



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill # HB0310

Title: Establish an oil and gas trust fund

Primary Sponsor: Jacobson, Tom

Status: As Introduced

- | | | |
|--|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov Impact | <input type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue-Local Share	\$0	\$0	\$0	\$0
State Special Revenue-State Share	\$0	\$0	\$0	\$0
Other-Trust Fund Revenue	\$0	(\$28,069)	\$0	\$0
Revenue:				
General Fund	\$0	\$0	(\$4,875,523)	(\$10,187,291)
State Special Revenue-Local Share	\$0	\$0	(\$4,319,000)	(\$9,024,000)
State Special Revenue-State Share	\$0	\$0	(\$734,000)	(\$1,534,000)
Other-Trust Fund Revenue	\$0	\$0	\$9,928,000	\$20,745,000
Net Impact-General Fund Balance:	<u>\$0</u>	<u>\$0</u>	<u>(\$4,875,523)</u>	<u>(\$10,187,291)</u>

Description of fiscal impact: HB 310 submits to the qualified electors of Montana an amendment to the Montana Constitution to establish a permanent oil and gas trust fund from taxes on oil and gas production. The trust begins receiving revenue in FY 2018 with an allocation equal to 5% of total oil and gas tax collections. The allocation increases by five percent each year until 2023 when the percentage reaches 30%. The allocation remains at 30% in perpetuity after 2023.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. HB 310 would submit to the qualified electors of Montana an amendment to the Montana Constitution to establish a permanent oil and gas trust fund.
2. There would be no cost to the department for the immediate passage of this bill, as reflected in the fiscal summaries. There would be a fiscal impact if the constitutional amendment were to be passed by the voters. The following assumptions reflect the effects in future years if the voters pass the constitutional amendment in Section 3 of HB 310 in November, 2016.
3. This fiscal note assumes the trust fund allocations outlined in Section 1 of HB 310 occur prior to any other distribution of oil and gas production tax. The allocations are outlined as follows:
 - a. 5% in 2018
 - b. 10% in 2019
 - c. 15% in 2020
 - d. 20% in 2021
 - e. 25% in 2022
 - f. 30% in 2023 and thereafter
4. Oil and gas production tax figures from HJ 2 were used, and extrapolated into FY 2018 and FY 2019 with OBPP’s growth rates.
5. The following table shows the distribution of total oil and gas production tax for FY 2018 and FY 2019 under current and proposed law, as well as the difference between the two scenarios.

Present Law vs. HB 310 Proposed Distribution of Oil and Natural Gas Production Tax Revenue						
	FY 2018 Present Law	FY 2018 Proposed Law	2018 Difference	FY 2019 Present Law	FY 2019 Proposed Law	2019 Difference
Tax Revenue	\$198.569	\$198.569		\$207.453	\$207.453	
BOGC	\$1.986	\$1.986	\$0.000	\$2.075	\$2.075	\$0.000
Oil & Gas Natural Resource Acct.	\$3.971	\$3.971	\$0.000	\$4.149	\$4.149	\$0.000
County Oil & Gas Impact Fund	\$1.028	\$0.976	(\$0.051)	\$1.074	\$0.966	(\$0.107)
Guarantee Fund	\$2.877	\$2.734	(\$0.144)	\$3.006	\$2.706	(\$0.301)
School Oil & Gas Impact Fund	\$0.206	\$0.195	(\$0.010)	\$0.215	\$0.193	(\$0.021)
State School Oil & Gas Distribution						
Trust Fund Distribution		\$9.928	\$9.928		\$20.745	\$20.745
Local Share	\$86.378	\$82.059	(\$4.319)	\$90.242	\$81.218	(\$9.024)
State Share	\$102.124	\$96.720	(\$5.404)	\$106.693	\$95.401	(\$11.292)
Coal Bed Methane Protection Acct. (0.0%)						
Natural Resource Projects Acct. (2.16%)	\$2.206	\$2.089	(\$0.117)	\$2.305	\$2.061	(\$0.244)
Natural Resource Operations Acct. (2.02%)	\$2.063	\$1.954	(\$0.109)	\$2.155	\$1.927	(\$0.228)
Orphan Share Acct. (2.95%)	\$3.013	\$2.853	(\$0.159)	\$3.147	\$2.814	(\$0.333)
University System (2.65%)	\$2.706	\$2.563	(\$0.143)	\$2.827	\$2.528	(\$0.299)
General Fund Share (90.22%)	\$92.136	\$87.260	(\$4.876)	\$96.258	\$86.071	(\$10.187)
State Special Revenue-Local Share			(\$4.319)			(\$9.024)
State Special Revenue-State Share			(\$0.734)			(\$1.534)
Revenue to Oil and Gas Trust Fund			\$9.928			\$20.745

6. The passage of the constitutional amendment would also result in some administrative costs that would be absorbed by the Department.
7. This bill is effective October 1, 2015.

Secretary of State

8. There would be a cost to the counties for adding a legislative referendum to the ballot. The average statewide cost to place this legislative referendum on the ballot is \$28,069. This price per referendum may vary depending on the total number of contests on the ballot in a given year and the total cost of each election.

Department of Natural Resources and Conservation

9. The natural resources projects account and natural resource operations account would receive decreased funding as a result of this legislation, which would reduce funding for the CARDD Renewable Resource Grant and Resource Development Grant programs.

	<u>FY 2016 Difference</u>	<u>FY 2017 Difference</u>	<u>FY 2018 Difference</u>	<u>FY 2019 Difference</u>
<u>Fiscal Impact:</u>				
<u>Expenditures:</u>				
Operating Expenses	\$0	\$28,069	\$0	\$0
TOTAL Expenditures	\$0	\$28,069	\$0	\$0
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$0	\$0	\$0	\$0
Other-SOS	\$0	\$28,069	\$0	\$0
Other-Trust Fund	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$0	\$28,069	\$0	\$0
<u>Revenues:</u>				
General Fund (01)	\$0	\$0	(\$4,875,523)	(\$10,187,291)
State Special Revenue-Local	\$0	\$0	(\$4,318,875)	(\$9,024,187)
State Special Revenue-State	\$0	\$0	(\$734,050)	(\$1,533,780)
Other-SOS	\$0	\$0	\$0	\$0
Other-Trust Fund Revenue	\$0	\$0	\$9,928,448	\$20,745,258
TOTAL Revenues	\$0	\$0	\$0	\$0
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	\$0	\$0	(\$4,875,523)	(\$10,187,291)
State Special Revenue (02)	\$0	\$0	(\$5,052,925)	(\$10,557,967)
Other-SOS	\$0	(\$28,069)	\$0	\$0
Other-Trust Fund	\$0	\$0	\$9,928,448	\$20,745,258

Effect on County or Other Local Revenues or Expenditures:

1. The passage of the constitutional amendment would reduce oil and gas production tax revenue to counties, schools, and other local governments in FY 2018, FY 2019, and beyond.

Long-Term Impacts:

1. This bill has no termination date and, if the constitutional amendment were to pass, a larger effect would be seen each year as the percentage of oil and gas production tax revenue going into the trust fund would increase until it reaches 30% in 2023 and thereafter.
2. It is assumed that the interest and income from the new oil and gas trust fund would be appropriated by the 2019 Legislature for expenditure in the 2021 biennium, and as a result, is not included in the four year analysis contained within this fiscal note.

Sponsor's Initials

Date

Budget Director's Initials

Date