

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Royalty Modification for Ooguruk Unit

Department of Revenue Submission per AS 43.05.095
(1) Description of Provision

Royalty modification for Ooguruk Unit

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.180(f)(1)(A), (2), (3), (4)(A), (5)

(4) Year Enacted

2006

(5) Sunset or Repeal Date

None

(6) Legislative Intent

To provide reduced royalty to enable Ooguruk Unit to begin production.

(7) Public Purpose

Stimulate increased production on ANS.

(8) Estimated Revenue Impact

FY 2011 - \$22,031,229

FY 2012 - \$20,722,222

FY 2013 - \$18,379,884

FY 2014 - \$22,499,833

FY 2015 - \$26,192,088

(9) Cost to Administer
(10) Number of Beneficiaries / Who Benefits

2 companies

Legislative Finance Analysis per AS 24.20.235
(1) Estimate of Annual Revenue Foregone by the State

\$26,192,088

(2) Estimate of Annual Monetary Benefit to Recipients

\$13,096,044

(3) Legislative Intent Met?

Yes

(4) Should it be Continued, Modified or Terminated?

Recommend reconsideration. This provision has a significant cost and the benefits are not clear from information provided by the department.