Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version: HB 247
Fiscal Note Number:
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Identifier: HB247-DOR-OGTCF-1-27-16
Title: TAX;CREDITS;INTEREST;REFUNDS;O & G
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: Governor

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 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	**FY 2017**	**FY 2017**	**FY 2018**	**FY 2019**	**FY 2020**	**FY 2021**	**FY 2022**
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits	926,575.0	73,425.0	(325,000.0)	(200,000.0)	(200,000.0)	(200,000.0)	(200,000.0)
Miscellaneous							
Total Operating	**926,575.0**	**73,425.0**	**(325,000.0)**	**(200,000.0)**	**(200,000.0)**	**(200,000.0)**	**(200,000.0)**

Fund Source (Operating Only)

1004 Gen Fund	926,575.0	73,425.0	(325,000.0)	(200,000.0)	(200,000.0)	(200,000.0)	(200,000.0)
Total	**926,575.0**	**73,425.0**	**(325,000.0)**	**(200,000.0)**	**(200,000.0)**	**(200,000.0)**	**(200,000.0)**

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If yes, by what date are the regulations to be adopted, amended or repealed? 01/01/17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:

Initial version showing funding to Oil and Gas Tax Cedit Fund. This will be reflected in the Governor's amended appropriation bill

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Date: 02/01/2016 01:00 PM
Approved By: Jerry Burnett, Deputy Commissioner
Date: 02/01/16
Agency: Department of Revenue

FISCAL NOTE ANALYSIS

STATE OF ALASKA **BILL NO.** HB 247
2016 LEGISLATIVE SESSION

Analysis

The legislation would make substantial changes to Alaska's oil and gas tax credit system. The net effect would be to reduce the expected future expenditures to approximately $50-$100 million per year.

Most provisions of the bill will take effect on July 1, 2016. The intent of the fund transfer described in this fiscal note is to provide adequate funds to repurchase all tax credit certificates that are earned in advance of the effective date. It is also to provide initial capitalization of the new oil and gas infrastructure development fund which is being created via separate legislation.

The fund transfer appropriation, which is identified in the capital appropriation section on the face of the fiscal note, which will be funded via the Constitutional Budget Reserve Fund (art. IX, sec. 17, Constitution of the State of Alaska), shall be distributed as follows:

Oil and Gas Tax Credit Fund (AS 43.55.028)	$926,575.0
AIDEA Oil and Gas Infrastructure Development Fund	$200,000.0
Total	$1,126,575.0

Sec. 21(q) of the proposed Operating Budget, SB139 / HB256, includes an appropriation to the oil and gas tax credit fund of $73,425.0. This is the amount required by statute, according to AS 43.55.028(c), and is the amount expected to be made available in the absence of credit reform legislation.

The $926,575.0 appropriation to the Tax Credit Fund is the amount necessary, when added to the amount in the Operating Budget to equal $1 billion in transition funds. This appropriation shall be contingent on passage of a version of this bill. Additionally, the appropriation to the AIDEA fund shall be contingent on the passage of both this bill and the bill creating the new AIDEA fund, SB129 or HB246.

The demand for a $1 billion transition fund is based on our estimate of the state's expected liability to repurchase tax credit certificates earned through the effective date. This is estimated as follows:

FY16- DOR estimates a total demand for the current fiscal year of $700 million. The appropriation to the Tax Credit Fund was capped at $500 million due to a line item veto of the FY16 operating budget (sec. 8(b), ch1, SSSLA15). Based on this limitation, approximately $200 million in additional credit liability is expected to be outstanding at the end of the fiscal year.

FY17- DOR estimates total demand for FY17 of $425 million. The bulk of these credits will be based on actual industry expenditures made during calendar year 2015, which will be applied for after the annual Production Tax returns are filed on approximately March 31, 2016. Under current law, most of those credit certificates would be issued in July of 2016 and refunded early in FY17.

FY18- DOR estimates total demand for FY18 of $375 million. This estimate is largely based upon known and planned company activity for calendar year 2016, with the same time delay and process as described for FY17, above. A portion of that demand, representing activity through the July 1, 2016, will also be paid via the transition fund. The preliminary estimate for this is $200 million.

The sum total of the credit demand for these three fiscal years is $825 million ($825,000.0). Because of potential uncertainty over the timing of the transition, as well as out of a desire to provide better certainty to the lenders who have historically depended on the credit fund for repayment, the recommended total transition funding is $1 billion