

# Fiscal Note

State of Alaska  
2024 Legislative Session

Bill Version:	CSHB 223(RES)
Fiscal Note Number:	1
(H) Publish Date:	3/11/2024

Identifier: HB223-DNR-DOG-01-26-24  
 Title: TAX & ROYALTY FOR CERTAIN GAS  
 Sponsor: RAUSCHER  
 Requester: (H)RES

Department: Department of Natural Resources  
 Appropriation: Oil & Gas  
 Allocation: Oil & Gas  
 OMB Component Number: 439

**Expenditures/Revenues**

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

	FY2025	Included in	Out-Year Cost Estimates					
	Appropriation Requested	Governor's FY2025 Request	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030
<b>OPERATING EXPENDITURES</b>	<b>FY 2025</b>	<b>FY 2025</b>	<b>FY 2025</b>	<b>FY 2026</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
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>0.0</b>

**Fund Source (Operating Only)**

None								
<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>	<b>0.0</b>

**Positions**

Full-time								
Part-time								
Temporary								

**Change in Revenues**

None	***		***	***	***	***	***	***
<b>Total</b>	<b>***</b>	<b>0.0</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>

**Estimated SUPPLEMENTAL (FY2024) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2025) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - 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 If yes, by what date are the regulations to be adopted, amended or repealed?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/comments:**

Initial version, not applicable.

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Division:	Oil & Gas	Date:	01/26/2024 12:00 AM
Approved By:	Theresa Cross, Administrative Services Director	Date:	01/26/24
Agency:	Natural Resources		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2024 LEGISLATIVE SESSION**Analysis**

This bill adds a new subsection (mm) to AS 38.05.180 and reduces the royalty rate for natural gas that is explored for and produced on or after June 5, 2023. The royalty rate would be zero percent on gas offered for sale to an in-state electric or heating utility before it is sold elsewhere. The royalty rate would be reduced by 50 percent on gas not offered for sale to an in-state electric or heating utility before being offered for sale to another person. The rate is effective immediately after the bill is passed and if the gas has been explored for and produced on or after June 5, 2023.

Under the terms of this legislation, a producer providing gas under contract to utilities could conceivably terminate their contracts and negotiate new contracts to take advantage of the zero-percent royalty rate if their gas can qualify as "explored for and produced" after June 5, 2023.

This bill also amends the oil and gas production tax in AS 43.55.011 and AS 43.55.020. This portion of the bill affects the Department of Revenue.

**Operating Expenditures:**

The Division expects to implement this bill with existing resources and does not anticipate requiring additional funding.

**Change in Revenue:**

The changes to revenue are indeterminate. While the Division expects that companies are more likely to make investments in new Cook Inlet production under this bill than without the changes proposed in this legislation, the timing and scale of those investments, as well as the time to bring new production online are not certain and would affect changes in revenue to the State. Generally, while the bill reduces the State royalty on eligible new production, modeling by the Division indicates that the new production is less likely to occur without the proposed royalty rate modification.