

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 395(O&G)
 (H) Publish Date: 3/22/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Shallow Natural Gas RDU Resource Development
 Component Oil and Gas Development
 Sponsor Harris, Gatto, Stoltze, Seaton
 Requester House Resources Component No. 439

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	19.2	19.2	19.2	19.2	19.2	19.2
Travel						
Contractual	52.9	52.9	52.9	52.9	52.9	52.9
Supplies	3.9	0.9	0.9	0.9	0.9	0.9
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	76.0	73.0	73.0	73.0	73.0	73.0

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

1002 Federal Receipts						
1003 GF Match						
1004 GF	76.0	73.0	73.0	73.0	73.0	73.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	76.0	73.0	73.0	73.0	73.0	73.0

Estimate of any current year (FY2004) cost: 0.0
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time						
Part-time	1	1	1	1	1	1
Temporary						

ANALYSIS: (Attach a separate page if necessary)

HB 395 would make a number of changes to the state's shallow natural gas leasing program including additional public notice requirements; required surface use fees; setbacks, noise mitigation, and reclamation requirements; and a special provision for damages.

Under Section 5 of the bill, additional public notification beyond that already carried out by DNR would be required. Specifically, this would require DNR to publish notice in papers of general circulation in the affected area one additional time beyond what is currently done when giving notice of a shallow natural gas application and calling for public comments. In addition, the bill would require DNR to publish notice of intent to award the lease at least three times in at least two papers of general circulation in the area of the proposed action at intervals of not less than five days between publications.

Prepared by: Mark D. Myers Phone 269-8800
 Division Oil and Gas Date/Time 3/15/04
 Approved by: Thomas Irwin, Commissioner Date 3/16/04
 Agency Natural Resources

FISCAL NOTE #1

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BILL NO. CSHB 395(O&G)

ANALYSIS CONTINUATION

Total number of additional publications of notice: 4 x 2 papers.

The Anchorage Daily News has general circulation in all areas of the state. The cost for a legal notice is \$404 per day (weekday).
 $4 \times \$404 = \$1,616$

Publication cost in a local paper is estimated at \$225 (Frontiersman was used as an estimate) per day. $4 \times \$225 = \900

Combined total: \$2,516

Last year, DNR processed three groups of applications in calendar year 2003 (DNR tries to group applications to cut down on noticing costs). $3 \times \$2,516 = \$7,548$

Section 5 would also require direct notification to each resident in the vicinity of the proposed action when lease applications are received. The bill does not specify whether or not certified mail is required. Therefore, costs are estimated below under both a certified mail and a bulk mail scenario. The figures on the first page of this fiscal note use the figures calculated for certified mail. If bulk mail used, the figures will be substantially less. For this fiscal note DNR estimated that there would be 3 groups of applications = 15,000 additional direct mailings per year.

Certified mail:

Mailing data .05

Postage 2.67

Xerox cost .02

Paper .01

Envelope .05

Total $2.80 \times 15,000$ pieces of mail = \$42,000 per FY (\$41,100 in contractual, \$900 in supplies)

Bulk Mail:

Bulk mail permit with returned mail service: \$625 + 1.80 per each returned piece of mail (assumes 24 pieces returned for each 1,000 mailed) = \$1,273

Estimated mail-out cost per item for bulk (1,000 pieces) mail to one zip code.

Mailing data .05

Postage .23

Xerox cost .02

Paper .01

Total $.31 \times 15,000$ pieces of mail = \$4,650 + \$1,273 from above = \$5,923 per FY (\$5,773 in contractual, \$150 in supplies)

An additional part-time administrative clerk would be required to handle the mail-outs. Cost of \$19.2 annually is based on an estimated 20 hours/week.

Contractual \$4.3 annually for phone, office space, telecommunications, and core service charges.

Supplies - One time costs for furniture and computer - \$3.0.

** Indeterminate Negative Revenue Amount: The wording in Section 9 may make the state liable for any damages that may occur to the surface owners property. If this is the case, it is impossible at this time to determine the negative fiscal impact to the state.