

MAY 2018

Revenue and Transportation Interim Committee
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BOARD OF OIL AND GAS CONSERVATION FUNDS

The committee requested information about the distribution of oil and gas taxes and received at the March meeting detailed information about the oil and gas production tax, the privilege and license tax, and the tax for the oil natural resource distribution account. This briefing paper responds to the subsequent committee request for details about the Board of Oil and Gas Conservation budget (BOGC).

STATUTORY AUTHORITY TO SET PRIVILEGE AND LICENSE TAX

Section [82-11-131](#) authorizes the BOGC to set the privilege and license tax to cover its expenses. The tax rate may not exceed 3/10 of 1% and is assessed on the market value of each barrel of crude petroleum and each 10,000 cubic feet of natural gas produced, saved and marketed, or stored within the state or exported from the state.

The current privilege and license tax rate, effective October 1, 2016, is 0.3% as provided in Rule [36.22.1242](#), Administrative Rules of Montana. The previous tax rate, from October 1, 2006, to September 30, 2016, was 0.09%.

EARMARKED REVENUE ACCOUNT FUND BALANCE

The attached table prepared by the Legislative Fiscal Division shows the Board of Oil and Gas Conservation's Earmarked Revenue Account fund balance.

The main revenue sources for the account are the privilege and license tax and permit fees pursuant to section [82-11-134](#) for drilling permits, which range from \$25 to \$150 based on the estimated depth of the well.

Disbursements from the account include personal services and operating expenses and, since FY 2010, have also included the transfers to other funds summarized below.

- FY 2010 and FY 2011: [House Bill No. 5](#) (2009) transferred about \$1.6 million to the Department of Administration for an addition to the Board of Oil and Gas Conservation office in Billings.
- FY 2012: [House Bill No. 604](#) (2011) transferred \$12 million to the Guarantee Account to offset general fund revenue needed for school funding.
- FY 2015: [Senate Bill No. 418](#) (2015) transferred \$1.35 million to the Natural Resources Operations Account, which is used for administrative expenses including personnel, equipment, and office expenses for the administration of natural resources operations.
- FY 2016-FY 2019: House Bill No. 2 in [2015](#) and [2017](#) transferred \$300,000 per fiscal year to the Montana Bureau of Mines and Geology to fund 3 FTE and other expenses related to making mine and coal data available online.