



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	HB0798	Title:	Revise energy impact funding for natural resource development and cessation
Primary Sponsor:	Lambert, Carol	Status:	As Amended in Senate Committee

- Significant Local Gov Impact
 Needs to be included in HB 2
 Technical Concerns
 Included in the Executive Budget
 Significant Long-Term Impacts
 Dedicated Revenue Form Attached

	<u>FY 2008</u> <u>Difference</u>	<u>FY 2009</u> <u>Difference</u>	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>
Expenditures:				
General Fund	\$10,088,527	\$10,082,761	\$87,209	\$86,207
State Special Revenue	\$10,024,258	\$10,024,157	\$10,063,382	\$10,389,457
Revenue:				
General Fund	\$0	\$0	(\$10,041,000)	(\$10,363,333)
State Special Revenue	\$10,000,000	\$10,000,000	\$10,041,000	\$10,363,333
Net Impact-General Fund Balance:	<u>(\$10,088,527)</u>	<u>(\$10,082,761)</u>	<u>(\$10,128,209)</u>	<u>(\$10,449,540)</u>

Description of Fiscal Impact:

HB 798 as amended allocates 25% of federal mineral leasing funds (30 U.S.C. 191) to the oil, gas, and coal natural resource account for energy development impacts beginning in FY 2010, and decreases the percentage of federal mineral leasing funds (30 U.S.C. 191) credited to the state general fund. HB 798 as amended transfers \$10 million from the general fund to the special revenue fund in each year of the 2009 biennium.

FISCAL ANALYSIS

Assumptions:

Department of Commerce (DOC)

- Under current law, the general fund receives 75% of federal mineral leasing funds and the mineral impact account receives 25%. This bill, if passed, deposits 25% of federal mineral leasing funds into the oil, gas, and coal natural resource account for energy development impacts beginning July 1, 2009.
- This bill transfers \$10 million from the general fund to the oil, gas, and coal natural resource account in FY 2008 and FY 2009.
- If this bill passes, the name of the coal board is changed to the coal, oil, gas, and energy development impact board and the criteria for board membership are revised.
- Federal mineral leasing funds are estimated to be \$40,164,000 in FY 2010; and \$41,453,333 in FY 2011.

5. The proposed funding increase will likely generate a corresponding increase in the number of grant applications that would be submitted, as well as the number of projects that would be funded and administered by the department.
6. The increased allocations proposed in the bill would require the department to enlarge the administrative staff that serves the board. It is assumed that an increase of 1.50 FTE would be sufficient to meet the increased workload. For the 1.50 FTE, the estimated personal services costs are \$84,504 in FY 2008, \$85,642 in FY 2009, \$87,783 in FY 2010, and \$89,978 in FY 2011.
7. An increase in the department's operating expenses is assumed with the addition of 1.50 FTE. Staff would be expected to attend board meetings and, in monitoring the grant awards and contracts, staff would periodically visit project sites. The estimated operating expenses associated with 1.50 FTE is \$28,281 in FY 2008, \$21,276 in FY 2009, \$21,808 in FY 2010, and \$22,353 in FY 2011.
8. HB 798 as amended limits the amount that may be used for administrative expenses to 1% of the funds received in the account. Under current law, 2.9% of coal severance taxes are deposited in the oil, gas, and coal natural resource account for coal impacts; and these funds are in addition to the revenues proposed by HB 798. Therefore, the board's administrative expenses would be limited to \$110,948 in FY 2008 (\$10.00 million + \$1.0948 million * 1%), \$110,488 in FY 2009 (\$10.00 million + \$1.0487 million * 1%), \$111,239 in FY 2010 (\$10.041 million + \$1.0829 million * 1%), and \$114,612 in FY 2011 (\$10.363 million + \$1.0979 million * 1%).
9. HB 798 as amended does not provide sufficient resources to meet the administrative expenses of the program. If HB 798 passes as amended there would be shortfalls in administrative costs in FY 2008 through FY 2011. The assumed shortfalls would be \$88,527 in FY 2008, \$82,761 in FY 2009, \$87,209 in FY 2010, and \$86,207 in FY 2011. For the purposes of this fiscal note, the additional expenses for HB 789 over the 1% limit are assumed to be paid from the general fund. Please see technical note below.
10. HB 798 as amended states that "The governing body of a city, town, county, or school district, any other local or state governmental taxing unit, and any federally recognized Indian tribe may apply for a grant to enable it to provide governmental services that are needed as a direct consequence of an increase or decrease in general energy development activity or oil and gas development activity." The application must be accompanied by an application fee of \$50.00 as mandated in Section 13(4) of the bill. The department is unable to project how many applications will be received, but the application fees generated are expected to be minimal.
11. Section 19 of the bill as amended provides for a contingent voidness which states that if HB 820 is not passed and approved then HB 798 is void.

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.50	1.50	1.50	1.50
<u>Expenditures:</u>				
Personal Services	\$84,504	\$85,642	\$87,783	\$89,978
Operating Expenses	\$28,281	\$21,276	\$21,808	\$22,353
Grants	\$10,000,000	\$10,000,000	\$10,041,000	\$10,363,333
Transfers	\$10,000,000	\$10,000,000	\$0	\$0
TOTAL Expenditures	\$20,112,785	\$20,106,918	\$10,150,591	\$10,475,664
<u>Funding of Expenditures:</u>				
General Fund (01)	\$10,088,527	\$10,082,761	\$87,209	\$86,207
State Special Revenue (02)	\$10,024,258	\$10,024,157	\$10,063,382	\$10,389,457
TOTAL Funding of Exp.	\$20,112,785	\$20,106,918	\$10,150,591	\$10,475,664
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	(\$10,041,000)	(\$10,363,333)
State Special Revenue (02)	\$10,000,000	\$10,000,000	\$10,041,000	\$10,363,333
TOTAL Revenues	\$10,000,000	\$10,000,000	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$10,088,527)	(\$10,082,761)	(\$10,128,209)	(\$10,449,540)
State Special Revenue (02)	(\$24,258)	(\$24,157)	(\$22,382)	(\$26,124)

Effect on County or Other Local Revenues or Expenditures:

1. HB 798 would provide approximately \$10 million annually in grants for energy development impacts.

Long-Range Impacts:

1. HB 798 would reduce state general fund revenue collections by an average of \$10 million annually for the foreseeable future.

Technical Notes:

1. HB 798 as amended limits the amount that may be used for administrative expenses to 1% of the funds received in the account. Current administrative expenses of the Coal Board are \$86,690 in FY 2008 and \$86,331 in FY 2009. FY 2010 is estimated to be \$88,857 and FY 2011 \$88,489. HB 798 adds approximately \$10 million annually for grants and requires an additional 1.50 FTE to implement the provisions of the bill. The administrative costs of HB 798 as amended are \$112,785 in FY 2008; \$106,918 in FY 2009; \$109,591 in FY 2010; and \$112,330 in FY 2011. Should HB 798 as amended pass; total administrative costs would be \$199,475 in FY 2008; \$193,249 in FY 2009; \$198,448 in FY 2010; and \$200,819 in FY 2011. HB 798 as amended would limit administrative costs to \$110,948 in FY 2008 a shortfall of \$88,527 (\$199,475 - \$110,948); \$110,488 in FY 2009 a shortfall of \$82,761 (\$193,249 - \$110,488); \$111,239 in FY 2010 a shortfall of \$87,209 (\$198,448 - \$111,239); and \$114,612 in FY 2011 a shortfall of \$86,207 (\$200,819 - \$114,612).

Sponsor's Initials

Date

Budget Director's Initials

Date