Fiscal Note & Local Impact Statement

122 nd General Assembly of Ohio

BILL: **S.B. 46** DATE: **June 10, 1997**

STATUS: **As Introduced** SPONSOR: **Sen. Carnes**

LOCAL IMPACT STATEMENT REQUIRED: **No — No local cost**

CONTENTS: **Create the Ohio Oil and Natural Gas Resources Agency**

State Fiscal Highlights

STATE FUND	FY 1997	FY 1998	FUTURE YEARS
Oil and Natural Gas Resources Fund			
Revenues	- 0 -	Up to $200,000 gain	Up to $200,000 gain
Expenditures	- 0 -	Up to $200,000 increase	Up to $200,000 increase

- The assessments of 1 cent per barrel of oil and 1/10th of 1 cent per thousand cubic feet of natural gas are levied on the first producer would yield revenues of approximately $83,000 from oil and $120,000 from natural gas.
- There would be an expenditure increase of approximately $1,400 to cover actual and necessary expenses for members for quarterly meetings. It is projected that the agency could have increased expenditures of up to the amount of revenues (estimated at $200,000) in order to carry out the activities of the agency.

Local Fiscal Highlights

- No direct fiscal effect on local governments.

Ohio Legislative Budget Office: *a nonpartisan agency providing fiscal research for the Ohio General Assembly*
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Detailed Fiscal Analysis

The bill would create the Oil and Natural Gas Resources Agency. This new agency would conduct specific activities regarding the oil and natural gas industry in Ohio. The agency would sunset on December 31, 2000.

Levy of an assessment

The bill would assess the first purchaser of the gross production of oil and natural gas 1 cent for every gross barrel of oil and 1/10th of 1 cent per thousand cubic feet of natural gas produced. According to DNR's Divisision of Oil and Gas, under these definitions, there were 8.3 million barrels of oil and 120.4 billion cubic feet of natural gas produced in the state for 1996. A 1 cent assessment fee per barrel of oil would amount to approximately $83,000 in revenues. A 1/10th of 1 cent assessment fee per thousand cubic feet of natural gas would amount to $120,400 in revenues.

Refund of assessment

The agency must refund assessments to any person who can prove that the person is entitled to a refund and complies with the procedures and requirements governing refunds established in rules. Any person who requests a refund would not be eligible to serve or to have a representative serve as a member of the agency.

Organization of operating committee

There would be seven members of the operating committee, six of whom must be independent producers. The seventh member would be a member of the Ohio Farm Bureau Federation. Meetings would be held quarterly. The chairman could call for special meetings. Members would not receive compensation, but would be reimbursed for actual and necessary expenses. Costs per meeting per member are estimated at $50. Annual expenses for meetings would be approximately $1,400. Each additional meeting would cost approximately $350 for member expenses. Administrative costs associated with the functions of the agency are unknown at this time.

Background information

The current rate of severance tax on natural gas is 2.5 cents per 1,000 cubic feet. For oil, it is 10.0 cents per barrel. Tax collections from 1996 were $2,991,816 and $747,142 respectively. Twenty per cent of the natural gas and oil severance tax is allocated to the Oil and Gas Well Plugging fund. Seventy per cent of this tax collection is allocated to the Oil and Gas Permit Fee Fund. The other ten per cent is allocated to Geological Mapping. Based on these collections, the amount of natural gas that is reported as being sold[1] in 1996 is 119.6 billion cubic feet. The amount of oil that is reported as being sold in 1996 is 7.4 million barrels.

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[1] This information is being provided to illustrate the amount of severance tax currently being levied on oil and gas. In addition, this information illustrates that the method of assessment in the bill differs from the method used for tax purposes. The severance tax is based on the amounts of oil and natural gas that are reported as being sold. The bill would assess the first purchaser. For this reason, if one compares the number of barrels of oil and the cubic feet of natural gas for FY1996 as reported by the Department of Taxation to the figures as determined by the Division of Oil and Gas, the figures will not be the same.