

# Fiscal Note

State of Alaska  
2026 Legislative Session

Bill Version:	CSHB 271 (RES)
Fiscal Note Number:	1
(H) Publish Date:	2/25/2026

Identifier: HB271-DNR-DOG-1-30-26  
 Title: KITCHEN LIGHTS UNIT ROYALTY  
 MODIFICATION  
 Sponsor: FIELDS  
 Requester: (H)Resources

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)

	FY2027	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2027 Request	FY 2028	FY 2029	FY 2030	FY 2031	FY 2032
<b>OPERATING EXPENDITURES</b>	<b>FY 2027</b>	<b>FY 2027</b>	<b>FY 2028</b>	<b>FY 2029</b>	<b>FY 2030</b>	<b>FY 2031</b>	<b>FY 2032</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>

**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>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

1004 Gen Fund (UGF)							(1,316.7)
1105 PF Gross (Other)							(1,330.0)
<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>(2,646.7)</b>

**Estimated SUPPLEMENTAL (FY2026) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2027) 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 If yes, by what date are the regulations to be adopted, amended or repealed?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:**

Not applicable, initial version.

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Division:	Division of Oil and Gas	Date:	01/30/2026 01:00 PM
Approved By:	Melissa Hurley-Marvin, Division Operation Manager	Date:	01/30/2026
Agency:	Natural Resources		

## FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2026 LEGISLATIVE SESSION**Analysis**

On February 3, 2025, the Department of Natural Resources (DNR) Commissioner published a final decision, modifying the royalty rate for the leases within the Kitchen Lights Unit (KLU) to 3%. The Commissioner's decision made the royalty modification contingent on the operator's compliance with ongoing development obligations, and included a phase-out of the royalty modification based on a Gross Revenue Target (calculated based on the operator's cost estimates for ongoing drilling, operations and maintenance, rig acquisition, etc.) pursuant to AS 38.05.180(j)(3).

This legislation directs the DNR Commissioner to modify the oil and gas leases contained within the KLU to reduce the royalty to 3%. It further provides for termination of the royalty modification if the modification is assigned without the consent of the DNR Commissioner. It would not include either conditions for ongoing development or the Gross Revenue Target phase-out for royalty modification.

DNR estimates that KLU will currently reach the Gross Revenue Target in mid-FY2032, at which time royalties for KLU will presently revert to 12.5%. The revenue estimate for FY2032 consists of the difference between the estimated royalties once the leases revert to 12.5% compared with the royalty collections assuming the 3% royalty rate remains in perpetuity. Revenue impacts in future fiscal years would be approximately twice the estimated impact as in FY 2032, due to the royalty rate difference persisting for the entire fiscal year.

In addition to revenue estimates provided for General Fund (UGF) (Code 1104) and Permanent Fund Gross (Other) (Fund 1105), DNR estimates a revenue impact for School Fund Designated General Fund (DGF) (Code 1030) of -13.3 in FY2032, similarly increasing in future fiscal years.