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Research Brief

TO: Representative Neal Foster
FROM: Susan Haymes, Legislative Analyst
DATE: March 29, 2013
RE: Communities Qualifying for Revenue Sharing under HB 181
LRS Report 13.335

You wished to know how many and which communities would qualify for revenue sharing under HB 181 as introduced.

As you know, House Bill 181 provides that, after making the required deposit to the permanent fund, 50 percent of the revenue received from mineral lease rentals, royalties, and royalty proceeds from a lease located on submerged state land that is offshore from a municipality will be accounted for separately as a distinct program under AS 37.05.142.¹ The bill further provides that up to 50 percent of those funds may be appropriated by the Legislature for certain boroughs and municipalities upon the request of the commissioner of the Department of Natural Resources or the commissioner of the Department of Commerce, Community and Economic Development.

The bill defines communities that are eligible to receive any appropriated funds as those boroughs or municipalities where a lease or portion of a lease is on "state tide and submerged land seaward" of that borough or municipality. According to Linda Books, Mineral Property Management, Department of Natural Resources (DNR), the only mining leases located in state offshore waters are near Nome and Cape Yakataga.² Cape Yakataga is located in the unorganized borough and, therefore, any mining tax revenue collected from leases would not be separately accounted for under the proposed legislation.³

The DNR conducted an offshore mining lease sale at Nome in the fall of 2011. In short, Nome is the only municipality that would qualify for an appropriation under HB 181.

We hope this is helpful. If you have questions or need additional information, please let us know.

¹ The mineral industry pays revenue to the State of Alaska through a number of mechanisms including mining license taxes, lease payments, production royalties, coal land rentals and royalties, fuel taxes, corporate income taxes, and rock, sand and gravel sales.

² Ms. Books can be reached at 907.269.8647.

³ Cape Yakataga is located on the Gulf of Alaska approximately 250 miles south and east of Valdez. The Yakataga placer leases include nearly 1,410 acres covering about seven miles of beach and consist of all ground from the high tide line to approximately one-quarter mile off shore. Not much mining, if any, has occurred at Cape Yakataga in recent years.