FISCAL NOTE

Requested by Legislative Council
02/09/2007

Amendment to: SB 2397

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.*

	2005-2007 Biennium		2007-2009 Biennium		2009-2011 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues				($3,240,000)		
Expenditures						
Appropriations						

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

2005-2007 Biennium			2007-2009 Biennium			2009-2011 Biennium		
Counties	Cities	School Districts	Counties	Cities	School Districts	Counties	Cities	School Districts

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

Eng. SB 2397 reduces the oil extraction tax on wells drilled after July 1, 2008.

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.*

Eng. SB 2397 reduces the oil extraction tax rate from 6.5% to 4% on all new wells drilled in FY 2009 and beyond. Under current law, if oil prices fall below the "trigger price" for 5 consecutive months, the statutory oil extraction tax exemptions and rate reductions will trigger back on. If incentives trigger back on, all wells drilled since 1987 will receive the statutory exemptions and rate reductions. The provisions of Eng. SB 2397 would subject those wells drilled after July 1, 2008 to a 2% oil extraction tax rate during any remaining portion of the 24-month (or 15-month) holiday period. This could potentially be "revenue-positive" to the state, but is not assumed to occur during the 2007-09 biennium. The forecast assumes oil prices remain above the "trigger price" for the biennium.

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.*

Eng. SB 2397 is expected to reduce total oil extraction tax revenues by an estimated $3.24 million in fiscal year 2009. The revenue loss would be distributed as follows: 60% from the permanent oil tax trust fund, 20% from the resources trust fund, and 20% according to Article X of the Constitution.

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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