June 21, 2012
Initiative 12-0014

The Attorney General of California has prepared the following title and summary of the chief purpose and points of the proposed measure:

TAX ON CALIFORNIA OIL AND NATURAL GAS. REVENUES TO CALIFORNIA TAXPAYERS. INITIATIVE STATUTE. Imposes 25% tax on value of oil and natural gas extracted in California. Distributes $380 annually to California taxpayers earning $95,000 or less. Distributes additional $50 to California residents over 65 who are U.S. citizens and registered to vote. Specifies record-keeping, monitoring, and reporting requirements for hydraulic fracturing, an extraction technique involving pressurized injection of water and chemicals underground. Increases criminal and civil penalties for violations of laws governing oil and gas well operations, inspections, and reports. Prohibits passing tax on to consumers through higher fuel prices. Summary of estimate by Legislative Analyst and Director of Finance of fiscal impact on state and local government: **Annual state revenue of $3 billion to $7 billion (depending on oil prices) from new severance tax to fund approximately $5 billion of payments to individuals. The measure does not specify what would happen if available severance tax funds are insufficient to make the required payments. Decreased collections of various other state and local revenues totaling tens of millions or a few hundred million dollars per year due to financial changes related to the severance tax. This potentially could be offset by increases in some other revenues. Increased state administrative costs of several million dollars annually to administer this measure. These costs would be paid from the revenues of the oil severance tax and the increased fines in this measure.** (12-0014.)