

FISCAL NOTE
Requested by Legislative Council
01/14/2019

Bill/Resolution No.: HB 1480

- 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						
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			
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).*

HB1480 creates a natural gas conversion fund and tasks NDDOT with development of CNG fueling sites, imposes flaring restrictions and penalties, requires the State Fleet to transition to CNG, imposes oversight responsibilities, and provides for natural gas motor vehicle excise tax rebates.

- 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 provides for the development of CNG fueling stations within the State and requires transition of State Fleet vehicles to CNG.

Section 2 creates a Compressed Natural Gas Conversion Fund and appropriates the fund to the NDDOT on a continuing basis.

Section 3 requires transfer of all gas and natural gas liquid produced beyond capacity and imposes a penalty for violation of \$1 million dollars plus an additional \$10,000 per day that the company is in violation of this subsection. It also creates oversight and reporting responsibilities.

Section 4 provides for a motor vehicle excise tax rebate of up to \$2,000 for owners of vehicles operating on CNG

Section 5 populates the Compressed Natural Gas Conversion Fund with \$20,000,000 from the Strategic Investment and Improvements Fund.

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.*

We cannot determine the revenue impacts that may result from this bill. We have no way of knowing the extent of the revenue generated by penalties that may be assessed for flaring violations, nor can we determine the extent of revenue reductions related to motor vehicle excise tax rebates that may be requested.

This bill does provide an appropriation of \$20,000,000 to the natural gas conversion fund from the Strategic Investment and Improvements Fund.

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.*

We cannot fully determine the expenditure impact that will result from this bill. At this time we have no way to determine the extent or related costs of consultant services that will be necessary. We have no reliable method to fully determine the cost to install fuel stations in accordance with this bill. We have no way to fully determine the costs associated with the oversight requirements of this bill.

While we cannot fully determine the expenditure impact, we can provide some partial expenditure information as follows:

COSTS ASSOCIATED WITH OVERSIGHT RESPONSIBILITIES- The bill imposes oversight responsibilities on the State Industrial Commission. In reality, the proper entity for such oversight would most likely be the Oil and Gas Division of the Department of Mineral Resources (DMR). Accordingly, DMR estimates they would need at least two additional FTEs for permitting and field inspection at a total of \$491,073 for the two FTEs. There would be other costs incurred by DMR such as vehicle usage costs and other support costs; we have no way to estimate these costs as there is no way to know the amount of oversight required on the creation of ten energy parks.

COSTS TO TRANSITION THE STATE FLEET TO CNG - This bill would require the State Fleet to transition from a gas fleet to a CNG fleet. Currently, there are about 1,000 vehicles in the state fleet where it may be plausible to transition to CNG. If these vehicles were retrofitted to use CNG, the related cost would be about \$14,000.000 (\$14,000 per vehicle X 1,000 vehicles). If a vehicle is more than three years old, it is not cost effective to retrofit. If the State Fleet were to replace the 1,000 vehicles with new vehicles that run on CNG, the related cost would be approximately \$43,815,000 (\$43,815 per vehicle X 1,000 vehicles).

MOTOR VEHICLE DIVISION COMPUTER PROGRAMMING AND STAFFING COSTS- This bill would result in the need to modify the NDDOT motor vehicle registration system to accommodate tracking for the excise tax rebate. The one-time programming costs would be approximately \$275,000. Additional staff would also be necessary to monitor and process these provisions; the extent of the staffing costs are unknown at this time.

COSTS TO ESTABLISH CNG FUELING STATIONS - There would be costs associated with establishing CNG stations. Private sector costs are estimated to be about \$4,800,000 for eight stations; State Fleet costs would be about \$7,200,000 for eight stations. There would also be auxiliary costs associated with fueling stations such as electrical generators (\$50,000-\$250,000 per location) and fueling canopies (\$20,000-\$80,000 per location). There would likely be significant costs associated with land preparation. Such costs would vary based on a number of factors, including the size and location of the facility. Prior to installing CNG fueling equipment, general site work may be needed, such as grading, filling, compacting, paving, and storm-water management. A developer may incur additional costs for due diligence measures, such as a geotechnical survey of the site to ensure the soil conditions can support the weight of the station equipment. Completing environmental site assessments can help a developer determine whether the purchased land has previously been contaminated by hazardous materials.

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.*

Both NDDOT MV Division and the Oil and Gas Division of the Department of Mineral Resources would need additional appropriations to handle the provisions of this bill. Such appropriations were not requested in their respective 2019-2021 budget requests.

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