

FISCAL NOTE
Requested by Legislative Council
01/07/2019

Bill/Resolution No.: HB 1186

- 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						
Expenditures				\$400,000		\$400,000
Appropriations				\$95,000,000		\$95,000,000

- 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			
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).*

This bill will allow for hedging to protect the state from volatile movement in oil prices.

- 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.*

This program would have a fiscal impact of administering the program, including expenditures relating to the transactions as well as the premiums associated with entering into a hedging contract.

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.*

There is no revenue associated with this.

- 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.*

The total of \$400,000 in expenditures would cover the cost of administering the program including hiring a hedging consultant.

Most of the expenditures relate to hiring a consultant that would execute the trades, provide market advice, and provide the accounting transactions for each trade on a monthly basis.

- 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.*

In addition to the cost of administration, each hedge would have a premium that would vary with the amount of protection in oil price as well as the number of barrels protected. The total premiums for hedge contracts could not exceed \$95,000,000.

It is our understanding the bill sponsor is going to seek a transfer from the Strategic Investment and Improvements Fund.

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