

FISCAL NOTE

STATE OF ALASKA
2012 LEGISLATIVE SESSION

Bill Version CSSB 148(CRA)
 Fiscal Note Number 3
 (S) Publish Date 3/2/12

Identifier (file name) SB148-DOR-TAX-02-07-12 Dept. Affected Revenue
 Title Gas Pipeline Property Tax Appropriation Taxation and Treasury
 Allocation Tax Division
 Sponsor Sen's Wielechowski, Egan, Ellis, French, Davis, Kookesh
 Requester Senate Community and Regional Affairs OMB Component Number 2476

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					
			FY13	FY14	FY15	FY16	FY17	FY18
OPERATING EXPENDITURES								
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	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							
Part-time							
Temporary							

CHANGE IN REVENUES

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Estimated SUPPLEMENTAL (FY12) operating costs _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs _____ (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)

Initial version.

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 Division Tax
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Phone 269-1026
 Date/Time 2/7/12, 12pm
 Date 2/7/2012

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BILL NO. CSSB 148(CRA)

Analysis

Revenue from this project is not currently included in the state revenue forecast ; therefore, any exemptions would have no impact on current revenue expectations.

SB 148 would exempt a gas pipeline with a design capacity of 500,000,000 or more cubic feet of gas a day from the state's oil and gas exploration, production, and pipeline transportation property taxes until the pipeline generates revenue for its owners. "Or more" means that a larger design capacity pipeline such as the 4.5 Bcf per day pipeline under AGIA could qualify for the exemption. Property tax during construction of the 4.5 Bcf per day AGIA pipeline is estimated at \$1.1 billion (2010 dollars) by the Office of the Federal Coordinator, Alaska Natural Gas Transportation Projects.

In addition to pipeline capacity, the length, diameter and thickness of the pipeline and the maximum operating pressure must be specified in order to estimate capital costs from which property value can be assessed. Absent such specifications, this analysis uses the capital costs estimated for the base case pipeline in the Alaska Stand Alone Gas Pipeline (ASAP) study. The pipeline is scoped to bring 500,000,000 cubic feet of gas a day from Prudhoe Bay to Southcentral with a lateral pipeline to the Fairbanks area. The case is scaled to conform with the Alaska Gasline Inducement Act (AGIA) which limits other projects receiving state support to 500,000,000 cubic feet per day.

Assumptions:

Natural gas pipeline with capacity of 500,000,000 cubic feet per day

Capital costs for the BASE CASE in the ASAP

	<u>\$ Billions (2011)</u>
Pipeline	\$5.68
Gas Conditioning Facility	1.84
TOTAL Project Capital Costs	\$7.52

Annual tax of 20 mills is levied each tax year

Construction ramp up is 50% in 2014 and 100% complete in 2015

State share 45%

Property Tax Estimate for 500,000,000 Gas Pipeline		
Million 2011\$		
Project Facility Capital Costs	\$7,520	
Property Tax Rate	2% 20 mills	
State Share	45%	
Annual Property Tax to State	\$68	
Construction Period		
2014	\$34	
2015	\$68	
TOTAL	\$102	Exemption during construction
Source: Capital costs per Alaska Stand Alone Gas Pipeline base case		
Tax assumptions per Petroleum Property Tax Department		

Results

Property tax on a natural gas pipeline with a scope as defined by the base case in the ASAP could result in roughly \$225 million during the construction phase. Exempting such a pipeline from the tax would result in \$102 million not being collected as revenue to the state. The share for municipalities would be \$124 million.