldor		✓
Rep. Berg	✓		Rep. Meyer	✓	
Rep. Dosch	✓				
Rep. Pollert	✓		Rep. Ekstrom		✓
Rep. Bellew	✓		Rep. Kerzman		✓
Rep. Kreidt	✓		Rep. Metcalf		✓
Rep. Nelson	✓				
Rep. Wieland	✓				

Total (Yes) 17 No 8

Absent 0

Floor Assignment Wald

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

REPORT OF STANDING COMMITTEE (410)

February 5, 2009 1:45 p.m.

Module No: HR-23-1810

Carrier: Wald

Insert LC: . Title: .

REPORT OF STANDING COMMITTEE

HB 1485: Appropriations Committee (Rep. Svedjan, Chairman) recommends **DO NOT PASS** (17 YEAS, 8 NAYS, 0 ABSENT AND NOT VOTING). HB 1485 was placed on the Eleventh order on the calendar.