

## OIL AND GAS GROSS PRODUCTION TAX ALLOCATIONS TO POLITICAL SUBDIVISIONS - 2005-07 AND 2007-09 BIENNIUM PROJECTIONS

The following schedule presents the February 2007 legislative revenue forecast allocation of oil and gas gross production tax collections to political subdivisions for the 2005-07 and 2007-09 bienniums and 2007 legislative action affecting these allocations:

	2005-07	2007-09	Increase (Decrease)	Percentage Change
February 2007 legislative forecast	\$55,785,763	\$45,717,861	(\$10,067,902)	(18.0%)
2007 legislative action	0	7,900,000	7,900,000	N/A
Final legislative estimate	\$55,785,763	\$53,617,861	(\$2,167,902)	(3.9%)

The reduction in the tax allocations to political subdivisions for the 2007-09 biennium compared to the 2005-07 biennium is primarily the result of a reduction in the forecasted price of oil for the 2007-09 biennium compared to the 2005-07 biennium. The following schedule lists the major forecast assumptions included in the forecast for each biennium:

	2005-07	2007-09	Increase (Decrease)	Percentage Change
<b>Average oil prices</b>				
FY 2006 actual	\$57.42			
FY 2007 estimate	55.26			
FY 2008 estimate		\$44.37		
FY 2009 estimate		36.98		
Biennial average	\$56.34	\$40.68	(\$15.66)	(27.8%)
<b>Total oil production (in barrels)</b>				
FY 2006 actual	37,800,000			
FY 2007 estimate	41,669,000			
FY 2008 estimate		42,218,000		
FY 2009 estimate		43,313,000		
Biennial total	79,469,000	85,531,000	6,062,000	7.6%

The 2007 Legislative Assembly approved the following two bills which will increase the political subdivisions' share of oil and gas gross production tax collections during the 2007-09 biennium:

House Bill No. 1044 - Increases the county share of the first \$1 million of revenue from oil production in each county from 75 percent to 100 percent, the second \$1 million from 50 percent to 75 percent, the third \$1 million from 25 percent to 50 percent, and any revenue over \$3 million, up to county maximums, is allocated 25 percent to the county and 75 percent to the state. This bill is estimated to increase the allocations to political subdivisions by \$5.9 million for fiscal year 2009.

Senate Bill No. 2178 - Increases the maximum amount a county may receive in oil and gas gross production tax allocations by \$1 million each year. This bill is estimated to increase the allocation to political subdivisions by \$2 million for the 2007-09 biennium.

In addition to the revenues that are estimated to be allocated to political subdivisions due to the provisions of these bills, if oil prices exceed the forecasted price of oil by an average of \$20 per barrel during the 2007-09 biennium, political subdivisions may receive up to an additional \$13 million of oil and tax revenue allocations during the 2007-09 biennium. This amount may be less depending on the timing of certain counties reaching their statutory allocation limit.

As a result of provisions of the bills referred to above and if oil prices continue to exceed projections, political subdivisions' oil and gas gross production tax allocations could total approximately \$66 million from the 2007-09 biennium, an increase of \$10.2 million compared to the 2005-07 estimate of \$55.8 million, and \$13.1 million more than the actual 2005-07 biennium allocations of \$52.9 million.