

# Fiscal Note

State of Alaska  
2014 Legislative Session

Bill Version: CSSB 138(FIN)  
Fiscal Note Number: 11  
(S) Publish Date: 3/17/14

Identifier: SB138CS(FIN)-DOR-TRS-03-16-14  
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX  
Sponsor: RLS BY REQUEST OF THE GOVERNOR  
Requester: SFIN

Department: Department of Revenue  
Appropriation: Taxation and Treasury  
Allocation: Treasury Division  
OMB Component Number: 121

## Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below.

(Thousands of Dollars)

|                        | FY2015<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2015<br>Request | Out-Year Cost Estimates |            |            |            |            |
|------------------------|--------------------------------------|--|-------------------------|------------|------------|------------|------------|
| OPERATING EXPENDITURES | FY 2015                              | FY 2015  | FY 2016                 | FY 2017    | FY 2018    | FY 2019    | FY 2020    |
| Personal Services      |                                      |  |                         | ***        | ***        | ***        | ***        |
| Travel                 |                                      |  |                         |            |            |            |            |
| Services               | 500.0                                |  | 150.0                   |            |            |            |            |
| Commodities            |                                      |  |                         |            |            |            |            |
| Capital Outlay         |                                      |  |                         |            |            |            |            |
| Grants & Benefits      |                                      |  |                         |            |            |            |            |
| Miscellaneous          |                                      |  |                         |            |            |            |            |
| <b>Total Operating</b> | <b>500.0</b>                         | <b>0.0</b>                                     | <b>150.0</b>            | <b>***</b> | <b>***</b> | <b>***</b> | <b>***</b> |

## Fund Source (Operating Only)

|               |              |            |              |            |            |            |            |
|---------------|--------------|------------|--------------|------------|------------|------------|------------|
| 1004 Gen Fund | 500.0        |            | 150.0        |            |            |            |            |
| <b>Total</b>  | <b>500.0</b> | <b>0.0</b> | <b>150.0</b> | <b>***</b> | <b>***</b> | <b>***</b> | <b>***</b> |

## Positions

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

|                           |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|
| <b>Change in Revenues</b> |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|

**Estimated SUPPLEMENTAL (FY2014) cost:** 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY2015) 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:

Revised note to reflect amendment adding establishment of rural capital energy fund, added in S FIN.

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Approved By: Mike Pawlowki, Deputy Commissioner  
Agency: Revenue

Phone: (907)465-3751  
Date: 03/16/2014 06:00 PM  
Date: 03/16/14

## FISCAL NOTE ANALYSIS #11

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. CSSB 138(FIN)

### Analysis

This bill would help the state move forward as a partner in a large scale Alaska Liquefied Natural Gas Project. While the bill itself contains numerous sections that affect other departments or corporations in the state, the analysis done for this fiscal note is limited to the provisions impacting the Treasury Division in the Department of Revenue. There are two provisions that would affect the division:

1.) Section 13 of the bill would establish the rural capital energy fund to provide a source from which the legislature may appropriate money to develop infrastructure to deliver energy to areas of the state that are not expected to have or do not have direct access to a North Slope natural gas pipeline. This fiscal note assumes that this fund would be established as one of many funds managed as part of the GeFonsi and therefore, no additional costs are envisioned to manage the fund. The fiscal note does not reflect an indeterminate change in revenues due to the fact that there are no projected royalty revenues before 2024. Current estimates by the Administration's consultants are that 10% of royalty revenues would exceed \$90 million annually over the life of the project.

2.) Section 60 of the bill directs the Commissioner of Revenue to develop a plan for municipalities, regional corporations and residents to participate in the ownership of a North Slope natural gas pipeline. The plan must include recommendations by the Commissioner of Revenue regarding:

- Qualifications as a resident that may invest in the pipeline
- How a municipality, regional corporation or resident may invest in the pipeline
- The entity through which ownership should be acquired
- The notification process to residents acquiring ownership
- Ownership transferability
- If ownership is via the State's interest in the pipeline, how income or dividends will be shared with resident owners
- If ownership is via a publicly traded corporation that has an ownership interest in the pipeline, how those publicly traded corporations will be identified.

In order to develop the above recommendations, the department will require substantial subject matter expertise in order to come up with a plan at the time a contract is submitted to the legislature under the proposed AS 38.05.020(b)(11) as amended by section 14 of this act. The department estimates that these contracted services will cost \$500,000 during FY15 and \$150,000 during FY16.