

FISCAL NOTE
Requested by Legislative Council
01/18/2019

Bill/Resolution No.: SB 2332

- 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				\$192,000		
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		\$78,000	
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).*

SB 2332 imposes the oil and gas gross production tax on natural gas that is flared beyond the first year after well completion.

- 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 1 of SB 2332 requires producers to pay royalties and gross production tax on natural gas that is flared beyond the well's first year after completion. For this fiscal analysis, it is assumed the provisions of SB 2332 would become effective for wells drilled and completed after July 1, 2019. Therefore, FY 2020 is not affected, and the additional gross production tax would first be imposed on gas flared in FY 2021 and beyond.

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, SB 2332 is expected to increase gross production tax revenues by an estimated \$270,000 in the 2019-21 biennium. This revenue will go to counties, as shown in 1B above, as well as to the state's oil "buckets" including Legacy Fund, and SIIF.

There may be a small individual income tax revenue gain as well. The bill requires the payment of royalties on gas flared beyond the first year. These royalties are subject to state income tax, but the amount would be fairly small, and cannot be determined.

- 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.*

Name: Kathryn Strombeck

Agency: Office of Tax Commissioner

Telephone: 701.328.3402

Date Prepared: 01/31/2019