



SB19-016

SHORT TITLE: Severance Tax Operational Fund Distribution Methodology

LONG TITLE: Concerning the methodology to distribute money in the severance tax operational fund after core departmental programs are funded without changing the transfers to the natural resources and energy grant programs

SPONSORS: Senators Donovan and Coram/Representatives Esgar and Saine, with Roberts, Arndt and Catlin (Water Resources Review Committee bill)

COMMITTEES: Senate Agriculture & Natural Resources Committee

PURPOSE OF THE BILL: To assure that state programs funded within the department of natural resources by severance taxes remain whole insofar as possible... Prevent over-allocation of funds that trigger claw back.

PROPOSERS OF THE BILL: Department of Natural Resources

POTENTIAL STAKEHOLDERS: Entities served by various DNR programs (oil/gas, mining, water resources, local governments)

BACKGROUND: Existing statutes have categorized severance tax funded programs within the department of natural resources according to function as operational programs called tier 1 (now core programs) and discretionary or tier 2 (now grant) programs and require reserves to be held for both types. Money has historically been allocated on projection of revenues to be received. Both types of programs have required reserve amounts in addition to funding for the fiscal year.

Is this bill necessary this year? No but it would be helpful to begin basing budgets on money "in the bank"

How does the bill change current law? The DNR operational fund is formally divided into core (or operational) programs and grant based programs. Instead of distributing moneys to grant programs based on projections, the future distribution will be made on August 15 following the end of the fiscal year in which the money is actually received, thereby avoiding clawbacks of money previously distributed when revenues are not as robust as predicted or other shortfall occurs. The reserve accounts are separated; the maximum required reserve for the grant programs is increased to 100% of the maximum amount required for distribution to the grant programs under the statutory formula (currently a bit over \$36 million). When required transfers have been made and both reserves are full, the state treasurer must transfer any money remaining in the operational fund to the perpetual base account.

Does the bill affect the prior appropriations system? No

How is the bill implemented? Through the budgeting by the department of natural resources for the various programs

Fiscal Impact: No fiscal impact statement

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