

Amendments to House Bill No. 425
1st Reading Copy

Requested by Representative Mike Milburn

For the House Natural Resources Committee

Prepared by Joe Kolman
February 18, 2009 (8:44am)

1. Title, line 5.
Strike: "HEARINGS"
Insert: "MEETINGS"
2. Page 1, line 13.
Following: "(2)"
Insert: "(a)"
Strike: "40"
Insert: "77"
3. Page 1.
Following: line 14
Insert: "(b) Upon receipt of a nomination by the department, the location of the tracts is public information."
4. Page 1, line 18.
Strike: "70"
Insert: "not less than 63"
5. Page 1, line 19.
Strike: "35"
Insert: "21"
6. Page 1.
Following: line 19
Insert: "(4) The department shall publish on its website maps of all tracts to be offered for sale."
Renumber: subsequent subsections
7. Page 1, line 24.
Strike: "certified"
Insert: "first-class"
8. Page 1, line 26.
Following: "located;"
Strike: "and"
9. Page 1, line 29.
Following: "located"
Insert: "; and

(c) first-class mail to a surface owner of a tract offered for sale if the surface is not managed by the department pursuant to Title 77, chapter 1"

10. Page 1, line 30.

Strike: "(5)"

Insert: "(6)"

11. Page 2, line 1.

Following: "offered for sale"

Insert: "that initiated the notice requirements of subsection (6)"

12. Page 2, line 5.

Strike: "hearing"

Insert: "meeting"

Strike: "hearings"

Insert: "meetings"

13. Page 2, line 7.

Strike: "hearing"

Insert: "meeting"

- END -

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GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2011 Biennium

Bill #	HB0425	Title:	Public notice for oil/gas leases on state land
Primary Sponsor:	Pomnichowski, JP	Status:	As Introduced

- 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

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$332,643	\$324,043	\$332,144	\$340,448
Revenue:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$332,643	\$324,043	\$332,144	\$340,448
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

Description of fiscal impact:

HB 425 requires the department to accept bids up to 40 days prior to its quarterly oil and gas lease sale. The department's current process sets a nomination deadline of 70 days before the sale to allow time for review and public comment. HB 425 proposes additional requirements for advertising and notification related to the department's quarterly oil and gas lease sales. In addition, HB 425 requires the department to individually notify landowners within 1 mile of a nominated tract utilizing certified mail for those within 1,000 feet. This will require processing and issuance of notices, including individual tract maps to approximately 10,400 persons annually. The cost to implement these proposals would require approximately \$330,000 per year and the addition of 1.00 FTE in the department's mineral leasing section. HB 425 includes rulemaking authority for cost recovery from lessees.

FISCAL ANALYSIS

Assumptions:

Department of Natural Resources and Conservation

- The Minerals Management Bureau of the Trust Land Management Division of DNRC is responsible for conducting four oil and gas lease sales per year. The average number of tracts per sale is 200 for a total of 800 estimated tracts per year.

2. Additional notices and public hearings would increase costs in this program quarterly as follows:
 - GIS Contracted Services for updating sale maps - \$1,431
 - Temporary Personnel Services for temporary workers for mailing \$3,344
 - Ads in newspapers for general circulation - \$59,532
 - Certified mail notices for all adjacent land owners of each nominated tract - \$7,448
 - Noncertified mail notices - \$384
 - Printing Costs - \$260
 - Travel costs for public hearings \$723
3. For FY 2010, a one-time database/GIS design cost for contracted service would be incurred at an approximate cost of \$6,000.
4. The minerals management bureau would require 1.00 FTE to manage the additional notices, mailings, and public meetings. The costs for the FTE include personal services of \$31,555 and \$2,600 for a computer and new employee office package (one-time only).
5. A 2.5% inflation factor was applied to expenditures in FY 2012 and FY 2013.
6. It is assumed that funding of the costs for the FTE, mailing, printing, contracted services, temporary personnel services, etc. would be reimbursed to the department by private funds from the successful bidders of the oil and gas lease sales. The department would issue invoices to recover these costs.
7. HB 425 would add an additional assessment to each lessee of approximately \$400 per tract.

	<u>FY 2010</u> <u>Difference</u>	<u>FY 2011</u> <u>Difference</u>	<u>FY 2012</u> <u>Difference</u>	<u>FY 2013</u> <u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	1.00	1.00	1.00	1.00
<u>Expenditures:</u>				
Personal Services	\$31,555	\$31,555	\$32,344	\$33,153
Operating Expenses	\$301,088	\$292,488	\$299,800	\$307,295
TOTAL Expenditures	<u>\$332,643</u>	<u>\$324,043</u>	<u>\$332,144</u>	<u>\$340,448</u>
<u>Funding of Expenditures:</u>				
State Special Rev (Private)	\$332,643	\$324,043	\$332,144	\$340,448
TOTAL Funding of Exp.	<u>\$332,643</u>	<u>\$324,043</u>	<u>\$332,144</u>	<u>\$340,448</u>
<u>Revenues:</u>				
State Special Rev (Private)	\$332,643	\$324,043	\$332,144	\$340,448
TOTAL Revenues	<u>\$332,643</u>	<u>\$324,043</u>	<u>\$332,144</u>	<u>\$340,448</u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
Private Funds	\$0	\$0	\$0	\$0

Technical Notes:

Section 1

1. Section 1(3) requires full publication of tract lists and maps 70 days before the lease auction. Section 1(2) requires the department to accept nominations up until 40 days before the lease auction. A significant number of tracts would not be nominated prior to 70 days. The publication required at 70 days would therefore not contain all tracts being considered for lease, and would not allow the department, other agencies and the public time to review all tracts.
2. The same publications are required in Section 1 at least twice not more than 35 days before the sale. These publications would include significant additional tracts received after the 70 day publications but before the 40 day deadline. Multiple versions of the tract list and maps may be confusing to the public and other state and federal agencies.

Cost Recovery

3. The assessment of costs recovered from the successful bidder could exceed the bonus and first year rental amount on some tracts.

Sponsor's Initials

Date


Budget Director's Initials


Date



Dedication of Revenue 2011 Biennium

17-1-507-509, MCA.

- a) **Are there persons or entities that benefit from this dedicated revenue that do not pay? (please explain)**
No.
- b) **What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?**
Oil and gas lessees would be billed for costs incurred by the department in fulfilling the advertising and notice provisions of HB 425. Creating a special revenue fund provides the advantage of allowing the department to separately identify and pay costs associated with this proposed legislation.
- c) **Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended? Yes / No (if no, explain)**
Yes. The department would be authorized to set the amount charged at an amount that would fully cover the costs incurred.
- d) **Does the need for this state special revenue provision still exist? Yes No (Explain)**
This would be a new requirement needed if HB 425 is adopted.
- e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
No. If HB 425 were adopted, the revenue would be dedicated to a specific legislative requirement.
- f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
Yes. If HB 425 were adopted, the need would continue indefinitely.
- g) **How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency? (Please Explain. Also, if the program/activity were general funded, could you adequately account for the program/activity?)**
Utilizing a dedicated revenue provision allows appropriation authority to be set at an amount likely to safely cover the highest potential level of leasing activity, but still limit expenditures to actual receipt and use of the funds to cover the specific requirements of HB 425. If program activity were general funded, the department could separately account for program expenditures, but might not have the flexibility in appropriation authority to adjust to higher than anticipated leasing activity and associated expenditures required under HB 425.