

# Oil Overcharge Program

## Program Description

Oil overcharge funds are allocated to the state by the federal Department of Energy (DOE) as a result of federal court action requiring certain oil producers to pay restitution for violation of federal oil price and allocation controls that occurred between 1973 and 1981. These funds cannot be used to replace state funds and may only be used for programs authorized by federal law. The state uses the oil overcharge money to supplement state and federal programs administered by the state, in a manner consistent with federal court orders (section 90-4-210, MCA).

Each biennium, agencies submit proposals to the Office of Budget and Program Planning (OBPP) for energy conservation projects and programs. These proposals are reviewed by a committee of state and local government officials, who make recommendations to the Governor. The Governor's recommendations are then presented in HB 10. The legislature ultimately determines the distribution of oil overcharge funds by the appropriations provided for in HB 10.

The director of each agency receiving oil overcharge funds is responsible for ensuring that expenditure and tracking of the funds are consistent with legislative intent and the court settlement agreements. The state Department of Environmental Quality (DEQ) is responsible for administering the distribution of oil overcharge funds to state agencies and for producing an annual report on the allocation and expenditures of these funds.

## Summary of Legislative Action

Appropriations of oil overcharge funds for the 2001 biennium are primarily targeted toward energy conservation projects and low-income assistance programs. HB 12 reappropriates \$100,000 of oil overcharge funds to DEQ to help fund administrative costs for the State Building Energy Conservation Program. Oil overcharge funds authorized in HB 12 for this energy conservation effort have a higher priority than any other oil overcharge appropriations for the 2001 biennium (see *State Building Energy Conservation Program* in this section for more information on this program).

<b>Table 9</b>			
<b>Oil Overcharge Appropriations -- 2001 Biennium</b>			
<b>House Bills 10 &amp; 12</b>			
<b>Legis.</b>	<b>Agency</b>	<b>Project</b>	<b>Amount</b>
<b>HB12</b>	DEQ	State Building Energy Conservation Program (Reappropriation)	\$ 100,000
		<b>Total House Bill 12</b>	<u>\$ 100,000</u>
<b>HB10</b>			
1	DPHHS	Low-Income Energy Assistance (Section 4)	\$ 300,000
2	DPHHS	Low-Income Home Weatherization (Section 5)	\$ 500,000
3	DEQ	Affordable, Efficient Housing Plan Book (Section 6)	\$ 40,000
4	DPHHS	Food Bank Network Transportation (Section 7)	\$ 15,000
5	DPHHS	Transportation to Nutrition Sites (Section 8)	\$ 11,000
6	DPHHS	Low-Income Home Weatherization (Section 9)	\$ 200,000
7	DEQ	Advanced Transportation Technologies Consortium (Section 10)	\$ 50,000
		Total New Projects - HB10	\$ 1,116,000
		Reappropriations - HB10 (Section 11)	<del>\$ 185,000</del>
		<b>Total House Bill 10</b>	<u>\$ 1,301,000</u>

HB 10 appropriates oil overcharge funds to seven programs ranked in priority order as shown in Table 9. A detailed description of the projects authorized in HB 10 is presented following the “Funding” section of this narrative.

### Executive Budget Comparison

The 56<sup>th</sup> Legislature enhanced funding for the Food Bank Network Transportation project by \$10,000 above the amount recommended in the Executive Budget. In addition, the legislature added \$11,000 to fund the Transportation to Nutrition Sites project; this project was not included in the Executive Budget. Finally, the legislature did not fund the \$150,000 project included in the Executive Budget for a project related to utility deregulation summarized below.

#### Aggregation Cooperative for Residential Customer - \$150,000

The executive proposed appropriating \$150,000 in oil overcharge funds to DEQ for a project related to utility deregulation. DEQ would be appropriated \$50,000 for fiscal year 2000, which would be granted to the Western Montana Electric Generating and Transmission Cooperative, Inc. (the Cooperative). The funds were proposed to be used to prepare a feasibility analysis, business and financial plans, and a market study for the formation of a “nonprofit buyers cooperative” for residential customers in Montana. The Cooperative would then report its findings and plans to the Electric Utility Industry Restructuring Transition Advisory Committee established by the 1997 legislature.

The 56<sup>th</sup> Legislature did not fund this project.

### Funding

New oil overcharge appropriations total \$1,116,000. All of the funding for these projects is from stripper well funds. Although additional revenues may become available as a result of future settlements, the timing and related amounts of such settlements remains uncertain. However, future settlement payments are expected to be minimal compared to past biennia. The majority of revenue received in fiscal years 1997 and 1998 came from interest earnings as opposed to new settlement payments. Thus, the appropriations in HB 10 are funded primarily with existing funds and future interest earnings.

Table 10 provides a fund balance projection for the 2001 biennium for the oil overcharge funds to be used to fund new proposals. Revenue projections do not include any new settlement monies being received by the state during the 2001 biennium. Revenue from the Citronelle case mentioned in the Governor’s Budget has been incorporated in the beginning fund balance for the 2001 biennium, as monies should be received in fiscal 1999.

<b>Table 10</b>	
<b>Oil Overcharge Funds</b>	
<b>Projected Fund Balance -- 2001 Biennium</b>	
Estimated Beginning Available Fund Balance	\$ 686,546
Revenue Projections*	
Fiscal 2000 Interest	\$ 24,933
Fiscal 2001 Interest	<del>\$ 8,822</del>
Total Funds Available	\$ 720,301
New Projects -- HB10	<del>\$ 1,116,000</del>
Estimated Ending Available Fund Balance	<u><u>\$ (395,699)</u></u>

\*Based on revenue estimates provided by DEQ.

Appropriations exceed available funds – As shown in Table 10, projected revenues are not sufficient for all of the new projects contained in HB 10. HB 10 provides the grant allocation reduction procedure to use in the event of a revenue shortfall. Section 13(2) states,

*“If stripper well payments are insufficient to fully fund the appropriations made in... (HB10), allocations to the lowest ranking program must be reduced until the deficiency is eliminated. If the deficiency is in excess of the appropriation to the lowest ranking program, the next lowest ranking program must have its appropriation reduced until the deficiency is eliminated and so forth as the programs are prioritized. These priorities must be applied to one-half of the total amount appropriated in...(HB10) for fiscal year 2000 and to the remaining appropriation for fiscal year 2001.”*

Based on the projected revenue shortfall, the HB 12 priority use of oil overcharge funds, and the HB 10 grant allocation reduction process just described, all projects authorized in HB 10 could be fully funded in fiscal year 2000 and only the first priority project funded in fiscal year 2001.

## Project Descriptions

Following is a description of each of the projects recommended to receive funding in HB 10.

### 1) Low Income Energy Assistance - \$300,000

Oil overcharge funds in the amount of \$150,000 are appropriated each year of the biennium to the Department of Public Health and Human Services (DPHHS). These funds will be granted to *Energy Share of Montana*, a non-profit organization that provides assistance to low-income families in addressing home heating emergencies. *Energy Share* proposes to combine the oil overcharge monies with private funds and universal system benefit (USB) contributions to be spent on households at or below 150% of poverty. Households are eligible for these funds only if they are not eligible for federal low-income energy assistance or have not received federal low-income energy assistance in the current program year. None of the oil overcharge funds appropriated for energy assistance are to be used to fund administrative costs.

HB 10 includes a provision whereas, if during either year of the biennium the combination of oil overcharge funds and USB contributions designated for *Energy Share* exceed a total of \$400,000 for the fiscal year, the excess shall be subtracted from the oil overcharge appropriation and added to the appropriation for low-income home weatherization (see below).

The 1997 legislature appropriated \$180,000 in oil overcharge funds to be used by *Energy Share* for the 1999 biennium.

### 2) Low-Income Home Weatherization - \$500,000

The legislature’s second priority for expending oil overcharge funds is a \$500,000 appropriation to DPHHS for the Weatherization Assistance Program. This program is designed to help low-income households reduce home heating costs and conserve natural resources through increased energy efficiency measures such as water heater, attic, wall and floor insulation; heating system repair or replacement; blockage of air infiltration; and installation of storm windows. Homes are prioritized based on energy consumption, with preference given to households with handicapped or elderly members.

Based on the contingency language mentioned above, oil overcharge funds appropriated under priority 1 (*Energy Share*) could be added to the \$500,000 recommended here. However, HB 10 also includes language that limits the total biennial amount for this appropriation (priority 2) to \$695,000.

HB 10 provides two separate appropriations (priorities 2 and 6) for a total of \$700,000 for the 2001 biennium. The 1997 legislature appropriated a total of \$525,000 in oil overcharge funds for low-income home weatherization projects.

3) Affordable, Efficient Housing Plan Book – \$40,000

DEQ is granted \$40,000 in oil overcharge funds for the purpose of assisting in the preparation, production, and distribution of a plan book containing affordable, energy-efficient house designs. The book will be developed in cooperation with the Montana Building Industries Association, the Montana Department of Commerce, local building code officials, and other entities.

4) Food Bank Network Transportation - \$15,000

A \$15,000 appropriation is made to DPHHS to assist the Montana food bank network with a coordinated energy-efficient transportation system for the delivery of commodities to local food banks statewide.

The 1997 legislature appropriated \$5,000 in oil overcharge funds for food bank network transportation.

5) Transportation to Nutrition Sites -- \$11,000

The 56<sup>th</sup> Legislature amended HB 10 to include an \$11,000 appropriation to the Department of Public Health and Human Services for grants to the area agencies on aging to provide transportation for seniors to nutrition sites. The area agencies on aging must apply to the Department of Public Health and Human Services for these grants.

6) Low-Income Home Weatherization - \$200,000

The executive includes an additional appropriation to DPHHS of \$200,000 in oil overcharge funds for the Weatherization Assistance Program described under priority 2 above.

7) Advanced Transportation Technologies Consortium - \$50,000

HB 10 appropriates \$50,000 to DEQ to provide a grant to the National Center for Appropriate Technology (the Center) to initiate the formation of a Montana “advanced transportation technologies consortium” focusing on vehicles traditionally powered by two-stroke engines. According to their request for funding, the Center will integrate its transportation technology development services with other regional and national programs to provide business assistance and regional industrial growth for the clean transportation technologies fostered by the consortium.