FISCAL NOTE

Bill #: HB0226

Title: Allocate portion of federal mineral royalty funds to counties

Primary Sponsor: Keith Bales

Status: House 3rd Reading

____ Sponsor signature Date

____ Chuck Swysgood, Budget Director Date

Fiscal Summary

	FY2002 Difference	FY2003 Difference
Expenditures:		
General Fund	0	$52,000
Net Impact on General Fund Balance:	**0**	**($52,000)**

Yes	No		Yes	No	
X		Significant Local Gov. Impact		X	Technical Concerns
	X	Included in the Executive Budget	X		Significant Long-Term Impacts
	X	Dedicated Revenue Form Attached		X	Family Impact Form Attached

Fiscal Analysis

ASSUMPTIONS:

Department of Revenue

1. This bill does not change the amount of revenue received from federal mineral royalties or the amount that is deposited into the general fund.
2. Projected federal mineral royalty receipts are $26,756,000 in fiscal 2002 and $20,474,000 in fiscal 2003. This bill would allocate 12.5% of receipts in excess of those amounts to counties and 12.5% to a new economic development special revenue account.
3. Federal payments in lieu of taxes (PILT payments) and federal revenue sharing payments (such as the federal mineral royalty funds) are linked through a formula that decreases the PILT payments to county governments as revenue sharing payments increase. Because of this, county governments that receive a share of federal mineral royalty payments will have a decrease in federal PILT payments.

Department of Commerce:

4. HB 226 creates a 7 member Board of Extraction to develop and implement plans for disbursing economic development impact funds.
5. The 7 member Board of Extraction, which is administratively attached to the Department of Commerce, becomes effective on passage and approval however no revenue is in the current biennium. Therefore it is assumed the Board will begin operations on or about July 1, 2002, in order to develop the required plan for the 2003 legislature. For the purposes of this fiscal note, it is assumed the board members would meet

4 times a year, and that travel reimbursements only, would be allowed. Travel costs for the Board of Extraction are estimated to be $5,000 each year. HB 226 does not provide any funds to be disbursed from the economic development impact account therefore it is assumed that all board and administrative expenses prior to that date would be charged to the general fund.

6. Administrative support for the Board of Extraction will require 1.00 grade 12 FTE at an estimated personal services cost of $28,500 each year, a new employee office package would be $3,500, and other operating expenses, which include travel, printing, communications, and supplies, are estimated to be $15,000.

FISCAL IMPACT:

	FY2002 Difference	FY2003 Difference
FTE	0	1.00
Expenditures:		
Personal Services	0	28,500
Operating Expenses	0	23,500
TOTAL	$0	$52,000
Funding:		
General Fund (01)	$0	$52,000
Net Impact to Fund Balance (Revenue minus Expenditure):		
General Fund (01)	$0	$52,000

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
Governmental entities in those areas where mineral extraction takes place would see an increase in funding which could be used for a host of different purposes if federal mineral royalties exceed the currently estimated levels.

LONG-RANGE IMPACTS:
For fiscal 2004 and succeeding fiscal years this bill would allocate all federal mineral royalty receipts in excess of $20 million to counties and the economic development impact account. In fiscal years 1996 through 2000, receipts from federal mineral royalties averaged $20.651 million.

TECHNICAL NOTES:
Section 1(3) requires that allocation of funds to counties be based on each county's proportion of total federal mineral royalties. In many years, the state receives some federal mineral payments that cannot be attributed to a specific county. This bill would leave the county share of those funds unallocated.