

# APRIL 2006 Newsletter



## 2006 Legislative Update

John Harris - Speaker of the House Representing District 12

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### Message from John

*Two major issues are in front of the Legislature at this time. The first is completion of the operating budget as proposed by the Governor. The Governor's recommendation was to add approximately \$450 million to this year's operating budget. The House Finance Committee reduced his request by \$121 million. Health services, public safety and transportation were appropriately funded in the House request. We also increased education funding by \$90 million. We are still discussing within the House Majority caucus additional educational increases. This should be determined within the next month. The operating budget goes to the floor this week and then it will be the Senate's turn to adopt their budget recommendations.*

*The other issue that is taking up a large portion of our time is the petroleum production tax. After nearly a month of daily meetings on HB 488, the Petroleum Production Tax, the House Resources Committee passed a committee substitute. Here are some of the major changes that the Resources Committee made to the legislation:*

*1. Progressivity. In addition to the 20% net profits tax, a progressive scale on oil was included that is triggered when a barrel of oil reaches a price of \$50 a barrel on the West Texas Intermediate (WTI) price scale. After \$50 a barrel there is an additional tax set at three-tenths of a percent per one-dollar increase until the price reaches \$110 per barrel. An amendment was adopted that would*

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Speaker Harris with Staff at Mid-Session and All Still Smiling



*give the government 50% of net profits after the price per barrel exceeds \$110. A separate progressive scale was crafted for gas because the market forces affecting gas are widely divergent from oil. The formula is essentially equivalent on a gas market scale to the oil formula.*

*2. Transitional Deductions. The committee deleted the provision that would have allowed companies to recoup, as deductions, the cost of capital expenditures made during the last five years.*

***"It's an honor to my serve my constituents"***

**3. Effective Date.** *The effective date of the new tax was moved from July 1st to April 1st ensuring that the State will recapture a portion of the currently high net profits that are not being captured under the existing severance tax.*

**4. Hazardous Materials Surcharge.** *The existing structure of the five-cent surcharge levied per barrel on oil was changed to ensure that it would not be allowed as a credit against the net tax. The existing surcharge is designed so that three-cents per barrel goes into the Prevention Account and helps fund ongoing oil spill prevention and clean-up activities. The two-cent levy created the Response Account (to respond to catastrophic oil spills) and was deactivated when the account reached \$50 million. This structure was amended so that a four-cents per barrel will go to fund the active Prevention Account and one-cent per barrel will be available to renew the Response Account should it be drawn below \$50 million.*



Copper Valley Electric Board of Directors with Speaker Harris

**5. \$73 Million Allowance.** *The provision that gave companies an ongoing, flat yearly \$73 million tax allowance was eliminated. Instead, the committee implemented an annual non-tradable tax credit, dollar for dollar, for the first \$12 million of expenditures.*

**6. No Credit for Abandonment Costs.**

*HB 488 will be heard by the House Finance Committee these final weeks of session. I hope you will participate in the public testimony portion of those hearings.*



Speaker Harris and Dan Beck  
Superintendent of Delta School District



Speaker Harris with Director General Robert C.M. Chen and Daniel Chen Assistant to the Director General