

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSHB 289(FIN)
Fiscal Note Number 10
(H) Publish Date 4/2/12

Identifier (file name) HB289CS(FIN)-DNR-MLW-03-30-12 Dept. Affected Department of Natural Resources
Title Natural Gas Storage Tax Credit/Regulation Appropriation Land & Water Resources
Allocation Mining Land & Water
Sponsor Rep. Thompson
Requester House Finance OMB Component Number 3002

Expenditures/Revenues (Thousands of Dollars)

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

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES	FY13	FY13	FY14	FY15	FY16	FY17	FY18
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
TOTAL		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS

Full-time	0							
Part-time	0							
Temporary	0							

CHANGE IN REVENUES	(12.5)		***	***	***	***	***
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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)
(discuss reasons and fund source(s) in analysis section)

Why this fiscal note differs from previous version (if initial version, please note as such)

This fiscal note is changed to reflect the fact that there is an anticipated \$12.5 loss in unrestricted GF revenues from loss of lease revenue for existing gas facilities and not a reduction in restricted GF funds, as previously indicated. Also, Section 2 was added in which RCA must consider exemptions from lease payments in determining an utility's rates.

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Approved by Daniel S. Sullivan, Commissioner
Department of Natural Resources

Phone (907) 269-8625
Date/Time 03-30-2012/12:00
Date 3/30/2012

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BILL NO. CSHB 289(FIN)

Analysis

Section 1 of CSHB289(FIN) creates an exemption from land lease payments (for leases issued under AS 38.05.070-105), for up to ten calendar years from date of issuance, for lands leased for gas storage facilities (other than under AS 38.05.180(u)). Section 2 states that the cost to the utility of storing gas in a gas storage facility or storing LNG in a LNG storage facility must reflect exemptions from lease payments under AS 38.05.096 or 38.05.180(u).

This lease payment exemption will reduce revenues equal to the lease payments due to the state related to these types of leases for the years the exemption is allowed. Currently there is one qualifying lease with an annual rent of \$12,500 based on the fair market value of the land leased. The total fiscal impact of this proposed legislation after FY 13 is indeterminate because the number of gas storage leases that may be issued in the future is unknown. Future leases may be issued under oil and gas leases issued under AS 38.05.180.

The legislation will not affect the lease issuance or maintenance operations of the department.