

FISCAL NOTE
Requested by Legislative Council
02/19/2019

Revised
Amendment to: SB 2312

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2017-2019 Biennium		2019-2021 Biennium		2021-2023 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(28,700,000)		
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2017-2019 Biennium	2019-2021 Biennium	2021-2023 Biennium
Counties		\$(4,900,000)	
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed SB 2312 changes the allowable allocation of tax revenue from oil and gas production activity on a reservation in the state.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 3 of engrossed SB 2312 changes the allocation of tax revenue allowed in a tribal-state agreement entered into with a tribe in this state regarding oil and gas activity on tribal lands. The change allows revenue from new wells drilled and completed on tribal trust land to be allocated 80% to the tribe, and 20% to the state. Revenue from new wells drilled and completed on tribal "fee" land is authorized to be allocated 80% to the state and 20% to the tribe. Previous agreements authorized a 50%-50% tribal-state split for revenue from production activity on all tribal lands.

Section 1 of engrossed SB 2312 removes the 'high-price' trigger, which would have increased the oil extraction tax rate from 5% to 6% if average oil prices exceeded \$90 per barrel for a consecutive 3-month period. This section is expected to have no fiscal impact in the 2019-21 biennium, as the price of oil is not expected to reach \$90 at any time during the biennium.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, engrossed SB 2312 may result in a new agreement between the State and Three Affiliated Tribes. If this occurs by the start of the 2019-21 biennium, the biennial fiscal impact is an expected reduction in oil and gas tax revenue totaling an estimated \$33.6 million, and a corresponding increase in tribal allocations of \$33.6 million.

The state's oil and gas tax revenue "buckets" expected to be impacted by the allocation change include the legacy fund, common schools trust fund, foundation aid stabilization fund, resources trust fund, and the strategic investment and improvements fund. The political subdivisions' allocation is expected to be reduced by an estimated \$4.9 million as shown in 1B above.

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

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