

FISCAL NOTE
Requested by Legislative Council
01/15/2013

Bill/Resolution No.: 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				\$(156,000,000)		
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).*

HB 1234 reduces the oil extraction tax rate on a graduated basis if specified production levels are met. The bill also removes an exemption for higher producing wells in stripper properties within the Bakken and Three Forks formation.

- 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 2 of HB 1234 reduces the oil extraction tax rate from 6.5% to 4.0% 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 HB 1234 removes the automatic exemption for high producing wells drilled in stripper properties and requires these wells to individually produce at stripper levels before receiving the oil extraction tax exemption. This automatic exemption is removed for wells drilled in the Bakken and Three Forks formation.

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, HB 1234 is expected to result in a reduction in the oil extraction tax rate of one-half of one percent, from 6.5% to 6.0%. This is expected to reduce oil extraction tax revenues by an estimated \$240 million in the 2013-15 biennium. The closing of the stripper loophole for Bakken and Three Forks formation stripper properties is expected to increase oil extraction tax revenues by an estimated \$84 million in the 2013-15 biennium. Therefore, HB 1234, if enacted, is expected to reduce oil extraction tax revenues by an estimated \$156 million in the 2013-15 biennium. The funds affected include Legacy, Resources Trust, Foundation Aid Stabilization, Common Schools Trust, and Strategic Investment and Improvements Funds.

- 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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