

BILL SUMMARY
1st Session of the 54th Legislature

Bill No.:	HB 1769
Version:	CS
Request Number:	7446
Author:	Rep. Russ
Date:	3/11/13
Impact:	Effective July 1, 2015:
	Modifies Disposition of Gross Production Revenue Under Certain Conditions – Amounts Dependent on Annual Calculations and Actual Revenue

Research Analysis

The Committee Substitute for HB1769 creates the Energy Revenue Stabilization Fund (Fund) to allow excess gross production tax revenue to be reserved and invested by the State Treasurer. Excess revenue is considered the amount of revenue which exceeds the moving five year average amount determined by the Oklahoma Tax Commission (OTC). OTC is required to determine the 5 year average amounts for both oil and natural gas and report the values to the Governor, Pro Tempore and Speaker each year. The moving five-year average for oil and natural gas is defined as the total amount of gross production tax on oil and natural gas collected for each of the five (5) complete fiscal years prior to the beginning of the fiscal year for which the five-year average is being computed divided by the whole number five (5).

The Fund would be subject to appropriation from the Legislature if the amount of gross production tax revenues apportioned to the General Revenue Fund is less than 5% compared to the preceding fiscal year.

Prepared By: Quyen Do

Fiscal Analysis

The measure establishes, effective July 1, 2015, an Energy Revenue Stabilization Fund (“Fund”) the purpose of which is to provide for the deposit of gross production tax revenue collected in excess of an amount over the five (5) year simple moving average of collections to the General Revenue Fund (GRF). The moving average calculation is to be made separately for revenue from oil and from natural gas.

The amount of the five year simple moving average is to be the maximum amount to accrue to the GRF each fiscal year. Monies accruing to the Energy Revenue Stabilization Fund will be subject to legislative appropriation based upon a decline of at least five percent (5.0%) in the amount of gross production revenues apportioned to the General Revenue Fund for the preceding fiscal year.

The Tax Commission is directed, beginning in 2015, to annually report the calculation of the three-year average amount for both oil and gas.

Amounts deposited into the Fund will depend on the establishment of the five year simple moving average each February and the actual gross production tax collections to the GRF. Similarly, the amount of investment earnings accruing to the Fund will depend on the Fund balance and the rate of return realized by the investment of such funds.

Prepared By: Mark Tygret

Other Considerations

Establishment of the annual five year moving average amount and the ability to deposit excess collections to the Fund are expected to provide a structure that may smooth the volatility inherent to gross production tax revenue.

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