

## 26. IMPACT OF INCREASING CRUDE OIL REVENUES

The Executive Officer reported on the impact of increasing California's crude oil revenues. He stated that posted prices in California oil fields were essentially the same from 1959 until mid-1973. Coincidentally with the public recognition of an energy crisis, a part of which is the current crude oil situation, the price of crude oil began its now drastic increase in early fall of 1973.

The Executive Officer stated that the State now has a two-tiered pricing system -- one price for non-exempt oil and a second substantially higher price schedule for exempt oil. The price of crude oil exempt from the ceiling (the price charged by the State) went from the \$3.21 August price to \$7.45 in early January of this year. Today the posted price for exempt oil is over \$9.00 per barrel in some cases.

The Executive Officer stated that the reason for the difference between these two estimated revenue increases is that the State does not know where this pricing system is going or how long it will last. He stated that Congress appears about ready to pass legislation rolling back the exempt price. The Division had indications that the Federal Energy Office is again evaluating State and local governments' exemption status.

Because the crude oil price scene is constantly changing, no firm estimates of future State oil revenues can be made. The State can be sure of an increase from \$92 million to \$115 million in fiscal year 1973-1974, and an increase from \$81 million to \$127 million in the next fiscal year; however, increases beyond that are uncertain for the reasons mentioned earlier.