Revised 5-17-16 by Department of Revenue

Preliminary SCS HB247(FIN)

Provisions in preliminary SCS HB247(FIN) and their Estimated Fiscal Impact as compared to Spring 2016 Forecast ($millions) - FORECAST PRICE[1]

Note: 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 individual impact values.

Brief Description of Provision - Includes only provisions anticipated to have a direct fiscal impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
1. The QCE credits for Cook Inlet and Middle Earth are reduced to 10% on 1/1/17 then eliminated 1/1/18; the well lease exp credits for Cook Inlet and Middle Earth are reduced to 20% on 1/1/17, then eliminated 1/1/18; the NOL credits for Cook Inlet and Middle Earth are reduced to 15% on 1/1/17 then eliminated 1/1/18.	$0	$0-$5	$10-$15	$10-$15	$10-$15	$30-$40	$30-$40	$30-$40	$30-$40
2. Cook Inlet tax caps and sunset replaced with per-unit tax of 17.5 cents / mcf for gas and $1.05 / bbl for oil effective 1/1/17, with no offsetting credits after 1/1/18. Gas used in state (GUIS) receives the 17.5 cents rate. (represents additional revenue to provision #1).	$0	$0-$10	$0-$10	$0-$10	$0-$10	($75)-($50)	($150)-($100)	($150)-($100)	($150)-($100)
3. The GVR cannot be used to create or increase a net operating loss	$0	$0	$0	$0	$0	$5-$15	$5-$15	$5-$15	$0
4. GVR-eligible production qualifies for the GVR for a period of 7 years; benefit ends early if average ANS price exceeds $70 for any 3 years of production.	$0	$0	$0	$0	$0	$0	$0-$10	$10-$20	$10-$20
5. The interest rate on delinquent taxes is changed to 7% above the Fed Res Discount rate, compounded quarterly for the first three years, then to zero interest thereafter.					Indeterminate				
6. A tax exempt entity may earn credits applicable to only those lease expenditures subject to tax					Indeterminate				
Total Revenue Impact	**$0**	**$0 to $15**	**$10 to $25**	**$10 to $25**	**$10 to $25**	**($40) to $5**	**($115) to ($35)**	**($105) to ($25)**	**($110) to ($40)**
A. Budget impact of changes to Cook Inlet credits (provision 1 above)	$5-$15	$25-$45	$40-$60	$40-$60	$75-$100	$75-$100	$75-$100	$75-$100	$75-$100
B. Budget impact of changes to tax caps for Cook Inlet (provision 2 above)	$0	$0	$0	$0	$0	$0	$0	$0	$0
C. Effective 1/1/17, limit refunded credits to $70 million per year. First $35 million per company are purchased at full value; next $35 million may be purchased at 75% of value at company option. *(Fiscal impacts assume all companies receive maximum refunds each year)*	$0	$0-$10	$10-$30	$10-$30	($10)-$0	$0	$0	$0	$0
D. The refinery credit under AS 43.20 is reduced to 20% of eligible expenditures on 1/1/17 then eliminated on 1/1/18.	$0	$0	$0-$10	$10-$20	$15-$25	$5-$15	$0	$0	$0
E. The GVR cannot be used to create or increase a net operating loss (provision 3 above)	$0	$10-$20	$20-$30	$15-$25	$5-$15	$0-$10	$0-$10	$0-$10	$0-$10
F. Budget impact of GVR applying to fields for a period of 7 years or less (provision 4 above)	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Budget Impact[2]	**$5-$15**	**$35-$75**	**$70-$130**	**$75-$135**	**$85-$140**	**$80-$125**	**$75-$110**	**$75-$110**	**$75-$110**
Total Fiscal Impact - does not include revenue impacts from potential changes in investment[3]	**$5-$15**	**$35-$90**	**$80-$155**	**$85-$160**	**$95-$165**	**$40-$130**	**($40)-$75**	**($30)-$85**	**($35)-$70**

	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
Non-refundable carry-forward credits balance at fiscal year end - current law[4]	$618	$751	$732	$585	$265	$136	$59	$0	$0
Non-refundable carry-forward credits balance at fiscal year end - proposed[4]	$610	$720	$695	$525	$245	$130	$50	$0	$0
Change in year-end balance due to bill	**-$8**	**-$31**	**-$37**	**-$60**	**-$20**	**-$6**	**-$9**	**$0**	**$0**

[1]The 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.

[1]This proposal stipulates that credits can only be earned for expenditures to carry out a DNR approved Plan of Development; our analysis assumes that all expenditures in forecast would qualify.

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

[4]These rows include estimates of carried-forward credits for previous calendar years, plus estimates of credits that will be earned on activity through June 30 of the fiscal year.

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.