

# FISCAL NOTE

**STATE OF ALASKA**  
**2014 LEGISLATIVE SESSION**

Bill Version SB 138  
 Fiscal Note Number 4  
 (S) Publish Date 1/24/14

Identifier (file name) DOR-TAX-01-21-14 Dept. Affected Revenue  
 Title Commercial Production of North Slope Natural Gas Appropriation Taxation and Treasury  
 Allocation Tax Division  
 Sponsor Governor  
 Requester Rules by request of the Governor OMB Component Number 2476

**Expenditures/Revenues** (Thousands of Dollars)

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

|                               | FY15<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY15 Request | Out-Year Cost Estimates |             |             |             |             |
|-------------------------------|------------------------------------|---|-------------------------|-------------|-------------|-------------|-------------|
|                               |                                    |   | FY16                    | FY17        | FY18        | FY19        | FY20        |
| <b>OPERATING EXPENDITURES</b> | <b>FY15</b>                        | <b>FY15</b>                               | <b>FY16</b>             | <b>FY17</b> | <b>FY18</b> | <b>FY19</b> | <b>FY20</b> |
| Personal Services             |                                    |   |                         |             |             |             |             |
| Travel                        |                                    |   |                         |             |             |             |             |
| Services                      | 750.0                              |   |                         |             |             |             |             |
| Commodities                   |                                    |   |                         |             |             |             |             |
| Capital Outlay                |                                    |   |                         |             |             |             |             |
| Grants, Benefits              |                                    |   |                         |             |             |             |             |
| Miscellaneous                 |                                    |   |                         |             |             |             |             |
| <b>TOTAL OPERATING</b>        | <b>750.0</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>  |

**FUND SOURCE** (Thousands of Dollars)

|                        | FY15         | FY15       | FY16       | FY17       | FY18       | FY19       | FY20       |
|------------------------|--------------|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts  |              |            |            |            |            |            |            |
| 1003 GF Match          |              |            |            |            |            |            |            |
| 1004 GF                | 750.0        |            |            |            |            |            |            |
| 1005 GF/Prgm (DGF)     |              |            |            |            |            |            |            |
| 1007 I/A Rcpts (Other) |              |            |            |            |            |            |            |
| 1156 Rcpt Svcs (DGF)   |              |            |            |            |            |            |            |
|                        | <b>750.0</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> |

**POSITIONS**

|           | FY15 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|-----------|------|------|------|------|------|------|------|
| Full-time |      |      |      |      |      |      |      |
| Part-time |      |      |      |      |      |      |      |
| Temporary |      |      |      |      |      |      |      |

**CHANGE IN REVENUES**

|  | FY15 | FY15 | FY16 | FY17 | FY18 | FY19 | FY20 |
|--|------|------|------|------|------|------|------|
|  | ***  | ***  | ***  | ***  | ***  | ***  | ***  |

**Estimated SUPPLEMENTAL (FY14) operating costs** \_\_\_\_\_ (separate supplemental appropriation required)  
 (discuss reasons and fund source(s) in analysis section)

**Estimated CAPITAL (FY15) costs** \_\_\_\_\_ (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? Yes  
 If yes, by what date are the regulations to be adopted, amended, or repealed? 12/31/2015 Discuss details in analysis section.

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

Initial version.

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 Approved by Angela M. Rodell, Commissioner  
 Division Department of Revenue

Phone (907) 269-1033  
 Date/Time 01/14/2014 2:00 p.m.  
 Date 1/20/2014

FISCAL NOTE ANALYSIS #4

STATE OF ALASKA  
2014 LEGISLATIVE SESSION

BILL NO. SB 138

**Analysis**

**Bill Language:**

This bill would help the state to move forward as a partner in a large natural gas project, including liquefaction facilities. It gives the Commissioner of DNR, in consultation with the Commissioner of Revenue, the ability to take custody of gas delivered to the state and manage the disposition and sale of that gas. The main tax provision of the bill would allow gas producers to make an irrevocable election to pay their production tax liabilities with gas (tax as gas "TAG") instead of with money.

While the bill itself has numerous sections that affect other departments or corporations in the state, the analysis done for this fiscal note is limited to the tax provisions contained in the bill.

**Revenues:**

The department is unable to determine the amount of revenue that will be created by this bill in the future. Taxable gas production is not expected until after 2022, so no new revenues from a large gas project would be expected during the timeframe (through FY-20) of this fiscal note.

**Expenditures:**

The department is currently in the process of implementing its new Tax Revenue Management System (TRMS), for which the legislature appropriated approximately \$35 million for during the 2011 session. If this bill passes, we will need to amend the current contract with FAST Enterprises to allow for them to reconfigure TRMS to reflect these tax law changes. DOR estimates that it will incur an additional expense of approximately \$500,000 to reconfigure the system.

**Regulations:**

The department expects it will need to enter into expanded RSA's with the Department of Law to assist in drafting regulations to help the department implement the new law. DOR estimates that it will incur an additional expense of approximately \$250,000 to retain the necessary resources to assist with a regulations project of this magnitude.