

HOUSE CONCURRENT RESOLUTION NO. 39

IN THE LEGISLATURE OF THE STATE OF ALASKA

TWENTY-THIRD LEGISLATURE - SECOND SESSION

**BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE HOUSE SPECIAL COMMITTEE ON
ECONOMIC DEVELOPMENT, INTERNATIONAL TRADE, AND TOURISM****Introduced: 5/6/04****Referred: Rules****A RESOLUTION**1 **Establishing the Alaska Royalty and Revenue Task Force.**2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**3 **WHEREAS** the oil and gas industry operates in a diverse, competitive, and global
4 landscape; and5 **WHEREAS** the state receives more than 70 percent of its unrestricted general fund
6 revenue from taxes and royalties on the production of its oil and gas resources; and7 **WHEREAS** the legislature has a constitutional obligation to develop the state's
8 resources for the maximum benefit of Alaskans; and9 **WHEREAS** Alaska's major oil and gas taxes are the oil and gas property production
10 (severance) tax (AS 43.55), which was last significantly revised in 1989, the oil and gas
11 corporate income tax (AS 43.20.072), which was last significantly revised in 1981, and the oil
12 and gas exploration, production, and pipeline transportation property tax (AS 43.56), which
13 was enacted in 1973 and has had only relatively minor changes since then; and14 **WHEREAS** it is appropriate to reevaluate the state's present system of oil and gas
15 taxes at this time because the scope and cost of oil and gas production operations have
16 significantly changed since the various pieces of the system were last put in place; and

1 **WHEREAS** a tax structure that retains an inadequate value of those resources for
2 Alaskans violates that constitutional obligation; and

3 **WHEREAS** the maximization of the benefits from the production of its oil and gas is
4 in the best interest of the state; and

5 **WHEREAS** maximizing oil and gas production is in the best interest of the state; and

6 **WHEREAS** the tax and royalty structures that the state uses to maximize the benefits
7 of oil and gas production in the state can affect the production of oil and gas in the state; and

8 **WHEREAS** the tax and royalty structures in place in the state's oil and gas sector are
9 a portion of the cost of production; and

10 **WHEREAS**, in examining the oil and gas tax system, it would be imprudent to
11 evaluate any portion of the tax system in isolation; and

12 **WHEREAS** the decisions to invest in new exploration and production are made by
13 multinational corporations; and

14 **WHEREAS** these decisions are made based on global portfolios of production assets;
15 and

16 **WHEREAS** the global competitiveness of the state's oil and gas sector directly
17 influences investment in the state's oil and gas sector;

18 **BE IT RESOLVED** that the Alaska State Legislature establishes the Alaska Royalty
19 and Revenue Task Force to review and analyze the state's current oil and gas royalty and tax
20 structures; and be it

21 **FURTHER RESOLVED** that the task force shall be composed of nine members to
22 include

23 (1) seven members of the legislature chosen jointly by the presiding officers of
24 the House of Representatives and the Senate, three of whom shall be chosen from a list
25 provided jointly by the minority leaders of the House of Representatives and the Senate; and

26 (2) two members, not members of the legislature, chosen jointly by the
27 presiding officers of the House of Representatives and Senate; and be it

28 **FURTHER RESOLVED** that the Speaker of the House of Representatives shall
29 appoint the task force chair; and be it

30 **FURTHER RESOLVED** that the task force craft policies for recommendation to the
31 Twenty-Fourth Alaska State Legislature that would maximize the long-term benefits of the

1 state's oil and gas resources to the state; and be it

2 **FURTHER RESOLVED** that, in crafting policies that would maximize the long-term
3 benefits to the state, the task force consider the state's competitiveness globally in attracting
4 capital to its oil and gas sector; and be it

5 **FURTHER RESOLVED** that the task force address the factors affecting the state's
6 competitiveness; and be it

7 **FURTHER RESOLVED** that, in crafting policies that maximize the long-term
8 benefit to the state, the task force evaluate all of the mechanisms the state and its
9 municipalities use to recover revenue from oil and gas production; and be it

10 **FURTHER RESOLVED** that the task force may retain expert consultants for the
11 purposes of assisting the task force in its mission; and be it

12 **FURTHER RESOLVED** that the task force begin work on June 1, 2004, or as soon
13 after that date as possible; and be it

14 **FURTHER RESOLVED** that the task force may meet during the interim; and be it

15 **FURTHER RESOLVED** that the members of the task force shall serve without
16 compensation but are entitled to transportation expenses, and the members who are legislators
17 may claim per diem under the per diem allowance policy adopted under AS 24.10.130 and the
18 members who are not legislators are entitled to per diem as authorized for members of boards
19 and commissions under AS 39.20.180; and be it

20 **FURTHER RESOLVED** that the task force shall submit a report and proposed
21 legislation to the Twenty-Fourth Alaska State Legislature on the date of commencing of the
22 First Regular Session; and be it

23 **FURTHER RESOLVED** that the task force is terminated not later than the
24 adjournment of the First Regular Session of the Twenty-Fourth Alaska State Legislature.