

FISCAL NOTE
Requested by Legislative Council
02/22/2013

Revised
Amendment to: HB 1234

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2011-2013 Biennium		2013-2015 Biennium		2015-2017 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				\$(42,900,000)		
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2011-2013 Biennium	2013-2015 Biennium	2015-2017 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

Engrossed HB 1234 reduces the oil extraction tax rate on new production on a graduated basis if specified production levels are met. The bill also expands the definition of stripper wells, and eliminates stripper properties in the Bakken and Three Forks formations.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

Section 4 of engrossed HB 1234 reduces the oil extraction tax rate on new production from 6.5% to 5.0% in increments as certain specified production targets are met. According to the official revenue forecast, the oil production level in the 2013-15 biennium would be sufficient to meet the first incremental rate reduction -- from 6.5% to 6%. Section 3 of engrossed HB 1234 expands the definition of stripper well for wells drilled in the Bakken and Three Forks formation to 50 barrels of oil produced each day. It also closes the stripper property loophole for wells drilled in the Bakken and Three Forks formations. Section 5 of engrossed HB 1234 creates a new category of re-worked stripper wells and authorizes special tax treatment.

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*

If enacted, engrossed HB 1234 is expected to result in a reduction in the oil extraction tax rate for new production in the biennium of one-half of one percent, from 6.5% to 6.0%. This is expected to reduce oil extraction tax revenues by an estimated \$100.4 million in the 2013-15 biennium. The expansion of the stripper exemption to 50 BOPD for qualifying wells within the Bakken and Three Forks formations is expected to reduce oil extraction tax revenues by an estimated \$26.7 million in the 2013-15 biennium. The stripper property "fix" is expected to increase revenues by an estimated \$84.2 million in the 2013-15 biennium. The re-worked stripper provisions contained in Section 5 may have a slight positive impact, but it cannot be estimated because the number of wells in stripper properties and might be re-worked is unknown. Except for the provisions contained in Section 5, engrossed HB 1234, if enacted, is expected to reduce oil extraction tax revenues by an estimated \$42.9 million in the 2013-15 biennium. The funds affected by this revenue reduction include Legacy, Resources Trust, Foundation Aid Stabilization, Common Schools

Trust, and Strategic Investment and Improvements Funds. (Note: The 2/26/2013 version of this fiscal note did not include the positive revenue associated with the "stripper fix".)

- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*

- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation is also included in the executive budget or relates to a continuing appropriation.*

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