

FISCAL NOTE
Requested by Legislative Council
03/24/2021

Revised
Amendment to: HB 1080

- 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.*

	2019-2021 Biennium		2021-2023 Biennium		2023-2025 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues	\$0	\$0	\$0	\$(69,400,000)	\$0	\$(9,000,000)
Expenditures	\$0	\$0	\$0	\$300,000	\$0	\$300,000
Appropriations	\$0	\$0	\$0	\$0	\$0	\$0

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

	2019-2021 Biennium	2021-2023 Biennium	2023-2025 Biennium
Counties	\$0	\$0	\$0
Cities	\$0	\$0	\$0
School Districts	\$0	\$0	\$0
Townships	\$0	\$0	\$0

- 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 1080 is a bill to amend and reenact NDCC § 15-05-10 and 47-16-39.1 reducing the rate of interest and penalties owed by payers for late royalty payments and changes the statute of limitations and limits the ability to collect outstanding royalties owed to the funds managed by the Board.

- 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.*

Amended 15-05-10(5) sets the statute of limitations at 7 years for oil and gas royalties produced after the date of enactment. The statute of limitations as set forth in the amendment will require more frequent audits of oil and gas royalty payors. The Department of Trust Lands will need an additional auditor to perform these audits, the cost is noted in the expenditure section as \$300,000 per biennium.

15-05-10(5) of the amended bill eliminates the ability of the Board to collect oil and gas royalty revenues earned and owed from production occurring prior to August 1, 2013. The lost revenue due to this limitation is noted in the revenue section at \$69,400,000. The compounding interest not earned on lost revenue of \$69,400,000 is estimated at \$9,000,000 in the 2023-2025 biennium using 6.5% interest earned.

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.*

It is estimated that not allowing the Board to collect oil and gas royalty revenues earned and owed to the trusts from production occurring prior to August 1, 2013 will result in an estimated \$69.4 million not being collected.

- 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.*

With a 7 year statute of limitations, the Department of Trust Lands will need additional staff to audit royalty payors on a more frequent basis. One additional auditor will be needed to timely complete audits.

- 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 Board of University and School Lands manages minerals for 13 constitutionally created permanent trust funds and other special funds. Each of these funds will not collect their share of the estimated \$69.4 million of royalties owed from prior to August 1, 2013. The compounding interest not earned on lost revenue of \$69,400,000 is estimated at \$9,000,000 in the 2023-2025 biennium using 6.5% interest earned. No appropriation for the lost revenue is needed.

The Department of Trust Lands will need \$300,000 added to its budget the 2021-2023 and 2023-2025 biennia to hire an additional auditor needed to timely complete audits within the 7-year statute of limitations provided in the amended bill.

Name: Jodi Smith

Agency: Department of Trust Lands

Telephone: 7013282807

Date Prepared: 03/25/2021