

# FISCAL NOTE

STATE OF ALASKA  
2010 LEGISLATIVE SESSION

Fiscal Note Number: 3  
Bill Version: CSSB 243(FIN)  
(S) Publish Date: 4/2/10

Identifier (file name): CSSB243(FIN)-DNR-DOG-03-31-10  
Title: No Royalty on Geothermal Resources  
Dept. Affected: Natural Resources  
RDU: Resource Development  
Component: Oil and Gas Development  
Sponsor: Sen McGuire  
Requester: SFIN  
Component Number: 439

## Expenditures/Revenues (Thousands of Dollars)

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

|                               | Appropriation<br>Required | Information |            |            |            |            |            |
|-------------------------------|---------------------------|-------------|------------|------------|------------|------------|------------|
| OPERATING EXPENDITURES        | FY 2011                   | FY 2011     | FY 2012    | FY 2013    | FY 2014    | FY 2015    | FY 2016    |
| Personal Services             |                           |             |            |            |            |            |            |
| Travel                        |                           |             |            |            |            |            |            |
| Contractual                   |                           |             |            |            |            |            |            |
| Supplies                      |                           |             |            |            |            |            |            |
| Equipment                     |                           |             |            |            |            |            |            |
| Land & Structures             |                           |             |            |            |            |            |            |
| Grants & Claims               |                           |             |            |            |            |            |            |
| Miscellaneous                 |                           |             |            |            |            |            |            |
| <b>TOTAL OPERATING</b>        | <b>0.0</b>                | <b>0.0</b>  | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |
| <b>CAPITAL EXPENDITURES</b>   |                           |             |            |            |            |            |            |
| <b>CHANGE IN REVENUES ( )</b> |                           |             |            |            |            |            |            |

## FUND SOURCE (Thousands of Dollars)

|                            |            |            |            |            |            |            |            |
|----------------------------|------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts      |            |            |            |            |            |            |            |
| 1003 GF Match              |            |            |            |            |            |            |            |
| 1004 GF                    |            |            |            |            |            |            |            |
| 1005 GF/Program Receipts   |            |            |            |            |            |            |            |
| 1037 GF/Mental Health      |            |            |            |            |            |            |            |
| Other Interagency Receipts |            |            |            |            |            |            |            |
| <b>TOTAL</b>               | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2010) cost: \_\_\_\_\_

## POSITIONS

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

## ANALYSIS: (Attach a separate page if necessary)

Under AS 38.05.181(g) SB 243 reduces royalty on gross revenues from 10% under current lease conditions to 1.75% of the gross revenues derived from geothermal leases during the first 10 years of income generating production on state leased lands, with a 3.5% royalty rate thereafter. These royalty rates apply to a geothermal lease or the renewal of a geothermal lease entered into on or after the effective date of the Act.

Given the immature state of the geothermal industry in Alaska, the impact to royalty revenue is indeterminate. Although a reduced royalty rate will lead to less royalty collected for a given geothermal project, this reduced royalty rate may make geothermal projects on state lands more competitive. This bill will also transfer certain drilling inspection functions and other authorities to AOGCC. There will be no budget impact to DNR as a consequence of this transfer. Without SB 243 DNR must either hire or contract drilling engineers and inspectors to meet the potential demand of geothermal leasing.

Sec. 17 (d) defines those waters where the Division of Mining, Land and Water will continue to manage water rights in the state when the water is not a "geothermal resource."

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Natural Resources

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Date/Time 3/31/10 1:00 PM  
Date 3/31/10 5:15pm