

# Fiscal Note

State of Alaska  
2017 Legislative Session

Bill Version: HB 238  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB238-DNR-DOG-04-28-17  
Title: REPEAL ROYALTY RELIEF: SHALE; COOK  
INLET  
Sponsor: GUTTENBERG  
Requester: House Resources

Department: Department of Natural Resources  
Appropriation: Oil & Gas  
Allocation: Oil & Gas  
OMB Component Number: 439

**Expenditures/Revenues**

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2018	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2018 Request	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
<b>OPERATING EXPENDITURES</b>	<b>FY 2018</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>	<b>FY 2023</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Fund Source (Operating Only)**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2017) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2018) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

Initial version.

Prepared By:	Chantal Walsh, Director	Phone:	(907)269-8775
Division:	Division of Oil & Gas	Date:	04/28/2017 05:00 PM
Approved By:	Andrew T. Mack, Commissioner	Date:	04/28/17
Agency:	Department of Natural Resources		

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2017 LEGISLATIVE SESSION

BILL NO. HB 238

**Analysis**

**Analysis**

This bill removes the Department of Natural Resources (DNR) Commissioner's discretion to waive payment of royalty and rental during the first five years of an oil shale lease under AS 38.05.160(b). DNR is unaware of any oil shale leases or activities ever occurring in Alaska since this statute was enacted in 1959 or planning to be conducted in the future. Accordingly, DNR does not anticipate a fiscal impact to removing the language in AS 38.05.160(b).

This legislation also repeals AS 38.05.180(f)(5). This is the 10-year royalty reduction to 5% for six specific fields in Cook Inlet that were historically shut in or undeveloped between 1988 and 1997. The last royalty relief under this provision expired in FY2012. Since this provision is no longer applicable and the last royalty relief has expired, terminating the royalty relief in 38.05.180(f)(5) will not have any fiscal impact.

Finally, this legislation repeals AS 38.05.180(f)(6) for leases that are entered after the effective date of this bill. Companies currently receiving royalty relief under this provision will continue to receive that relief. As such, DNR does not anticipate any fiscal impact by removing this provision for new leases.

For completeness, the provisions AS 31.05.030(i), 31.05.030(k), and 38.05.180(dd) also being repealed by this bill are no longer relevant once AS 38.05.180(f)(5) and (6) are repealed.