

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 247
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB 247(HFIN) Fund Cap 4-8-16
Title: TAX;CREDITS;INTEREST;REFUNDS;O & G
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: House

Department: Fund Capitalization
Appropriation: Fund Capitalization (no approps out)
Allocation: Oil and Gas Tax Credit Fund
OMB Component Number: 2894

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2017 | Included in | Out-Year Cost Estimates | | | | |
|-------------------------------|-------------------------|---------------------------|-------------------------|------------|------------|------------|------------|
| | Appropriation Requested | Governor's FY2017 Request | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
| OPERATING EXPENDITURES | FY 2017 | FY 2017 | | | | | |
| Personal Services | | | | | | | |
| Travel | | | | | | | |
| Services | | | | | | | |
| Commodities | | | | | | | |
| Capital Outlay | | | | | | | |
| Grants & Benefits | 800,000.0 | 73,425.0 | | | | | |
| Miscellaneous | | | | | | | |
| Total Operating | 800,000.0 | 73,425.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Fund Source (Operating Only)

| | | | | | | | |
|---------------|------------------|-----------------|------------|------------|------------|------------|------------|
| 1001 CBR Fund | 800,000.0 | 73,425.0 | | | | | |
| Total | 800,000.0 | 73,425.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

| | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|
| Change in Revenues | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/17

Why this fiscal note differs from previous version:

This revised fiscal note appropriates \$800,000.0 from the Constitutional Budget Reserve to the Oil & Gas Tax Credit Fund. This appropriation requires a supermajority vote in each body.

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House Finance Committee Date: 04/08/2016
Representative Thompson
House Finance Committee

Fiscal Detail of CSHB247(FIN)\F (Revenue and Budget Impacts)

Provisions in CSHB 247(FIN) \ F and their Estimated Fiscal Impact as compared to Spring 2016 Forecast (\$millions) - FORECAST PRICE¹

Note regarding this table: this table attempts to value the impact of each of the items independently, except where noted. In some cases, the total value of several impacts will not equal the sum of the

| Brief Description of Provision - Includes only provisions anticipated to have a direct fiscal im | FY 2017 | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|--|-------------------|--------------------|--------------------|--------------------|--------------------|
| 1. The rate for net operating loss credits for Cook Inlet is changed to 10% for companies with a previous credit and zero for other companies. | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 2. The rate for QCE credits for Cook Inlet is changed to 10%; the rate for well lease exp credits for Cook Inlet is changed to 30% on 1/1/17 and then 20% on 1/1/18 | \$0 | \$0 | \$0 | \$0 | \$0 | \$10-\$20 |
| 3. The tax limitation for Cook Inlet oil is repealed effective 1/1/17. | \$0-\$10 | \$0-\$10 | \$0-\$10 | \$5-\$15 | \$10-\$20 | \$15-\$25 |
| 4. For North Slope, certain tax credits cannot reduce liability below 2% of GVPP effective 1/1/17. | \$10-\$20 | \$70-\$100 | \$70-\$100 | \$70-\$100 | \$100-\$150 | \$100-\$150 |
| 5. The interest rate on delinquent taxes is changed to 5% above the Fed Res Discount rate, compounded | Indeterminate | | | | | |
| 6. The GVR cannot be used to create or increase a net operating loss | \$0 | \$0 | \$0 | \$0 | \$0 | \$5-\$15 |
| 7. GVR-eligible production qualifies for the GVR for a period of 5 years or until 1/1/21. | \$0 | \$0 | \$0 | \$0 | \$0-\$10 | \$30-\$50 |
| 8. A tax exempt entity may earn credits applicable to only those lease expenditures subject to tax | Indeterminate | | | | | |
| Total Revenue Impact | \$10-\$30 | \$70-\$110 | \$70-\$110 | \$75-\$115 | \$110-\$180 | \$160-\$260 |
| Budget impact of change in net operating loss credits for Cook Inlet (provision 1 above) | \$0 | \$0-\$10 | \$10-\$20 | \$10-\$20 | \$10-\$20 | \$10-\$20 |
| Budget impact of change in QCE/WLE credits for Cook Inlet (provision 2 above) | \$0 | \$15-\$25 | \$15-\$25 | \$15-\$25 | \$45-\$60 | \$45-\$60 |
| Budget impact of not allowing certain credits to reduce North Slope below 2% of GVPP (provision 4 above) | \$0 | \$0 | \$0 | \$0 | \$0-\$10 | \$0-\$10 |
| Budget impact of limiting refunds to \$100 million per company/per project per year (only shifts timing of refunds) | Confidential due to limited use - net neutral as impact shifted to later years | | | | | |
| The GVR cannot be used to create or increase a net operating loss (provision 6 above) | 0 | \$10-\$20 | \$20-\$30 | \$15-\$25 | \$5-\$15 | \$0-\$10 |
| Budget impact of exploration credit extension for well spudded by 7/1/16 | (\$5)-\$0 | (\$5)-\$0 | \$0 | \$0 | \$0 | \$0 |
| Budget impact of GVR applying to fields for a period of 5 years (provision 7 above) | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| Total Budget Impact | (\$5)-\$0 | \$20-\$55 | \$45-\$75 | \$40-\$70 | \$60-\$105 | \$55-\$100 |
| Total Fiscal Impact - does not include revenue impacts from potential changes in investment² | \$5-\$30 | \$90-\$165 | \$115-\$185 | \$115-\$185 | \$170-\$285 | \$215-\$360 |
| Non-refundable carry-forward credits balance at fiscal year end - current law ³ | \$618 | \$751 | \$732 | \$585 | \$265 | \$136 |
| Non-refundable carry-forward credits balance at fiscal year end - proposed ³ | \$676 | \$941 | \$1,065 | \$1,055 | \$957 | \$923 |
| Change in year-end balance due to bill | \$58 | \$190 | \$333 | \$470 | \$692 | \$787 |

¹The impacts listed are based on production and prices as forecasted in DOR's Spring 2016 revenue forecast. The forecasted oil prices are between \$38.89 and \$61.64. All data here are estimates; all figures have been rounded to reflect the uncertainty in the estimates.

²NOTE: "Total Fiscal Impact" includes best estimates of both revenue and operating budget impacts.

NOTE: The fiscal impact of this bill is an estimate based on the Spring 2016 revenue forecast. Estimates shown here are draft / preliminary based on our interpretation of possible changes. We reserve the right to make modifications to estimates for any forthcoming fiscal notes.