COMMITTEE REPORT

SENATE

FURTHER:

5/8/85

Date ______________________

Mr. President

The Committee on FINANCE considered HJR 24

sharing federal revenue generaged from development of the outer continental shelf.

and (a majority of the committee) (the committee) reports it back with the following recommendations:

[ ] do pass

[ ] do pass with attached amendment(s)

[ ] replace with/or adopt CS for ______________________
[ ] new title
[ ] same title and recommends ______________________

[ ] and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE

[ ] reports it back without recommendation

[ ] recommends referral to ______________________ Committee

MEMBERS SIGNING DO PASS	MEMBERS HAVING OTHER RECOMMENDATIONS
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	______________________
______________________	
______________________	

____
Chairman

____
Chairman recommendation

COMMITTEE REPORT

SENATE

FURTHER: FINANCE

4/23/85

Date 5/8/85

Mr. President

The Committee on RESOURCES considered HJR 24 sharing federal revenue generated from development of the outer continental shelf.

and (a ~~Majority of~~ the committee) (~~the committee~~) reports it back with the following recommendations:

[X] do pass

[ ] do pass with attached amendment(s)

[ ] replace with/or adopt CS for
[ ] new title
[ ] same title and recommends

[ ] and attached a "LETTER OF INTENT" [ ] NEW FISCAL NOTE

[ ] reports it back without recommendation

[ ] recommends referral to ______ Committee

MEMBERS SIGNING DO PASS	MEMBERS HAVING OTHER RECOMMENDATIONS
1 [signature]	
1 Fred Zharoff	
1 V. Fischer	

1 [signature]
Chairman

Do Pass
Chairman recommendation

Introduced: 3/18/85
Referred: Resources and Finance

BY THOMPSON, HERRMANN, BINKLEY, HURLEY, MARTIN, GRUENBERG, SUND, GRUSSENDORF, JENKINS, NAVARRE, TAYLOR, KOPONEN, MUEHLING AND CATO

IN THE HOUSE

HOUSE JOINT RESOLUTION NO. 24

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

Relating to sharing federal revenue generated from development of the outer continental shelf.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:

WHEREAS the State of Alaska is concerned with the potential environmental, economic and social impacts of federal outer continental shelf development activities on its adjacent coastal zone; and

WHEREAS the waters off the coast of Alaska contain 50 percent of the fishery resources in the outer continental shelf of the United States; and

WHEREAS the people of the State of Alaska are critically dependent upon this renewable fisheries resource for both commercial and subsistence use; and

WHEREAS gaps currently exist in the knowledge of these fishery stocks and optimum methods of managing them; and

WHEREAS, because of the fragile nature of Alaska's arctic and subarctic ecosystems, federal outer continental shelf development poses the possibility of severe impacts in coastal areas of the state; and

WHEREAS the development of large-scale energy projects on the outer continental shelf is likely to result in periods of rapid growth followed by difficult periods of economic contraction; and

WHEREAS appropriate precedent exists, as reflected in the Mineral Leasing Act of 1920 and other federal lands leasing programs, to provide financial assistance to states to help mitigate the impacts of resource development on federal lands; and

WHEREAS without federal financial support, the capability of the state

COMMITTEE COPY

engrossed

to manage its valuable ocean and coastal resources, and to participate as a partner in the outer continental shelf oil and gas leasing program, will be seriously diminished;

BE IT RESOLVED by the Alaska State Legislature that the United States Congress and the President of the United States are respectfully urged to implement a program to share federal revenue generated from development of the outer continental shelf with affected coastal states; and be it

FURTHER RESOLVED that this revenue sharing program should include continued support for the coastal management and coastal energy impact programs; and be it

FURTHER RESOLVED that this revenue sharing program should contain funding for research, management, and rehabilitation activities to mitigate the potential environmental, economic, and social impacts of outer continental shelf energy-related facility development on coastal resources; and be it

FURTHER RESOLVED that this program should also include funding for the conversion of facilities, including docks and harbors developed to support the outer continental shelf leasing program, for use by the fishing industry after leasing program activities are completed in a given area.

COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; to the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; to the Honorable David Stockman, Director, Office of Management and Budget; to the Honorable Donald Hodell, Secretary of the Interior; to the Honorable John S. Herrington, Secretary of Energy; to the Honorable James Baker, Secretary of the Treasury; to the Honorable Malcomb Baldridge, Secretary of Commerce; to the Honorable Walter B. Jones, Chairman, House Committee on Merchant Marine and Fisheries; to the Honorable John C. Danforth, Chairman, Senate Committee on Commerce, Science and Transportation; and to the Honorable Ted

HJR 24 engrossed

Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.

engrossed

AJR 24

COMMITTEE COPY

ALASKA STATE LEGISLATURE

14th.... Legislature FIRST. Session

HOUSE JOINT RESOLUTION NO. 24....

By ..THOMPSON, HERRMANN, BINKLEY HURLEY, MARTIN, GRUENBERG, SUND, GRUSSENDORF, JENKINS, NAVARRE, TAYLOR, KOPONEN, UEHLING, CATO

Relating to sharing federal revenue generated from development of the outer continental shelf.

Fed. Revenue Sharing

Introduced in the House 3/18, 19 85

HISTORY IN THE HOUSE

19 85		
		Read first time and referred to Committee on
Mar.	18	RESOURCES AND FINANCE
apr	3	Reported back with recommendation that Resources, 7 do pass To Finance
apr	19	Finance, 8 do pass, 1 no rec To Rules
apr	22	Read second time and adv
apr	22	Read third time and
apr	22	PASSed — Yeas 35, Nays 2, Absent 1, Excused 2; Effective Date — Yeas, Nays, Absent, Excused
		Reconsideration — PASS: Yeas, Nays, Absent, Excused; Effective Date: Yeas, Nays, Absent, Excused
4	22	Reported correctly engrossed
4	22	Signed by Speaker
4	22	Sent to Senate

Irene Paatsen

CHIEF CLERK OF THE HOUSE

HISTORY IN THE SENATE

19 85		
4	23	Read first time and referred to Committee on RES FIN
5	8	Reported back with recommendation that Resources 4 do pass to Finance
		Read second time and
		Read third time and
		PASS — Yeas, Nays, Absent, Excused; Effective Date — Yeas, Nays, Absent, Excused
		Reconsideration — PASS: Yeas, Nays, Absent, Excused; Effective Date: Yeas, Nays, Absent, Excused
		Reported correctly engrossed
		Signed by President
		Returned to House

SECRETARY OF THE SENATE

HISTORY IN THE HOUSE

19

Received from Senate

Concurred in Senate amendment thus adopting: VOTE

Failed to concur in Senate amendment; asked Senate to recede VOTE

Senate receded from amendment VOTE

Senate failed to recede from amendment VOTE

CC appointed by House

CC appointed by Senate

CC adopted by House VOTE

CC adopted by Senate VOTE

To enrolling

Reported correctly enrolled

Sent to Governor

.... by Governor

Filed with Lt. Governor

Chapter No. ....

31-002

COMMITTEE COPY

STATE OF ALASKA 1986 LEGISLATIVE SESSION
FISCAL NOTE

Revision Date :

REQUEST

Bill/Resolution No. : HJR 24
Title : Sharing federal revenue from outer continental shelf

Sponsor : Thompson et al
Requestor :
Date of Request :

FISCAL DETAIL

Agency Affected : All
BRU :

Components :

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 86	FY 87	FY 88	FY 89	FY 90	FY 91
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary

Prepared by : Senator Jan Faiks, Co-chairman
Division : Senate Finance Committee
Phone : 465-4523
Date : 2/10/86

Approved by Commissioner :
Date :
Agency :

Distribution (by Agency preparing fiscal note) :
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

page ___ of ___

10/25/85

Sectional Analysis for HJR 24

House Joint Resolution 24 is sponsored by Reps. Thompson, Herrmann, Binkley, Hurley, Martin, Gruenberg, Sund, Grussendorf, Jenkins, Navarre, Taylor, Koponen, Uehling and Cato.

This resolution expresses the sponsors' concerns for the impact of outer continental shelf development activities defined in terms of dependent fishery resources, the fragile nature of the shoreline, and the social and economic problems of rapid growth and contractions.

HJR 24 evokes the precedence of the Mineral Leasing Act of 1920 to mitigate impact by the federal government on States not only with coastal shorelines, but other States so impacted.

Additionally, the bill requests funding for the conversion of on shore facilities, including docks and harbors developed to support the OCS leasing program, for use by the fishing industry after leasing programs are completed.

This bill was prepared with the knowledge of the bills introduced by Senator Ted Stevens and Representative Don Young, but does not specifically endorse these bills. This is a generic endorsement for the principals involved.

HJR 24

MEMORANDUM

May 7, 1985

TO: All Members
Senate Resources Committee

FROM: Staff
Senate Resources Committee

RE: HJR 24 Relating to sharing federal revenue generated from development of the outer continental shelf.

HJR 24 requests the U.S. Congress and the President to implement a program to share federal revenue from development of the outer continental shelf with affected coastal states.

At the present time, there are bills pending in the U.S. Senate (S. 55) and the U.S. House of Representatives (H.R. 624) that would establish outer continental shelf development revenue sharing with coastal states. While HJR 24 does not specifically support either bill, it does support the concept of federal revenue sharing.

The House has had this resolution under consideration and passed it by a vote of 35 yea and 2 nay.

Enclosures:
1. Sectional analysis
2. OCS Revenue Sharing in Alaska by ISER, University of Alaska
3. Letter of support from Alaska Municipal League
4. Coastal Zone Management newsletter
5. S. 55
6. H.R. 624

ISER RESEARCH SUMMARY

Institute of Social and Economic Research, University of Alaska — January 1985, R.S. No. 26

OCS Revenue Sharing in Alaska

Congress in 1984 proposed to share a maximum of 4 percent of federal petroleum revenues from the Outer Continental Shelf (OCS) with Alaska and the other coastal states—a share that would fall far short of the 25 percent or more of resource revenues that states receive from all other federal lands.

This is one of the findings of a recent report by the University of Alaska's Institute of Social and Economic Research. The report, prepared for the Office of the Governor, compares federal revenue-sharing programs for onshore lands with proposed levels of OCS revenue sharing. OCS lands are currently the only public lands from which the federal government keeps all resource revenues—but Congress came close to enacting an OCS revenue-sharing plan last year and will likely consider such plans again.

Existing Revenue-Sharing Programs for Federal Lands

State and local governments have long argued that they should be compensated for federal ownership of land within or adjacent to their boundaries. They feel they deserve compensation because federal ownership of land costs them control of the land and resources and because federal land is immune from state and local taxation. The federal government has accepted some of these arguments, and over the past 80 years has established a number of programs under which state and local governments collect substantial revenues from federal lands.

In its two largest revenue-sharing plans, the federal government distributes to affected states 25 percent of logging and other revenues from national forests and 50 percent of federal mineral-leasing revenues.[1] In addition to these and other programs that share resource revenues, federal "payment in lieu of taxes" programs attempt to replace actual or potential revenues lost by local governments because they are unable to tax federal lands. These programs provide a steady stream of revenue to local governments affected by activities on adjacent federal lands, even if the lands produce no current revenues.

In 1982, the 12 western states containing most federal lands (including Alaska but not Hawaii) received over 800 million dollars in shared resource revenues and an additional 76 million dollars in payments in lieu of taxes.

OCS Revenue-Sharing Proposals

Over the past decade when the federal government has stepped up its OCS leasing program, coastal states have argued for a share of OCS revenues to help them pay for the increased costs that can accompany this national energy program. These costs include increased costs of services resulting from a sharp increase in population and potential environmental costs of oil spills or other industrial accidents. States have maintained that the federal government should compensate them with a significant share of the development revenues from oil production on the OCS, just as it has historically compensated state and local governments for developments on other federal lands.

In 1984, a conference committee of both houses of Congress agreed on an OCS revenue-sharing bill, although Congress ultimately failed to enact it. Under that bill, 4 percent of OCS revenues would be set aside each year, up to a ceiling of $300 million (the ceiling would increase slightly after 1985). Some of this money would be allocated to various coastal programs, and the remainder would be divided among coastal states under a complicated formula. No state could receive more than 15 percent of available revenues each year and would pass on one-third of what they received directly to local governments.

Potential Alaska Production and Revenues

Alaska may have a lot at stake in the federal government's ultimate decision on OCS revenue sharing. Although there have as yet been no commercial

[1]Under the National Forest Revenue Act of 1908, states receive 25 percent of receipts from national forests located within their borders, and then must pass these revenues on to county governments. The Mineral Leasing Act of 1920 provides states with 50 percent of federal receipts from onshore mineral leases (although Alaska, through a special provision, receives 90 percent of most onshore mineral revenues).

discoveries on the Alaska OCS, most analysts believe the region will yield a number of huge fields, most likely in both the Beaufort and Bering Seas.

Figure 1 shows how hypothetical federal OCS royalties might compare with the state's petroleum revenues derived from state leases on the North Slope (most of projected state petroleum revenues). Both North Slope state and OCS revenues in Figure 1 are based on development scenarios that assume moderate oil prices, with production occurring from both the Beaufort and Bering Seas before the turn of the century. We emphasize that these projected OCS revenues are conditional on discovery and development of reserves of a particular size, and are intended just to show the scale these revenues could reach.[2]

The graph in Figure 1 shows that government OCS royalties could reach $1 billion annually (in 1984 dollars) by the mid-1990s, and that by the late 1990s they could exceed the state's North Slope petroleum revenues—which are expected to decline, after adjusting for inflation. Recent Congressional proposals for dividing up those OCS revenues would put almost all of them into the federal treasury and yield the State of Alaska a small amount—perhaps on the order of $20 to $30 million annually.

On the other hand, if Congress would agree to share OCS revenues in the same proportions as it shares other federal resource revenues, Alaska could stand to collect OCS revenues on a scale 10 times larger—perhaps in the neighborhood of $200 to $500 million annually by the end of the century. [redacted]

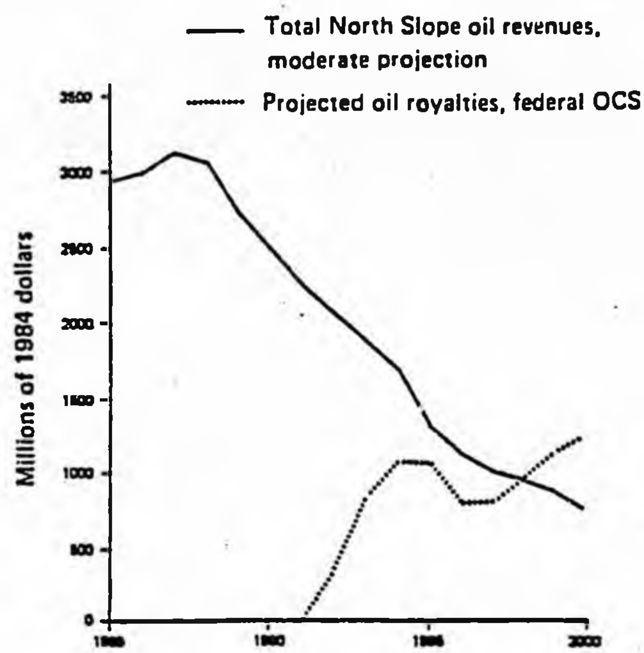

Figure 1. Projected Alaska North Slope Oil Revenues and OCS Royalties

[redacted]

[2]The OCS royalty projections are based on oil development scenarios published by the Minerals Management Service, U.S. Department of the Interior. They assume a constant real wellhead price of $25 per barrel for Bering Sea oil and $15 per barrel for Beaufort Sea oil, with an average royalty share of one-sixth. Figure 1 does not include any potential state or federal revenues from natural gas.

This Research Summary *is based on* Sharing Revenues from the Outer Continental Shelf and Other Federal Lands, *44 pp., prepared for the Office of the Governor, State of Alaska, by Matthew Berman and Karen White of the Institute of Social and Economic Research. Copies of this report are available for reproduction costs of 10 cents per page from ISER, 707 A St., Suite 206, Anchorage, Alaska 99501, telephone 278-4621.*

Alaska Municipal League

TELEPHONES
(907) 586-1325
(907) 586-6526

105 MUNICIPAL WAY, SUITE 301
JUNEAU, ALASKA 99801

TO: Representative Dick Shultz, Co-Chair
Representative Adelheid Herrmann, Co-Chair
Members of the House Resources Committee

FROM: Scott A. Burgess
Executive Director

DATE: April 2, 1985

SUBJECT: HJR 24 - OCS Revenue Sharing

THe Alaska Municipal League supports HJR 24 relating to sharing federal revenue generated from the development of the Outer Continental Shelf (OCS).

At its annual business meeting on November 17, 1984 the membership of the Alaska Municipal League again expressed its support of the program by endorsing enactment by the United States Congress of an OCS Revenue Sharing Program to be funded annually from the proceeds of the oil and gas lease sales on the OCS at the level of at least $300 million. The League further endorses an automatic pass-through of at least one-third of a state's allocation under such a program directly to communities affected by OCS activities. And the League endorses the concept that a state's and community's allocation of OCS Revenue Sharing funds be used for coastal planning and preparation, resources protection programs, construction of capital infrastructure resulting from OCS activity and health and social service needs resulting from OCS activity.

Introduced: 3/18/85
Referred: Resources and Finance

BY THOMPSON, HERRMANN, BINKLEY, HURLEY, MARTIN, GRUENBERG, SUND, GRUSSENDORF, JENKINS, NAVARRE, TAYLOR, KOPONEN AND UEHLING

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FOURTEENTH LEGISLATURE - FIRST SESSION

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WHEREAS gaps currently exist in the knowledge of these fishery stocks and optimum methods of managing them; and

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COPIES of this resolution shall be sent to the Honorable Ronald Reagan, President of the United States; to the Honorable George Bush, Vice-President of the United States and President of the U.S. Senate; to the Honorable David Stockman, Director, Office of Management and Budget; to the Honorable Donald Hodell, Secretary of the Interior; to the Honorable John S. Herrington, Secretary of Energy; to the Honorable James Baker, Secretary of the Treasury; to the Honorable Malcomb Baldridge, Secretary of Commerce; to the Honorable Walter B. Jones, Chairman, House Committee on Merchant Marine and Fisheries; to the Honorable John C. Danforth, Chairman, Senate Committee on Commerce, Science and Transportation; and to the Honorable Ted

Stevens and the Honorable Frank Murkowski, U.S. Senators, and the Honorable Don Young, U.S. Representative, members of the Alaska delegation in Congress.