

Fiscal Note

State of Alaska
2026 Legislative Session

Bill Version: HB 271
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB271-DNR-DOG-1-30-26
Title: KITCHEN LIGHTS UNIT ROYALTY
MODIFICATION
Sponsor: FIELDS
Requester: (H)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)

	FY2027 Appropriation Requested	Included in Governor's FY2027 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2027	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

1004 Gen Fund (UGF)							(1,316.7)
1105 PF Gross (Other)							(1,330.0)
Total	0.0	0.0	0.0	0.0	0.0	0.0	(2,646.7)

Estimated SUPPLEMENTAL (FY2026) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2027) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? No
(Supplemental/Capital/New Fund - 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If yes, by what date are the regulations to be adopted, amended or repealed?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/comments:

Not applicable, initial version.

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Agency: Natural Resources
Phone: (907)269-8800
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Date: 01/30/2026

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2026 LEGISLATIVE SESSION

BILL NO. HB 271

Analysis

On February 3, 2025, the Department of Natural Resources (DNR) Commissioner published a final decision, modifying the royalty rate for the leases within the Kitchen Lights Unit (KLU) to 3%. The Commissioner's decision made the royalty modification contingent on the operator's compliance with ongoing development obligations, and included a phase -out of the royalty modification based on a Gross Revenue Target (calculated based on the operator's cost estimates for ongoing drilling, operations and maintenance, rig acquisition, etc.) pursuant to AS 38.05.180(j)(3).

This legislation directs the DNR Commissioner to modify the oil and gas leases contained within the KLU to reduce the royalty to 3%. It further provides for termination of the royalty modification if the modification is assigned without the consent of the DNR Commissioner. It would not include either conditions for ongoing development or the Gross Revenue Target phase-out for royalty modification.

DNR estimates that KLU will currently reach the Gross Revenue Target in mid-FY2032, at which time royalties for KLU will presently revert to 12.5%. The revenue estimate for FY2032 consists of the difference between the estimated royalties once the leases revert to 12.5% compared with the royalty collections assuming the 3% royalty rate remains in perpetuity. Revenue impacts in future fiscal years would be approximately twice the estimated impact as in FY 2032, due to the royalty rate difference persisting for the entire fiscal year.

In addition to revenue estimates provided for General Fund (UGF) (Code 1104) and Permanent Fund Gross (Other) (Fund 1105), DNR estimates a revenue impact for School Fund Designated General Fund (DGF) (Code 1030) of -13.3 in FY2032, similarly increasing in future fiscal years.