GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2015 Biennium

Bill #	HB0594		**Title:**	Provide for infrastructure oil and gas impact fund for local government
Primary Sponsor:	Halvorson, David		**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 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
State Special Revenue	$54,445	$11,908,404	$11,802,290	$11,372,822
Revenue:				
General Fund	($10,318,000)	($9,670,000)	($9,565,000)	($9,135,000)
State Special Revenue	$10,318,000	$9,670,000	$9,565,000	$9,135,000
Net Impact-General Fund Balance:	($10,318,000)	($9,670,000)	($9,565,000)	($9,135,000)

Description of fiscal impact:
HB 594 diverts revenue from the US mineral royalty revenue to the Board of Oil and Gas Conservation. Under the provisions of HB594, this revenue would be distributed to the Oil and Gas Impact Account to be used for grants to assist local governments with infrastructure needs as a result of oil and gas development impacts. It is estimated that this revenue will total approximately $9.1 to $10.3 million a year that would have otherwise been distributed to the general fund.

FISCAL ANALYSIS

Assumptions:

1. Under current law, revenue generated from leasing federal land is currently shared between the state and the federal government. The general fund currently receives 75% of the State's share of US Mineral Royalty revenue and 25% is distributed to the Mineral Impact Account.
2. SJ2 forecasts general fund revenue from US mineral royalty revenue for FY 2013 through FY 2015.
3. For FY 2016 and FY 2017, the OBPP growth rate has been applied to the FY 2015 SJ 2 estimate.

4. HB 594 diverts an additional 25% of the State's share of US mineral royalty revenue to the Oil and Gas Impact Account and reduces the general fund revenue by a like amount. The following table shows the estimated change in revenue based on the previous assumptions.

Current Law
($ millions)

Fiscal Year	General Fund (75%)	Mineral Impact (25%)	Oil & Gas Impact	Total Revenue
2014	**$30.953**	**$10.318**	**$0.000**	**$41.271**
2015	**$29.009**	**$9.670**	**$0.000**	**$38.679**
2016	**$28.695**	**$9.565**	**$0.000**	**$38.260**
2017	**$27.404**	**$9.135**	**$0.000**	**$36.538**

HB 594
($ millions)

Fiscal Year	General Fund (50%)	Mineral Impact (25%)	Oil & Gas Impact (25%)	Total Revenue
2014	**$20.635**	**$10.318**	**$10.318**	**$41.271**
2015	**$19.339**	**$9.670**	**$9.670**	**$38.679**
2016	**$19.130**	**$9.565**	**$9.565**	**$38.260**
2017	**$18.269**	**$9.135**	**$9.135**	**$36.538**

Change
($ millions)

Fiscal Year	General Fund	Mineral Impact	Oil & Gas Impact	Total Revenue
2014	**($10.318)**	**$0.000**	**$10.318**	**$0.000**
2015	**($9.670)**	**$0.000**	**$9.670**	**$0.000**
2016	**($9.565)**	**$0.000**	**$9.565**	**$0.000**
2017	**($9.135)**	**$0.000**	**$9.135**	**$0.000**

5. Along with existing FTE, BOGC will need an additional 1.00 FTE Grants/Contracts Coordinator position to: develop and implement the grants program; and draft and adopt administrative rules for the program.
   a. Grant program administration and hire of 1.0 FTE begins in FY 14. Revenue starts accumulating in oil and gas impact account in FY 2014, so BOGC may need to delay hiring until the funds to support it are in the account (approximately three months).
   b. The necessary FTE is a band 6, professional, grants/contracts coordinator which would cost:
      1. $55,693 for each year of the 2015 biennium;
      2. $56,579 FY 2016; and
      3. $57,111 FY 2017

6. Operating costs would include:
   a. $12,675 in start-up costs for the first year (one new employee office package, desktop monitor and laptop, travel to administrative rules hearings in conjunction with already scheduled BOGC hearings, rule publication and updating existing BOGC publication and documents to reflect the new rules, and one additional, not previously scheduled BOGC hearing to approve the adoption of the final rules);
   b. Each subsequent year of the program would result in $10,000 per year of operating expenses; and
   c. $105,000 per year for a contracted engineering firm to evaluate grant applications, enter into contracts with contractor and grantees, and monitor program/contractor/grantee performance; and
   d. a temporary consultant to assist with grant application processing at $15,000 per year.
7. The remaining funds each year will be awarded in grants. Revenue will accumulate in the first year that will not be spent on grants due to the rule making process; it is assumed that the accumulated balance will be awarded approximately equally over five successive fiscal years.
8. 17-1-508, MCA requires analysis of the statutory appropriation relative to the guidance in 17-1-508(2), MCA, to be published in the fiscal note. In reviewing and establishing statutory appropriations, the legislature shall consider the following guidelines.

	YES	**NO**
a. The fund or use requires an appropriation.	X	
b. The money is not from a continuing, reliable, and estimable source.		X
c. The use of the appropriation or the expenditure occurrence is not predictable and reliable.		X
d. The authority does not exist elsewhere.	X	
e. An alternative appropriation method is not available, practical, or effective.		X
f. Other than for emergency purposes, it does not appropriate money from the state general fund.	X	
g. The money is dedicated for a specific use.	X	
h. The legislature wishes the activity to be funded on a continual basis.	X	
i. When feasible, an expenditure cap and sunset date are included.	X	

	FY 2014 Difference	FY 2015 Difference	FY 2016 Difference	FY 2017 Difference
Fiscal Impact:				
FTE	1.00	1.00	1.00	1.00
Expenditures:				
Personal Services	$41,770	$55,693	$56,579	$57,111
Operating Expenses	$12,675	$130,000	$130,000	$130,000
Grants	$0	$11,722,711	$11,615,711	$11,185,711
TOTAL Expenditures	$54,445	$11,908,404	$11,802,290	$11,372,822
Funding of Expenditures:				
General Fund (01)	$0	$0	$0	$0
State Special Revenue (02)	$54,445	$11,908,404	$11,802,290	$11,372,822
TOTAL Funding of Exp.	$54,445	$11,908,404	$11,802,290	$11,372,822
Revenues:				
General Fund (01)	($10,318,000)	($9,670,000)	($9,565,000)	($9,135,000)
State Special Revenue (02)	$10,318,000	$9,670,000	$9,565,000	$9,135,000
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($10,318,000)	($9,670,000)	($9,565,000)	($9,135,000)
State Special Revenue (02)	$10,263,555	($2,238,404)	($2,237,290)	($2,237,822)

Effect on County or Other Local Revenues or Expenditures:

1. Starting in FY 2015, available grant funds will be granted to local governments for infrastructure projects necessary because of oil and gas impact.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*

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Dedication of Revenue 2015 Biennium

17-1-507-509, MCA.

a) **Are there persons or entities that benefit from this dedicated revenue that do not pay?** This dedicated revenue is to be directed to local governments which have been impacted by increased oil and gas development. The Board of Oil and Gas will administer a grant program, reviewing applications by local governments and awarding based prioritized need.

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?**
This revenue would provide financial resources to local governments for needs specifically caused by oil and gas development.

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.

d) **Does the need for this state special revenue provision still exist? __X_Yes ___No**
Yes

e) **Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending? (Please Explain)**
Possibly. Direct legislative review of grant awards and outcomes is not codified.

f) **Does the dedicated revenue fulfill a continuing, legislatively recognized need? (Please Explain)**
Yes

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?)**
The function could be appropriately accounted for in the state special revenue fund.