

Introduced: 3/29/82
Referred: Special Gas Pipeline
Committee and Finance

BY THE RULES COMMITTEE BY
REQUEST OF THE GOVERNOR

1 IN THE HOUSE

2 HOUSE BILL NO. 888

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 TWELFTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to the sale of royalty oil by the
7 State of Alaska to the Tesoro Alaska Petroleum Company,
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. The "Agreement for the Sale and Purchase of Royalty Oil
11 between the State of Alaska and Tesoro Alaska Petroleum Company" (dated
12 February 26, 1982) is hereby approved and ratified.

13 * Sec. 2. This Act takes effect immediately in accordance with AS 01.-
14 10.070(c).

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Official Business

Alaska State Legislature
House of Representatives
Office of The Majority Leader

Pouch V
State Capitol
Juneau, Alaska 99811

April 7, 1982

MEMORANDUM

TO: Al Adams
Finance Committee Chairman

FROM: Rick Halford
House Special Gas Pipeline Committee Chairman

SUBJECT: 0 Fiscal Note for HB 888

A handwritten signature in cursive script that reads "Rick Halford".

The House Special Gas Pipeline Committee has moved HB 888 "An Act relating to the sale of royalty oil by the state of Alaska to the Tesoro Alaska Petroleum Company: and providing for an effective date." - with a 0 Fiscal Note.

However, the Commissioner of Natural Resources has assured this Committee that he will forward to your Committee, an extensive, detailed fiscal analysis to accompany the 0 Fiscal Note, for your review and consideration.

THE LEGISLATURE OF THE STATE OF ALASKA
TWELFTH LEGISLATURE

FISCAL NOTE

I. REQUEST

Bill/Resolution No. HB 888

Title Act relating to sale of royalty oil to Tesoro Alaska Petroleum
Requested by House Resources Date 4/7/82

II. FISCAL DETAIL

Agency Affected Natural Resources/Revenue

Program Category Affected Royalty Payments/Severance Tax Payments

BRU, Program, Or Subprogram(s) Affected _____

(Note: If more than one budget component is affected, separate line-item amounts and funding for each component in the analysis section.)

EXPENDITURES (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87 - FY 95
100 PERSONAL SERVICES						
200 TRAVEL						
300 CONTRACTUAL						
400 COMMODITIES						
500 EQUIPMENT						
600 LAND & STRUCTURES						
700 GRANTS, CLAIMS, ETC.						
Revenues Lost	0	0	0	0	0	0
TOTAL						

FUNDING (Thousands of Dollars)

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87 - FY 95
GENERAL FUND						
FEDERAL FUNDS						
OTHER (Specify Source)						

POSITIONS

	FY 82	FY 83	FY 84	FY 85	FY 86	FY 87 - FY 95
FULL TIME						
PART TIME						
TEMPORARY						

III. ANALYSIS (See Fiscal Note Preparation Instruction, Section III)

[See Attachment]

IV. DATE April 7, 1982

PREPARED BY Jeff Haynes, Deputy Commissioner
AGENCY DNR

Original: Legislative Finance

PHONE 465-2400

cc: Budget and Management

Prime Sponsor (First Legislator Named)

33-001 (Rev. 12/81)

An assessment of the fiscal impacts of consummation of the royalty oil contract with Tesoro Alaska Petroleum is necessarily speculative for the following reasons:

1. The potential losses to the State in royalty and severance tax payments because of existing characteristics of the West Coast and Gulf Coast crude oil markets may approach \$4 million annually for the reasons stated in the Commissioner's Findings. However, such losses are contingent on the persistence of those characteristics and the degree to which they remain in effect, which requires predicting the behavior of the domestic and foreign crude oil and products markets over the next 12 years. Moreover, there are conceivable conditions in which the reverse would be true, and the State would actually gain in royalty and severance tax payments through an in-kind taking and sale to Tesoro.

2. Any losses incurred by the State in royalty and severance tax payments from a sale to Tesoro must be weighed against the quantifiable and intangible benefits provided by the existing Tesoro refinery as well as possible expansions thereof. Current revenues provided to the State and its political subdivisions by the Tesoro operation through taxes amount to over \$8 million annually. Direct economic benefits total \$25 million per year. There are also secondary and intangible benefits, including security of supply and competition, which cannot be accurately calculated. Against these benefits must be considered the extent to which a State royalty contract will be likely to contribute to their continuation over the next 12 years.

Again, the actual effect on State revenues and interests is highly speculative and cannot be predicted with much accuracy. Nevertheless, given the comparable magnitude of the potential positive and negative effects, a zero fiscal note is reasonable.