

# 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.