

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HCS CSSB 138(FIN)
Fiscal Note Number: 24
(H) Publish Date: 4/18/14

Identifier: SB138-DOR-NGC-04-18-14
Title: GAS PIPELINE; AGDC; OIL & GAS PROD. TAX
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: HFIN

Department: Department of Revenue
Appropriation: Administration and Support
Allocation: Natural Gas Commercialization
OMB Component Number: 2859

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2015 Appropriation Requested	Included in Governor's FY2015 Request	Out-Year Cost Estimates					
			FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
OPERATING EXPENDITURES								
Personal Services				***	***	***	***	***
Travel								
Services	2,500.0		150.0					
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	2,500.0	0.0	150.0	***	***	***	***	***

Fund Source (Operating Only)

1236 AK LNG I/A	2,500.0		150.0					
Total	2,500.0	0.0	150.0	***	***	***	***	***

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This revised fiscal note replaces UGF code 1004 with the new Alaska Liquefied Natural Gas Project Fund --I/A fund code 1236. Funding will pass directly from the Alaska Liquefied Natural Gas Project Fund to the department for services provided via a Reimbursable Services Agreement (RSA).

The fiscal note also reflects an increase to the Alaska Affordable Energy Fund and expanded the scope of reports to be developed by the Commissioner of Revenue. Title change to this fiscal note is to correct funding component, for budgetary tracking purposes.

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House Finance Committee Date: 04/18/2014
Co-Chair Representative Stoltze
House Finance Committee

FISCAL NOTE ANALYSIS #24

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HCS CSSB 138(FIN)

Analysis

This bill would help the state move forward as a partner in a large scale Alaska Liquefied Natural Gas Project. While the bill itself contains numerous sections that affect other departments or corporations in the state, the analysis done for this fiscal note is limited to the two provisions relating to the Affordable Energy Fund and financing in the Department of Revenue.

1.) The bill would establish the Alaska Affordable Energy Fund to provide a source from which the legislature may appropriate money to develop infrastructure to deliver energy to areas of the state that are not expected to have or do not have direct access to a North Slope natural gas pipeline. This fiscal note assumes that this fund would be established as one of many funds managed as part of the GeFonsi and therefore, no additional costs are envisioned to manage the fund. The fiscal note does not reflect an indeterminate change in revenues due to the fact that there are no projected royalty revenues before 2024. Current estimates by the Administration's consultants are that 20% of royalty revenues would exceed \$180 million annually over the life of the project.

2.) The bill directs the Commissioner of Revenue to provide a report to the Legislature on the range of financing options for state acquisition of an ownership interest and participation in a North Slope natural gas project. The Commissioner will provide an interim draft report to the Legislature at the beginning of the first regular session of the 29th Alaska State Legislature. When contracts negotiated to advance the AKLNG project to FEED are presented to the Alaska State Legislature, the Commissioner will issue a final report of the financing options. That report must also include the development a plan for municipalities, regional corporations and residents to participate in the ownership of a North Slope natural gas pipeline. The plan must include recommendations by the Commissioner of Revenue regarding:

- Qualifications as a resident that may invest in the pipeline
- How a municipality, regional corporation or resident may invest in the pipeline
- The entity through which ownership should be acquired
- The notification process to residents acquiring ownership
- Ownership transferability
- If ownership is via the State's interest in the pipeline, how income or dividends will be shared with resident owners
- If ownership is via a publicly traded corporation that has an ownership interest in the pipeline, how those publicly traded corporations will be identified.

In order to develop the above reports and recommendations, the department will require substantial subject matter expertise. The department estimates that these contracted services will cost \$2,500,000 during FY15 and \$150,000 during FY16. The funding is requested in the Natural Gas Commercialization component.