

HOUSE BILL NO. 420

INTRODUCED BY B. HAMLETT

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE ALLOCATION OF REVENUE FROM OIL AND NATURAL GAS PRODUCTION TAXES AND USING THE PROCEEDS FOR OIL AND NATURAL GAS IMPACT PROJECTS; DEFINING "OIL AND GAS IMPACT PROJECTS"; ESTABLISHING PRIORITIES FOR OIL AND GAS IMPACT PROJECT PROPOSALS FROM LOCAL GOVERNMENTS; PROVIDING FOR REVIEW OF OIL AND GAS IMPACT PROJECT PROPOSALS BY THE DEPARTMENT OF COMMERCE; CREATING AN OIL AND NATURAL GAS IMPACT RELIEF ACCOUNT TO PROVIDE FINANCIAL ASSISTANCE TO LOCAL GOVERNMENTS; PROVIDING RULEMAKING AUTHORITY; AMENDING SECTION 15-36-331, MCA; AND PROVIDING AN EFFECTIVE DATE AND AN APPLICABILITY DATE."

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

NEW SECTION. **Section 1. Definitions.** As used in [sections 1 through 4], the following definitions apply:

(1) "Department" means the department of commerce provided for in 2-15-1801.

(2) "Local government" means an incorporated city or town, a county, a consolidated local government, a tribal government, a county or multicounty water, sewer, or solid waste district, or an authority as defined in 75-6-304.

(3) "Oil and gas impact projects" means:

(a) drinking water systems;

(b) wastewater treatment;

(c) sanitary sewer or storm sewer systems;

(d) solid waste disposal and separation systems, including site acquisition, preparation, and monitoring;

(e) roads;

(f) bridges;

(g) utilities;

(h) hospitals;

(i) schools; and

(j) facilities for government administration, fire protection, ambulance services, law enforcement, and emergency services.

(4) "Tribal government" means the government of a federally recognized Indian tribe within the state of Montana.

NEW SECTION. Section 2. Priorities for infrastructure projects -- procedure -- rulemaking. (1) The department:

(a) must on a continual basis receive proposals for oil and gas impact projects from local governments that have been required to maintain and expand local government infrastructure as a consequence of oil and gas development;

(b) shall work with a local government in preparing cost estimates for oil and gas impact projects; and

(c) shall prepare and submit to the governor a list containing the recommended oil and gas impact projects and the recommended form and amount of financial assistance for each oil and gas impact project, prioritized pursuant to subsection (3), after taking into consideration the amount of money projected to be available in the oil and natural gas impact relief account provided for in [section 3].

(2) Before making recommendations to the governor, the department may adjust the ranking of oil and gas impact projects by giving priority to projects that solve urgent and serious public health or safety problems. The governor shall review the oil and gas impact projects recommended by the department and shall submit the lists of recommended oil and gas impact projects and the recommended financial assistance to the legislature for approval.

(3) In preparing recommendations under subsection (1), the department shall give preference to oil and gas impact projects based on the following order of priority:

(a) projects that solve urgent and serious public health or safety problems or that enable local governments to meet state or federal health or safety standards;

(b) projects that reflect greater need for financial assistance than other projects;

(c) projects that incorporate appropriate, cost-effective technical design and that provide thorough, long-term solutions to community public facility needs;

(d) projects that enable local governments to obtain funds from sources other than the funds provided under [sections 1 through 4]; and

(e) projects that are high local priorities and have strong community support.

(4) The department shall report to each regular session of the legislature on the status of all oil and gas impact projects that have not been completed in order for the legislature to review each project's status and determine whether the authorized grant should be withdrawn.

NEW SECTION. Section 3. Oil and natural gas impact relief account. (1) There is an oil and natural gas impact relief account in the state special revenue fund provided for in 17-2-102. There must be deposited in the account oil and natural gas production taxes, if any, pursuant to 15-36-331(4)(e). The funds in the account must be administered by the department.

(2) The purpose of the account is to assist local governments that have been required to maintain and expand local government infrastructure as a consequence of oil and gas development as provided in [section 2].

NEW SECTION. Section 4. Rulemaking authority. (1) The department shall adopt rules necessary for the administration of [sections 1 through 4].

(2) The rules may include but are not limited to:

- (a) consistent with [section 2], the criteria to use when evaluating grant proposals and prioritizing and awarding grants;
- (b) application procedures;
- (c) disbursement of grants; and
- (d) reporting procedures for grant recipients.

Section 5. Section 15-36-331, MCA, is amended to read:

"15-36-331. Distribution of taxes. (1) (a) For each calendar quarter, the department shall determine the amount of tax, late payment interest, and penalties collected under this part.

(b) For the purposes of distribution of oil and natural gas production taxes to county and school district taxing units under 15-36-332 and to the state, the department shall determine the amount of oil and natural gas production taxes paid on production in the taxing unit.

(2) (a) The amount of oil and natural gas production taxes collected for the privilege and license tax pursuant to 82-11-131 must be deposited, in accordance with the provisions of 17-2-124, in the state special revenue fund for the purpose of paying expenses of the board, as provided in 82-11-135.

(b) The amount of the tax allocated in 15-36-304(7)(b) for the oil and gas natural resource distribution

1 account established in 90-6-1001(1) must be deposited in the account.

2 (3) (a) For each tax year, the amount of oil and natural gas production taxes determined under
3 subsection (1)(b) is allocated to each county according to the following schedule:

4	Big Horn	45.05%
5	Blaine	58.39%
6	Carbon	48.27%
7	Chouteau	58.14%
8	Custer	69.53%
9	Daniels	50.81%
10	Dawson	47.79%
11	Fallon	41.78%
12	Fergus	69.18%
13	Garfield	45.96%
14	Glacier	58.83%
15	Golden Valley	58.37%
16	Hill	64.51%
17	Liberty	57.94%
18	McCone	49.92%
19	Musselshell	48.64%
20	Petroleum	48.04%
21	Phillips	54.02%
22	Pondera	54.26%
23	Powder River	60.9%
24	Prairie	40.38%
25	Richland	47.47%
26	Roosevelt	45.71%
27	Rosebud	39.33%
28	Sheridan	47.99%
29	Stillwater	53.51%

1	Sweet Grass	61.24%
2	Teton	46.1%
3	Toole	57.61%
4	Valley	51.43%
5	Wibaux	49.16%
6	Yellowstone	46.74%
7	All other counties	50.15%

8 (b) The oil and natural gas production taxes allocated to each county must be deposited in the state
 9 special revenue fund and transferred to each county for distribution, as provided in 15-36-332.

10 (4) The department shall, in accordance with the provisions of 17-2-124, distribute the state portion of
 11 oil and natural gas production taxes remaining after the distributions pursuant to subsections (2) and (3) as
 12 follows:

13 ~~(a) for each fiscal year through the fiscal year ending June 30, 2011, to be distributed as follows:~~

14 ~~—— (i) 1.23% to the coal bed methane protection account established in 76-15-904;~~

15 ~~—— (ii) 1.45% to the natural resources projects state special revenue account established in 15-38-302;~~

16 ~~—— (iii) 1.45% to the natural resources operations state special revenue account established in 15-38-301;~~

17 ~~—— (iv) 2.99% to the orphan share account established in 75-10-743;~~

18 ~~—— (v) 2.65% to the state special revenue fund to be appropriated to the Montana university system for the~~
 19 ~~purposes of the state tax levy as provided in 15-10-108; and~~

20 ~~—— (vi) all remaining proceeds to the state general fund;~~

21 ~~(b) for fiscal years beginning after June 30, 2011, to be distributed as follows:~~

22 ~~(i)(a)~~ 2.16% to the natural resources projects state special revenue account established in 15-38-302;

23 ~~(ii)(b)~~ 2.02% to the natural resources operations state special revenue account established in 15-38-301;

24 ~~(iii)(c)~~ 2.95% to the orphan share account established in 75-10-743;

25 ~~(iv)(d)~~ 2.65% to the state special revenue fund to be appropriated to the Montana university system for
 26 the purposes of the state tax levy as provided in 15-10-108; ~~and~~

27 (e) the increased tax revenue percentage provided for in subsection (5)(c) to the oil and natural gas
 28 impact relief account established in [section 3]; and

29 ~~(v)(f)~~ all remaining proceeds to the state general fund.

1 (5) By October 1 of each year, the department shall calculate the dollar amount of growth of oil and
2 natural gas production taxes paid, the total percentage of growth of oil and natural gas production taxes paid, and
3 the increased tax revenue percentage in the following manner:

4 (a) The department shall calculate the dollar amount of growth of oil and natural gas production taxes
5 paid from the revenue source referred to in subsection (1)(b) based on the ratio of two factors for the first, second,
6 third, fourth, and fifth most recently completed fiscal years as recorded on the statewide budgeting and
7 accounting system. The first factor is the revenue for the most recently completed fiscal year. The second factor
8 is the sum of the revenue for the second, third, fourth, and fifth previously completed fiscal years divided by 4.
9 The department shall reduce the amount of the first factor by the amount of the second factor to determine the
10 dollar amount of growth for the most recently completed fiscal year.

11 (b) If the dollar amount of growth for the most recently completed fiscal year is positive, the department
12 shall make the calculation in subsection (5)(c). If the dollar amount is less than or equal to zero, the amount of
13 growth is zero for the purpose of the calculation.

14 (c) The department shall divide the dollar amount of growth determined in subsection (5)(b) by the
15 second factor to determine the total percentage of growth, and then multiply the total percentage of growth by
16 70% to determine the increased tax revenue percentage for the purpose of distributing revenue to the oil and
17 natural gas impact relief account as provided in subsection (4)(e). The distributions must be made during the
18 current fiscal year and may not exceed the state portion of oil and natural gas production taxes remaining after
19 the distributions pursuant to subsections (2), (3), and (4)(a) through (4)(d)."

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21 NEW SECTION. Section 6. Notification to tribal governments. The secretary of state shall send a
22 copy of [this act] to each tribal government located on the seven Montana reservations and to the Little Shell
23 Chippewa tribe.

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25 NEW SECTION. Section 7. Codification instruction. [Sections 1 through 4] are intended to be codified
26 as an integral part of Title 90, chapter 6, and the provisions of Title 90, chapter 6, apply to [sections 1 through 4].

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28 NEW SECTION. Section 8. Effective date. [This act] is effective July 1, 2017.

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30 NEW SECTION. Section 9. Applicability. [This act] applies to fiscal years beginning after June 30,

1 2017.

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