FISCAL NOTE

Requested by Legislative Council
04/01/2005

Amendment to: HB 1530

1A. **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.*

	2003-2005 Biennium		**2005-2007 Biennium**		**2007-2009 Biennium**	
	General Fund	**Other Funds**	**General Fund**	**Other Funds**	**General Fund**	**Other Funds**
Revenues				$710,000		
Expenditures						
Appropriations						

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

2003-2005 Biennium			**2005-2007 Biennium**			**2007-2009 Biennium**		
Counties	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**	**Counties**	**Cities**	**School Districts**

2. **Narrative:** *Identify the aspects of the measure which cause fiscal impact and include any comments relevant to your analysis.*

Engrossed HB 1530 reduces the oil extraction tax rate from 6.5% to 5% for FY 06 and 4% for FY 07 and subsequent years. The bill also grants a 100,000 barrel exemption from the 6.5% oil extraction tax for new wildcat wells.

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.*

The rate reduction provisons in Section 2 of Eng. HB 1530 will reduce permanent oil tax trust fund and resources trust fund revenues by an estimated $2.55 million in FY 06. Because the March forecast assumes current law incentives re-trigger in FY 07, the 4% rate is assumed to have no negative fiscal impact. (Note: if the current law incentives do not trigger back on because prices remain high, the second year rate reduction impact would be -$9.44 million with an oil price of $37).

Section 2 also delays the re-triggering of the current law holiday by three months for new wells. Because the March forecast assumes the current law incentives re-trigger in FY 07, this one-quarter delay is expected to increase oil revenues an estimated $2.52 million.

Section 3 limits the current law holiday to the first 110,000 barrels of production. Because the March forecast assumes the re-triggering of these current law holidays, this provision is expected to increase oil revenues an estimated $1.02 million by disallowing a portion of the current-law holiday for high producing wells.

If the March forecast is incorrect, and the current law incentives do not re-trigger, these positive impacts will not occur.

Section 4 grants a 100,000 barrel exemption for new wildcat wells. This provision is expected to decrease oil revenues by an estimated $280,000 in FY 06.

Only those estimates that are consistent with the March forecast are included in the "revenue boxes" above.

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, of the effect on the biennial appropriation for each agency and fund affected and any amounts included in the executive budget. Indicate the relationship between the amounts shown for expenditures and appropriations.*

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