15.0329.04000

FISCAL NOTE
Requested by Legislative Council
02/21/2015

Bill/Resolution No.: HB 1176

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.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Revenues				$(623,000,000)		
Expenditures			$70,000,000			
Appropriations			$120,000,000	$139,000,000		

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

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties		$623,000,000	
Cities			
School Districts		$70,000,000	
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).*

HB 1176 creates a new oil and gas gross production tax distribution formula.

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 HB 1176 changes the k-12 state aid funding formula by reducing the amount of mineral revenue considered in the formula by the amount of debt service payments up to 60% of the mineral revenue received. This effectively reduces the amount considered in the formula to 15%. The Department of Public Instruction estimates this will require an increase in state aid to schools of an estimated $70 million in the 2015-17 biennium as shown in 1A and 1B above. (This is the same amount estimated in the fiscal note for HB 1178.)

Section 3 of HB 1176 changes the distribution funding formula for local governments to 60% local / 40% state for all revenue in excess of $5 million generated from each county each year. The definition of hub city is expanded in section 2, and the amount going to hub cities and hub schools is expanded in Section 3. The changes in Sections 2 and 3 are expected to increase total local revenue by an estimated $623 million in the 2015-17 biennium, when compared to the January 2015 re-forecast. Total biennial political subdivision revenue under the provisions of HB 1176 is estimated to be $1.198 billion compared to $575 million in the January 2015 re-forecast, as estimated under current law. This $623 million in additional revenue is shared by counties, cities, and school districts, although it is shown as "counties" in 1B above. Revenues in the strategic investment and improvements fund are expected to decrease by the same $623 million.

Section 2 also directs $140 million to the oil and gas impact grant fund. $139 million of this amount is appropriated in Section 5 of the bill.

Section 4 of HB 1176 appropriates $120 million to the Department of Transportation.

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.*

   The 60/40 distribution formula is contained in the executive budget recommendation.

   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 L. Strombeck

Agency: Office of Tax Commissioner

Telephone: 328-3402

Date Prepared: 02/23/2015