

FISCAL NOTE

STATE OF ALASKA
2002 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SB 360
 (S) Publish Date: 4/18/02

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
 Title Alaska Natural Gas Project Act BRU Administration & Support
 Component Office of the Commissioner
 Sponsor Senate Resources
 Requester Senate Resources Component No. 123

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Personal Services						
Travel						
Contractual	260.0	160.0				
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	260.0	160.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	260.0	160.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	260.0	160.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2002) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2003 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

See Page 2 for analysis.

Prepared by: Larry Persily, Deputy Commissioner
 Division: Department of Revenue
 Approved by: Wilson Condon, Commissioner
 Agency: Department of Revenue

Phone 465-5469
 Date/Time 4/15/02 11:52 AM
 Date 4/15/2002

Alaska Railroad Project Bonds

Sections 6 through 9 of this legislation authorize the Alaska Railroad Corporation to issue up to \$18 billion in bonds for construction of a natural gas pipeline to commercialize North Slope natural gas resources. Because of the importance of this project to the state's public finances, the complexity of the bond issuance and the large amount of bonds to be sold, it is important that the Railroad Corporation receive expert advice from the beginning. It also is important that the Executive Branch be involved in the discussions to represent the state's independent interests.

To meet the needs stated above, the department proposes to transfer to the Railroad Corporation, via a Reimbursable Services Agreement, up to \$50,000 per year for the first two years to ensure that the corporation can contract with a financial adviser and bond counsel for this project. The Commissioner's Office also requests \$10,000 per year to cover the expenses of contracting with the state's financial adviser and bond counsel to make certain that the state's own interests, separate from those of the Railroad Corporation, are adequately considered and protected.

Property Taxes

Section 10 of this legislation authorizes the Commissioner of Revenue to propose a waiver, reduction or deferral in property taxes owed under AS 43.56 on an Alaska North Slope Natural Gas Project, but only under specific conditions:

- The project applicant has obtained all necessary certificates under AS 38.35.240.
- The project applicant must show, "by clear and convincing evidence," that the project would not be economically feasible without the property tax relief.
- The applicant and Commissioner of Revenue must enter into an agreement to begin construction of the project by a date certain.
- The Commissioner shall consult with any municipality that could be affected by the property tax relief allowed under this section, and shall prepare a report on the socioeconomic effects of the project on the affected municipalities.
- And any waiver, reduction or deferral of taxes under this section is not effective until approved by the legislature.

For purposes of this fiscal note, the department assumes a project applicant will fulfill the requirements of this legislation sometime in FY03, requiring the Commissioner to begin reviewing the need for property tax relief, preparing the socioeconomic studies, and then negotiating property tax relief with the project applicant. The \$200,000 in requested contractual funds in FY03 and \$100,000 in FY04 would help pay for the community impact studies, the economic feasible review (in conjunction with the Department of Natural Resources), and the financial and tax advisers needed to prepare recommendations for the Legislature.