

Natural Resources

Applicable Program

Mining, Land and Water

Indirect Expenditure Name

Exploration Incentive Credits (EIC) for Mining Activities

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Provides exploration incentive credit for exploration activities.

(2) Type

Tax Credit

(3) Authorizing Statute, Regulation or Other Authority

AS 27.30.010

(4) Year Enacted

1995

(5) Sunset or Repeal Date

None

(6) Legislative Intent

For purpose of determining existence, location, extent, or quality of a locatable or leasable mineral or coal deposit.

(7) Public Purpose

For purpose of determining existence, location, extent, or quality of a locatable or leasable mineral or coal deposit.

(8) Estimated Revenue Impact

FY 2011 - \$2,517,412

FY 2012 - \$0

FY 2013 - \$0

FY 2014 - \$0

FY 2015 - \$0

(9) Cost to Administer

\$2,500 (approximate)

(10) Number of Beneficiaries / Who Benefits

One per year

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

No

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

Recommend reconsideration. The credit has not been used since FY11. The legislature may wish to revisit the credit

Natural Resources

Applicable Program
Mining, Land and Water

Indirect Expenditure Name
Exploration Incentive Credits (EIC) for Mining
Activities

Legislative Finance Analysis per AS 24.20.235

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

to ensure that it is effective in spurring mineral exploration.

Natural Resources

Applicable Program
Mining, Land and Water

Indirect Expenditure Name
Sale of Sand and Gravel Material at Less than
Fair Market Value

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Convey materials at less than fair market value for mitigation of a flooding area where excess material deposition contributes to flooding.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.872(b)

(4) Year Enacted

2012

(5) Sunset or Repeal Date

None

(6) Legislative Intent

The Act was to provide for the disposal of certain bedload materials in conjunction with a flood mitigation plan.

(7) Public Purpose

To make it easier to remove gravel/sand where excess deposits may cause the flooding.

(8) Estimated Revenue Impact

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

FY 2014 - \$0

FY 2015 - \$0

(9) Cost to Administer

None

(10) Number of Beneficiaries / Who Benefits

None to date; however, City of Seward has expressed interest

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

No, as the program has not been used.

Natural Resources

Applicable Program
Mining, Land and Water

Indirect Expenditure Name
Sale of Sand and Gravel Material at Less than
Fair Market Value

Legislative Finance Analysis per AS 24.20.235

(4) Should it be continued, modified or terminated?

Recommend continuation. While the provision has not been used, it costs nothing to administer and still could be used in the future.

Natural Resources

Applicable Program
Mining, Land and Water

Indirect Expenditure Name
Sale of Peat Material at Less than Fair Market Value

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Provides 200 cubic yards for personal use by individual for free, <30,000 c.y. for commercial use at no cost for 10 year period; >30,000 c.y. at price of 20% of representative regional price or 20% of FMV for a period of 10 years.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.555(f)

(4) Year Enacted

2012

(5) Sunset or Repeal Date

None

(6) Legislative Intent

Create incentive for development of peat as a source of heat or power.

(7) Public Purpose

Create incentive for development of peat as a source of heat or power.

(8) Estimated Revenue Impact

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

FY 2014 - \$0

FY 2015 - \$0

(9) Cost to Administer

None

(10) Number of Beneficiaries / Who Benefits

None to date

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

No, as the program has not been used.

Natural Resources

Applicable Program
Mining, Land and Water

Indirect Expenditure Name
Sale of Peat Material at Less than Fair Market Value

Legislative Finance Analysis per AS 24.20.235

(4) Should it be continued, modified or terminated?

Recommend continuation. While the provision has not been used, it costs nothing to administer and still could be used in the future.

Natural Resources

Applicable Program
Mining, Land and Water

Indirect Expenditure Name
Public and Charitable Use of Coal Deposits

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Provides lease, sale, or other disposal of state land or resources to certain entities for less than fair market value.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.810(a)

(4) Year Enacted

1959

(5) Sunset or Repeal Date

None

(6) Legislative Intent

To allow the state the ability to balance the public benefit against revenues when it is in the public's best interest to authorize certain types of projects.

(7) Public Purpose

Provide state land or coal deposits suitable for mining for less than appraised value that serve a public purpose and are in the public interest.

(8) Estimated Revenue Impact

FY 2011 - Unknown

FY 2012 - Unknown

FY 2013 - Unknown

FY 2014 - Unknown

FY 2015 - Unknown

(9) Cost to Administer

\$3,000

(10) Number of Beneficiaries / Who Benefits

7 issued in 2012; 154 are in issued status and 18 in early entry authorization.

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

Unknown

(2) Estimate of Annual Monetary Benefit to Recipients

Unknown

(3) Legislative Intent Met?

Yes

Natural Resources

Applicable Program
Mining, Land and Water

Indirect Expenditure Name
Public and Charitable Use of Coal Deposits

Legislative Finance Analysis per AS 24.20.235

(4) Should it be continued, modified or terminated?

Recommend continuation based on meeting legislative intent.

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Waived Rent and Royalty for Shale Oil

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

The Commissioner may waive payment of royalty and rental during the first five years of the lease.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.160

(4) Year Enacted

1959

(5) Sunset or Repeal Date

None

(6) Legislative Intent

Provide Commissioner with discretion in rental fees for future shale development.

(7) Public Purpose

Encourage the production of petroleum products from shale.

(8) Estimated Revenue Impact

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

FY 2014 - \$0

FY 2015 - \$0

Note: no activity has required authorization of this rental and royalty relief clause.

(9) Cost to Administer

None

(10) Number of Beneficiaries / Who Benefits

None known

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

No, as the program has not been used.

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

Recommend continuation. While the provision has not been used, it costs nothing to administer and still could be

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Waived Rent and Royalty for Shale Oil

Legislative Finance Analysis per AS 24.20.235

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

used in the future.

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Exploration Incentive Credits for Oil & Gas Activities

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

EIC may not exceed 50% of eligible costs relating to activities performed on state-owned lands and 25% of eligible costs related to activities performed on land in but not owned by the state.

(2) Type

Tax Credit

(3) Authorizing Statute, Regulation or Other Authority

AS 41.09.010

(4) Year Enacted

1994

(5) Sunset or Repeal Date

None

(6) Legislative Intent

Incentivize exploration with data available to state.

(7) Public Purpose

Encourage oil and gas exploratory work on state land.

(8) Estimated Revenue Impact

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

FY 2014 - \$0

FY 2015 - \$0

Note: This is not an active incentive credit.

(9) Cost to Administer

None

(10) Number of Beneficiaries / Who Benefits

As of 2007, none (6/30/07 was last date for qualifying work)

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

No, as the program has not been used.

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Exploration Incentive Credits for Oil & Gas
Activities

Legislative Finance Analysis per AS 24.20.235

(4) Should it be continued, modified or terminated?

No recommendation - the credit was closed in 2007 and can be removed from future reports.

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Exploration Incentive Credits for Oil & Gas Activities

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

A non-transferrable credit for the cost of drilling or seismic work performed under a limited time period established by the Commissioner of the Department of Natural Resources. Credit may be granted for up to 50% of the cost of drilling or seismic work, not to exceed 50% of the tax liability to which it is being applied.

(2) Type

Tax Credit

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.180(i)

(4) Year Enacted

1983

(5) Sunset or Repeal Date

None

(6) Legislative Intent

Incentivize exploration of state lands and make data publicly available post lease sale.

(7) Public Purpose

Encourage O&G exploratory work on state land.

(8) Estimated Revenue Impact

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

FY 2014 - \$0

FY 2015 - \$0

(9) Cost to Administer

None

(10) Number of Beneficiaries / Who Benefits

22 exploratory wells qualified; last claim was in 1994.

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

No

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Exploration Incentive Credits for Oil & Gas
Activities

Legislative Finance Analysis per AS 24.20.235

(4) Should it be continued, modified or terminated?

Recommend termination. The credit has not been claimed since 1994, and there are several other oil and gas exploration incentives in statute that appear to be more effective.

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Royalty Relief for Cook Inlet Platforms

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Royalty relief for Cook Inlet platforms.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.180(f)(6)

(4) Year Enacted

2003

(5) Sunset or Repeal Date

None

(6) Legislative Intent

Provide monetary incentive as royalty relief from oil and gas producing platforms.

(7) Public Purpose

Incentives to lessees to continue to produce from Cook Inlet platforms which were not economically viable at a 12.5% royalty rate.

(8) Estimated Revenue Impact

FY 2011 - \$12,482,905

FY 2012 - \$14,855,924

FY 2013 - \$18,114,351

FY 2014 - \$14,373,165

FY 2015 - \$6,371,535

(9) Cost to Administer

(10) Number of Beneficiaries / Who Benefits

6 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$6,371,535

(2) Estimate of Annual Monetary Benefit to Recipients

\$1,061,923

(3) Legislative Intent Met?

Yes

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

Recommend reconsideration. It is unclear how the State benefits from oil production for which it receives no royalties or taxes.

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Royalty Relief for Cook Inlet Small Discoveries

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Royalty Relief for small Cook Inlet discoveries.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 38.05.180(f)(5)

(4) Year Enacted

1998

(5) Sunset or Repeal Date

10 yrs. after restart of production

(6) Legislative Intent

Increase Cook Inlet oil and gas production from shut in wells and platforms.

(7) Public Purpose

Incentives to lessees to restart production from Cook Inlet leases that had been shut down prior to 1988.

(8) Estimated Revenue Impact

FY 2011 - \$844,851

FY 2012 - \$1,207,137

FY 2013 - Not available

FY 2014 - \$0

FY 2015 - \$0

(9) Cost to Administer

(10) Number of Beneficiaries / Who Benefits

12 companies

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

Yes

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

Recommend reconsideration. It is unclear how the State benefits from oil production for which it receives no royalties or taxes.

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.

Natural Resources

Applicable Program

Oil and Gas

Indirect Expenditure Name

Royalty Modification for Nikaitchuq Unit

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Royalty Modification for Nikaitchuq 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

2008

(5) Sunset or Repeal Date

None

(6) Legislative Intent

To allow the Commissioner royalty modification on individual leases.

(7) Public Purpose

Stimulate increased production on ANS.

(8) Estimated Revenue Impact

FY 2011 - \$0

FY 2012 - \$0

FY 2013 - \$0

FY 2014 - \$0

FY 2015 - \$0

(9) Cost to Administer

(10) Number of Beneficiaries / Who Benefits

None

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$0

(2) Estimate of Annual Monetary Benefit to Recipients

\$0

(3) Legislative Intent Met?

No, as the program has not been used.

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

Recommend continuation. While royalty relief has not yet been used, exploration in the unit is ongoing.

Natural Resources

Applicable Program
Parks and Outdoor Recreation

Indirect Expenditure Name
Disabled Veterans Camping Pass

Department of Revenue Submission per AS 43.05.095

(1) Description of Provision

Free camping pass to disabled veterans of this country for use in the state park campgrounds.

(2) Type

Discount

(3) Authorizing Statute, Regulation or Other Authority

AS 41.21.026(d)

(4) Year Enacted

1987

(5) Sunset or Repeal Date

None

(6) Legislative Intent

Honor disabled veterans by providing them free overnight camping in state parks units.

(7) Public Purpose

Provide a benefit to disabled veterans.

(8) Estimated Revenue Impact

FY 2011 - \$260,800

FY 2012 - \$80,800

FY 2013 - \$261,400

FY 2014 - \$94,800

FY 2015 - \$449,100

(9) Cost to Administer

Negligible/cost of printing decals

(10) Number of Beneficiaries / Who Benefits

1,210 (annual average 2008-2012) 3.4 million potential beneficiaries (US Census Bureau, 11/11)

Legislative Finance Analysis per AS 24.20.235

(1) Estimate of Annual Revenue Foregone by the State

\$449,100

(2) Estimate of Annual Monetary Benefit to Recipients

\$371

(3) Legislative Intent Met?

Yes

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

Recommend continuation based on meeting legislative intent.