

FISCAL NOTE
Requested by Legislative Council
01/19/2015

Bill/Resolution No.: SB 2251

- 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				\$825,000		\$825,000
Expenditures			\$824,000		\$824,000	
Appropriations			\$824,000		\$824,000	

- 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			
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).*

The measure amends enforcement of conservation of oil and gas rules to create a floor for civil penalties. It also restricts compromise, requires deposit of proposed penalty, and requires payment of ALL penalties before the release of ANY bond held.

- 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 measure requires the Oil & Gas division to hire qualified individuals to provide site assessments, reclamation plans, and costs of remedying a violation; oversee an increased number of Administrative Law Judge (ALJ) hearings; manage an increased amount of legal paper work and civil penalty payments; and administer an increased amount of bond release reviews.

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.*

Based on 2013-2014 penalty suspensions, it is estimated that the increase in hearings will increase collections by \$412,500 per year. Revenue from civil penalties assessed is required (see lines 18 and 19 of bill) to be deposited into the Abandoned Oil and Gas Well Plugging and Site Reclamation Fund (AWPSRF). AWPSRF is a continuing appropriation 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.*

Expenditures per biennium include \$200,000 for a Petroleum Engineer to oversee site reclamation, manage reports, and participate in ALJ hearings; \$144,000 for Legal Assistant to manage legal paper work, track civil penalty payments, participate in ALJ hearings, and administer bond release reviews; \$120,000 for increased ALJ hearing expenses and filing in District Court to collect penalties (estimate 24 cases per biennium at \$5,000 each); \$360,000 for qualified individuals to prepare site assessments and reclamation plans on violations (estimate 12 per biennium at \$30,000 each).

- 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.*

The Oil & Gas Division expenditures as mentioned in 3B are general fund expenses, and are not included in the executive budget. NDCC §38-08-04.5(3) limits the use of AWPSRF funds. A new continuing appropriation fund for penalty deposits and refunds will be required.

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