SENATE BILL 148

Introduced by Gage

1/14	Introduced
1/14	Fiscal Note Requested
1/14	Referred to Taxation
1/14	First Reading
1/19	Fiscal Note Received
1/20	Fiscal Note Printed
1/21	Hearing
2/11	Tabled in Committee

Senate BILL NO. 148

INTRODUCED BY [illegible]

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING THAT 25 PERCENT OF THE RESOURCE INDEMNITY AND GROUND WATER ASSESSMENT TAX BE PAID TO THE OIL AND GAS PRODUCTION DAMAGE MITIGATION ACCOUNT; DELETING CERTAIN OTHER INCOME FROM THE ACCOUNT; AMENDING SECTIONS 15-38-106, 15-38-202, AND 82-11-161, MCA; AND PROVIDING AN EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 15-38-106, MCA, is amended to read:

"**15-38-106. (Temporary) Payment of tax -- records -- collection of taxes -- refunds.** (1) The tax imposed by this chapter shall be paid by each person to which the tax applies, on or before March 31, on the value of product in the year preceding January 1 of the year in which the tax is paid. The tax shall be paid to the department at the time the statement of yield for the preceding calendar year is filed with the department.

(2) The department shall deposit the proceeds of the tax in the resource indemnity trust fund of the nonexpendable trust fund type. Every person to whom the tax applies shall keep records in accordance with 15-38-105, and the records are subject to inspection by the department upon

reasonable notice during normal business hours.

(3) The department shall examine the statement and compute the taxes thereon, and the amount computed by the department shall be the taxes imposed, assessed against, and payable by the taxpayer. If the tax found to be due is greater than the amount paid, the excess shall be paid by the taxpayer to the department within 30 days after written notice of the amount of deficiency is mailed by the department to the taxpayer. If the tax imposed is less than the amount paid, the difference must be applied as a tax credit against tax liability for subsequent years or refunded if requested by the taxpayer.

15-38-106. (Effective July 1, 1993) Payment of tax -- records -- collection of taxes -- refunds. (1) The tax imposed by this chapter ~~shall~~ <u>must</u> be paid by each person to which the tax applies, on or before March 31, on the value of product in the year preceding January 1 of the year in which the tax is paid. The tax ~~shall~~ <u>must</u> be paid to the department at the time the statement of yield for the preceding calendar year is filed with the department.

(2) The department shall deposit the proceeds of the tax in the resource indemnity trust fund of the nonexpendable trust fund type, except that <u>25% of the proceeds must be deposited in the oil and gas production damage mitigation account, established by 82-11-161, and</u>

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14.1% of the proceeds must be deposited in the ground water assessment account, established by 85-2-905. Every person to whom the tax applies shall keep records in accordance with 15-38-105, and the records are subject to inspection by the department upon reasonable notice during normal business hours.

(3) The department shall examine the statement and compute the taxes. ~~thereon,-and-the~~ The amount computed by the department ~~shall-be~~ is the ~~taxes~~ tax imposed, assessed against, and payable by the taxpayer. If the tax found to be due is greater than the amount paid, the excess ~~shall~~ must be paid by the taxpayer to the department within 30 days after written notice of the amount of deficiency is mailed by the department to the taxpayer. If the tax imposed is less than the amount paid, the difference must be applied as a tax credit against tax liability for subsequent years or refunded if requested by the taxpayer."

Section 2. Section 15-38-202, MCA, is amended to read:

"15-38-202. **Investment of resource indemnity trust fund -- expenditure -- minimum balance.** (1) All money paid into the resource indemnity trust fund, including money payable into the fund under the provisions of 15-37-117, ~~shall~~ must be invested at the discretion of the board of investments. All the net earnings accruing to the resource indemnity trust fund ~~shall~~ must annually be added to the trust fund

until it has reached the sum of $10 million. Thereafter, only the net earnings may be appropriated and expended until the fund reaches $100 million. Thereafter, all net earnings and all receipts shall be appropriated by the legislature and expended, provided that the balance in the fund may never be less than $100 million.

(2) (a) At the beginning of each biennium, there is allocated from the interest income of the resource indemnity trust fund~~:~~

~~(i)~~ an amount not to exceed $175,000 to the environmental contingency account pursuant to the conditions of 75-1-1101~~;-and~~

~~(ii)-beginning--in--fiscal--year--1992,-an-amount-not-to exceed--$50,000--to--the--oil--and--gas--production---damage mitigation-account-pursuant-to-the-conditions-of-82-11-161~~.

(b) The remainder of the interest income is allocated as follows:

(i) ~~Beginning-in-fiscal-year-1982,-provided-the--amount in--the--resource--indemnity--trust-fund-is-greater-than-$10 million,~~ An amount equal to 30% of the interest income of the resource indemnity trust fund must be allocated to the water development state special revenue account created by 85-1-604.

(ii) ~~Beginning--in--fiscal-year-1988,~~ An amount equal to 12% of the interest income of the resource indemnity trust fund must be allocated to the hazardous waste/CERCLA special revenue account provided for in 75-10-621.

(iii) ~~Beginning--in-fiscal-year-1990,~~ An amount equal to 8% of the interest income from the resource indemnity trust fund must be allocated to the renewable resource development account provided for in Title 90, chapter 2.

(iv) ~~Beginning--in--fiscal-year-1990,~~ An amount equal to 46% of the interest income from the resource indemnity trust fund must be allocated to the reclamation and development grants account provided for in 90-2-1104.

(v) ~~Beginning--in--fiscal-year-1990,~~ An amount equal to 4% of the interest income of the resource indemnity trust fund must be allocated to the environmental quality protection fund provided for in 75-10-704.

(3) Any formal budget document prepared by the legislature or the executive branch that proposes to appropriate funds from the resource indemnity trust interest account other than as provided for by the allocations in subsection (2) must specify the amount of money from each allocation that is proposed to be diverted and the proposed use of the diverted funds. A formal budget document includes a printed and publicly distributed budget proposal or recommendation, an introduced bill, or a bill developed during the legislative appropriation process or otherwise during a legislative session."

Section 3. Section 82-11-161, MCA, is amended to read:

"**82-11-161. Oil and gas production damage mitigation account -- statutory appropriation.** (1) There is an oil and gas production damage mitigation account within the state special revenue fund established in 17-2-102. The oil and gas production damage mitigation account is controlled by the board.

(2) ~~On-July-1,-1991,--and--at--the--beginning--of--each succeeding--biennium,-there-must-be-allocated-to-the-oil-and gas-production-damage-mitigation-account--$50,000--from--the interest-income-of-the-resource-indemnity-trust-fund,-except if--at--the--beginning--of--a--biennium-the-unobligated-cash balance-in-the-oil--and--gas--production--damage--mitigation account:~~

~~(a)--equals--or--exceeds-$200,000,-no-allocation-will-be made;-or~~

~~(b)--is-less-than-$200,000,-then-an-amount-less-than--or equal-to-the-difference-between-the-unobligated-cash-balance and--$200,000,--but--not-more-than-$50,000,-must-be~~ There is allocated to the oil and gas production damage mitigation account ~~from--the--interest--income~~ 25% of the resource indemnity ~~trust--fund~~ and ground water assessment tax, as provided in 15-38-106.

(3) In addition to the allocation provided in subsection (2), there must be deposited in the oil and gas

production damage mitigation account:

(a) all funds received by the board pursuant to 82-11-136; and

(b) all fees received by the board from owners of producing wells pursuant to 82-11-162.

(4) If a sufficient balance exists in the account, funds are statutorily appropriated, as provided in 17-7-502, from the oil and gas production damage mitigation account, upon the authorization of the board, to pay the reasonable costs of properly plugging a well and either reclaiming or restoring, or both, a drill site or other drilling or producing area damaged by oil and gas operations if the board determines that the well, sump, hole, drill site, or drilling or producing area has been abandoned and the responsible person cannot be identified or located or if the responsible person fails or refuses to properly plug, reclaim, or restore the well, drill site, or drilling or producing area within a reasonable time after demand by the board. The responsible person shall, however, pay costs to the extent of ~~his~~ available resources and is subsequently liable to fully reimburse the account or is subject to a lien on property as provided in 82-11-164 for costs expended from the account to properly plug, reclaim, or restore the well, drill site, or drilling or producing area and to mitigate any damage for which he is responsible.

(5) Interest from funds in the oil and gas production damage mitigation account accrues to that account.

(6) The board shall, as provided in 5-11-210, submit to the legislature a complete financial report on the oil and gas production damage mitigation account, including a description of all expenditures made since the preceding report."

NEW SECTION. **Section 4.** **Effective date.** [This act] is effective July 1, 1993.

-End-

STATE OF MONTANA - FISCAL NOTE
Form BD-15
In compliance with a written request, there is hereby submitted a Fiscal Note for SB0148, as introduced.

DESCRIPTION OF PROPOSED LEGISLATION: An Act requiring that 25 percent of the Resource Indemnity and Ground Water Assessment Tax be paid to the Oil and Gas Production Damage Mitigation Account; deleting certain other income from the account.

ASSUMPTIONS:
1. Assume the executive budget revenue and expenditures for FY94 and FY95 in the Executive Budget Book pages F9, F10 and F11.
2. Assume an adjustment has been made to include the 14.1% of the RIT tax proceeds that go to the Groundwater Assessment Account.
3. If SB0148 is approved, the Board of Oil and Gas will withdraw two pending reclamation and development grant requests.
4. The reduction in RIT interest reflects reduced deposits to the RIT trust fund. Revenue is assumed to be deposited quarterly. For the first two months, these are assumed to be invested at the short-term investment rate and at the long-term rate for the remainder of the biennium.

FISCAL IMPACT: With an additional 25% of proceeds being allocated to the Oil and Gas Mitigation account RIT trust fund balances will grow at a slower rate. The RIT interest income is allocated to five accounts that fund natural resource activities and grants. The reduction of $168,544 in RIT interest income leaves less funds for the grant programs and Department of Health and Environmental Sciences (DHES) activities. Specifically, for the biennium, Water Development grant funding would fall by $37,923, Renewable Resource Development funding would fall by $10,112, and Reclamation and Development grant funding would fall by $77,530. Deposits to the Water Storage account would fall by $16,012 over the biennium. The ending balance of the Hazardous Waste/CERCLA account would fall by $20,225 and the Environmental Quality Protection account would fall by $6,742.

By withdrawing the two Board of Oil and Gas Reclamation and Development grant requests, $513,810 would become available to lower ranked grants in this program. This does not eliminate the reduction in interest revenue used to fund reclamation and development grants. However, the withdrawal means that at least two grants which would not have received funding, would be funded.

(continued on next page)

David Lewis 1-19-93
DAVID LEWIS, BUDGET DIRECTOR DATE
Office of Budget and Program Planning

1-20-93
DELWYN GAGE, PRIMARY SPONSOR DATE

Fiscal Note for SB0148, as introduced

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	FY94			FY95		
	Current Law	Proposed Law	Difference	Current Law	Proposed Law	Difference
Interest Revenue to RIT Accounts	9,151,496	9,030,145	(121,351)	9,077,338	9,030,145	(47,193)
Tax Revenue to RIT Trust	4,170,933	2,957,041	(1,213,892)	4,232,431	3,000,641	(1,231,790)

Expenditures: SB0148 does not change executive recommended expenditures. However, in order to utilize this additional revenue, the Board of Oil and Gas may need to increase personnel.

Revenues: These are the executive recommended revenues adjusted for 14.1% in revenues deposited into the Ground Water Assessment Account.

Net Impact: By taking the 25% proceeds away from the RIT Trust there is an effect on the revenue available to conduct natural resource programs using RIT interest revenue. Natural resource activities presently include water conservation, nonpoint pollution control, mine reclamation, oil well plugging, and hazardous waste cleanup. However, the Board of Oil an Gas Conservation would have additional revenue for their activities.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES: There will be less funds for local governments eligible for Wate Development, Renewable Resource, and Reclamation Grants. The difference between RIT interest income and appropriations for natural resource agencies equals the amount of funds available for grants. Because agency expenditures are growing faster than the growth in RIT interest revenue, the amount available for grants has been declining every year since 1987. These grant funds are not available to local governments for correction of natural resource problems.

LONG-RANGE EFFECTS OF PROPOSED LEGISLATION: The long range effects will be to accelerate the reduction in funding for RIT grant programs and other natural resource activities due to reduced interest income from the trust. However, the Board of Oil and Gas Conservation would have additional revenue for their activities.

TECHNICAL NOTES: The Board of Oil and Gas has been recommended for two reclamation and development grants which were ranke No. 1 and 2. These grants would provide an additional $513,810 in grant funding to plug 29 additional oil and gas wells. These grants are included in HB0007.

In FY92-93, the Oil and Gas Division was authorized $739,000 in grant funds for Abandoned Well Plugging. As of January 1993, $186,171 has been spent on the abandoned wells.

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