

HB

124

STATE OF ALASKA
THE LEGISLATURE

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

LEGISLATIVE AFFAIRS AGENCY
LEGISLATIVE REFERENCE LIBRARY

May, 1988

Copies of minutes listed below were originally included in this file. The minutes are available on the STAIRS database CMPR. In order to save space copies of minutes have not been left in the files.

Mary Van Nimwegen

House Resources 3-4-87 8:30 a.m.

HOUSE COMMITTEE REPORT

(9)

Date referred: 2/11/87

FURTHER REFERRALS: Finance

DATE: 3/4/87

The Resources Committee has considered HB 124

"An Act relating to the oil and gas conservation tax; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

_____ (No rec)

_____ (No rec)

Jan Costa
Chairman's signature

Appropriation History

3/18/87

Inherited Mid stream	FY '82 Auth	2220.7	312 (26)
Prepared by Professor Fall of '81	FY '83 Auth	2514.3	324 (27)
Prepared Fall of '82	FY '84 Auth	2203.5	300 (25)
Prepared Fall '83 125,000 & 1 position by Chopt 91 SLA '84	FY '85 Auth	2231.0	312 (26)
Prepared Fall '84	FY '86 Auth	2140.9 (259.8)	312 (26)
Prepared Fall '85	FY '87 Auth	1881.1 (267.2)	300 (25)
Prepared July '86	FY '87 Revised	2140.9 1613.9 (327.2)	273 (25)
Prepared Fall '86	FY '88 Request	2140.9 1445.5	276 (25)

Page A

The regulatory workload of the agency is a function of: (1) the regulatory responsibilities assigned to the commission, and (2) the level of the drilling and production activity performed by the public which the agency regulates.

A major expansion of the regulatory workload is already being experienced subsequent to the June 19, 1986 award by the U.S. Environmental Protection Agency of the ~~primary enforcement responsibility for Class II type underground injection~~ activity in Alaska. The added responsibility stems from Chapter 91 SLA 1984.

During the last half of FY '86 and unquestionably continuing through FY '87, a dramatic drop in drilling activity occurred as a result of the crude price collapse. Well workover activity and increasing production from the Kuparuk, Lisburne and Endicott Pools have more than offset the decline in the drilling workload.

The major challenge facing the agency is the ability to maintain, in the face of loss of funds, a staff capable of ensuring industry compliance with regulatory and statutory law.

B2 BRU ISSUES

(6/86)-b2

AGENCY Department of Commerce and
Economic Development
BRU Oil and Gas Conservation

FY 88

Page 1 of 1

Revised Date:

000249

ACTION NARRATIVE

TAPE #29, SIDE ONE
Number 000

The House Resources Committee meeting is called to order at 8:30 a.m. by Chairman Cotten. Members present are Cotten, Springer, Sund, Hoffman, and Navarre.

Number 008

Chat Chatterton, Chairman of the Oil and Gas Conservation Commission, testifies via teleconference in support of HB 124. Mr. Chatterton summarizes the legislative history of Alaska's oil and gas conservation tax. Chapter 40 of the Session Laws of 1955 established the Oil and Gas Conservation Commission and provided for a tax of five mills, half a cent, for each barrel of oil and for each unit of 50,000 cubic feet of gas produced and sold in the State. The Act also established a special fund known as the oil and gas conservation fund.

Number 026

Mr. Chatterton, quoting from Chapter 40: All monies in the oil and gas conservation fund are appropriated to the Alaska Oil and Gas Conservation Commission. No such monies shall revert to the general fund at the end of any fiscal period but shall remain in the oil and gas conservation fund to cover future operating expenses of the Commission. All monies hereby appropriated shall be expended under the direction of the Commission in accordance with statutes of this Territory.

Number 035

Mr. Chatterton states that at that time the Chairman of the Commission was the Territorial Governor. Following statehood, the fund and tax sections of Chapter 40 became AS 31.05.130 and AS 31.05.140. The oil and gas conservation fund was one of several dedicated funds grandfathered in as an exception to the State Constitution. Some of the special funds, such as the oil and gas conservation fund, were memorialized by Chapter 5 of the Session Laws of 1968, AS 37.05.155.

The oil and gas conservation fund and the five mill tax rate remained unchanged from 1955 until repealed effective July 1, 1970 by section 2, Chapter 246, Session Laws of Alaska 1970. Chapter 32 of the Session Laws of Alaska for 1971 repealed AS 37.05.155(a)(3), which was the oil and gas

conservation fund account. Mr. Chatterton stated that the balance in the account at that time probably reverted to the general fund.

Number 060

Mr. Chatterton: The next step in this history is that Chapter 5 of the first special session of 1973 enacted AS 43.57, known as the oil and gas regulation and conservation act and effective January 1, 1974. That Act levied a tax of one eighth of a cent, 1.25 mills, per barrel of oil produced and no tax upon gas produced. Proceeds went into the general fund because of the Constitutional requirement.

Number 071

Chat Chatterton: House Bill 124 proposes to amend AS 43.57, the oil and gas regulation and conservation tax, to provide revenue for offsetting the funds appropriated for the operation of the Commission. Unamended receipts from the oil and gas regulatory and conservation tax would approximate \$750,000 for FY'88. With passage of HB 124, the revenues would approximate two and a half million dollars. As is the case in several of the oil-producing states, we would like for the tax proceeds to go to a dedicated fund for oil and gas conservation purposes. We are told that the Legislature cannot rescind their 1970 repealer action to keep alive the grandfathered dedicated fund; and Constitutional law closes the door on enacting a new dedicated fund.

8:45 a.m. Representative Shultz arrives.

Number 087

Mr. Chatterton: We view the intent of the amendments as set forth in HB 124 as one of providing funding to offset Commission activities. Should your Committee share this view, may we suggest greater emphasis of this intent by either accompanying the bill with a letter of legislative intent as to why the funds are being asked for, or maybe prepare a committee substitute for HB 124.

Number 098

NO
Mr. Chatterton: I will try and give you a suggestion. I am looking at HB 124 and in particular line 21 of that bill which starts with (c) and it reads, proceeds from the tax must be paid into the, and I would like to insert new verbiage there, oil and gas conservation account within the general fund. Then on line 20 through 2 and line 23, delete the underlined verbiage.

Number 110

Mr. Chatterton suggests that a section 2 be added to the bill which would read: AS 37.05.155(a) is amended by adding a subsection (7), Oil and Gas Conservation Fund, and in AS 43.57.010(c), on line 24, proposes section 2 to be renumbered as section 3.

Number 131

Chairman Cotten: What happens if there is more money than the Commission needs?

Mr. Chatterton: The way I look at it is it's focusing on the fact that the Commission in effect is paying it's own way and hopefully with this number there will be more than the Commission needs. It's all in the general fund. It's got to just roll over and the Legislature obviously will have to appropriate for it as they do right now for our activity. You can't hold it and carry it over from year to year like we used to, I'm sure of that.

Chairman Cotten: There's a special fund now in the general fund for the railbelt energy account, and in order for the Legislature to use that money it takes a special appropriation from that fund. I know that the Governor is about to introduce a bill that would do something like that, so my guess is that it would have to be a special appropriation from the account that you're referring to should the Legislature wish to remove any excess funds from that account.

Number 148

Mr. Chatterton: That could be. As you know, Mr. Chairman, our BRU is about one and a half million dollars for FY'88.

Number 152

Chairman Cotten states that it looks like the bill would raise about two and a half million dollars and that the Commission uses about one and a half, so there would be an excess million dollars. Mr. Chatterton states that when they first started pushing for this type of legislation in 1983, their budget was about two and a half million dollars.

Number 161

Chairman Cotten: So in addition to your other suggestion, you're suggesting that perhaps the Oil and Gas Conservation Commission could stand to be beefed up a little bit.

Mr. Chatterton: I don't think we have that need at the present time, but I would like the funding there should the need ever arise and the Legislature concurs.

Number 168

Chairman Cotten: What sort of circumstances do you foresee that might require that need to arise?

Mr. Chatterton: Increased activity, the development of some of the new fields such as Seal Island.

Number 172

Chairman Cotten notes that Royce Weller is here from the Department of Revenue, if members have questions for Mr. Weller.

Number 178

Chairman Cotten suggests that HB 124 be moved to the Finance Committee. Representative Sund asks about looking at some of Mr. Chatterton's amendments. Chairman Cotten states that he thinks that's more of a question for the Finance Committee than for the Resources Committee; that the Chairman of the Commission's suggestion for a special account in the general fund is probably more appropriately decided in the Finance Committee.

Number 195

Representative Sund moves to pass HB 124 with individual recommendations. There are no objections. HB 124 passes.

Number 209

The House Committee on Natural Resources is adjourned at 8:57 a.m. by Chairman Cotten.



Official Business

Alaska State Legislature

House of Representatives

Committee on Rules

P. O. Box V
Juneau, Alaska 99811

Phone:
(907) 465-3764
465-3765

10:00 a.m. Floor Session

"66th LEGISLATIVE DAY"

HOUSE CALENDAR FOR WEDNESDAY - MARCH 25th, 1987

SECOND READING OF HOUSE BILLS

HB 124 - "An Act relating to the oil and gas conservation tax;
and providing for an effective date."

(Rules by Request of the Governor)

SECOND READING OF HOUSE RESOLUTIONS

HJR 19 - Relating to resident hire on federal projects in the
state.

(Representative Donley)

HJR 22 - Relating to an agreement between the Department of
Defense and the Alaska Department of Labor for
enforcement of Alaskan hire requirements of sec. 8078
of the 1986 Defense Appropriations Act, and
subsequent acts; and urging the Congress to extend
the resident hire provision through fiscal year 1988.

(Representative Boyer)

C I T A T I O N S

*IN MEMORIAM:

*Thane Curry - by Sens. Fischer, Szymanski; Reps. Navarre, Hudson

HOUSE CALENDAR:

HOUSE JOURNAL FEBRUARY 11, 1987

HB 124

HOUSE BILL NO. 124 by the Rules Committee by request of the Governor, entitled:

"An Act relating to the oil and gas conservation tax; and providing for an effective date."

was read the first time and referred to the Resources and Finance Committees.

A fiscal note was published February 11, 1987.

The Governor's transmittal letter, dated February 10, 1987, appears below:

"Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the oil and gas conservation tax.

The primary purpose of the bill is to adjust the existing oil and gas conservation tax in AS 43.57.010 to provide enough additional revenue to the state to cover the amount of the operating costs of the Alaska Oil and Gas Conservation Commission ("commission"). An oil and gas

conservation tax is included in most of the conservation Acts of the 30 oil and gas producing states. The tax would be in the amount of four mills per barrel of crude oil and 50,000 cubic feet of natural gas. Proceeds from the tax would be placed in the general fund. The commission has calculated that approximately \$2,680,000 would be collected annually if this bill were enacted.

The concept of a tax related to oil and gas conservation activities is not new to the state. Section 15, ch. 40, SLA 1955, which created the commission, provided funding by levying a tax on the gross amount of oil and gas produced. The tax rate was then five mills per barrel of oil and per 50,000 cubic feet of natural gas. After statehood, sec. 15 became AS 31.05.130 and 31.05.140.

The original tax was repealed effective July 1, 1970, by ch. 247, SLA 1970.

Effective July 1, 1974, AS 43.57.010, the Oil and Gas Regulation and Conservation Tax, was enacted. Sec. 1, ch. 5, FSSLA 1973. This tax is still in effect. It assesses a tax of 1.25 mills (one-eighth of one cent) per barrel of oil, a 75 percent reduction from the amount of the conservation tax levied up to July 1, 1970. The amount of revenue generated by this tax is not even equal to the operating costs of the commission, and may be perceived by the oil and gas industry

LEGISLATIVE REPORTING SERVICE

Oil & Gas Conservation Tax (adjusting) HOUSE BILL NO. 124, by the Rules Committee by Request of the Governor. Relates to the oil and gas conservation tax (see accompanying letter).

Introduced February 11 and referred to Resources; Finance

In his message accompanying the bill, Governor Cowper stated:

Under the authority of art. III, sec. 13, of the Alaska Constitution, I am transmitting a bill relating to the oil and gas conservation tax.

page 175

The primary purpose of the bill is to adjust the existing oil and gas conservation tax in AS 43.57.010 to provide enough additional revenue to the state to cover the amount of the operating costs of the Alaska Oil and Gas Conservation Commission ("commission"). An oil and gas

conservation tax is included in most of the conservation Acts of the 30 oil and gas producing states. The tax would be in the amount of four mills per barrel of crude oil and 50,000 cubic feet of natural gas. Proceeds from the tax would be placed in the general fund. The commission has calculated that approximately \$2,680,000 would be collected annually if this bill were enacted.

The concept of a tax related to oil and gas conservation activities is not new to the state. Section 15, ch. 40, SLA 1955, which created the commission, provided funding by levying a tax on the gross amount of oil and gas produced. The tax rate was then five mills per barrel of oil and per 50,000 cubic feet of natural gas. After statehood, sec. 15 became AS 31.05.130 and 31.05.140.

The original tax was repealed effective July 1, 1970, by ch. 247, SLA 1970

Effective July 1, 1974, AS 43.57.010, the Oil and Gas Regulation and Conservation Tax, was enacted. Sec. 1, ch. 5, FSSLA 1973. This tax is still in effect. It assesses a tax of 1.25 mills (one-eighth of one cent) per barrel of oil, a 75 percent reduction from the amount of the conservation tax levied up to July 1, 1970. The amount of revenue generated by this tax is not even equal to the operating costs of the commission, and may be perceived by the oil and gas industry as little more than a "nuisance tax." As described earlier, the tax in AS 43.57.010 would be adjusted to include a tax on production of natural gas, and to increase the amount of the tax.

Oil & Gas Conservation Tax (adjusting) HOUSE BILL NO. 124, (see page 175). Reported back to the House March 4 by Resources recommending it do pass. Concurring: Cotten (Chair), Sund, Hoffman, Navarre, Davidson. Not concurring: Springer, Shultz. To Finance.

Oil & Gas Conservation Tax (adjusting) HOUSE BILL NO. 124, (see pages 175;298). Reported back to the House March 20 by Finance recommending it do pass. Concurring: Adams (Chair), Goll, Boyer, Swackhammer, Davis, Brown. Not concurring: Pourchot, Frank, Larson and Rieger had no recommendation. To Rules.

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

Bill version: HB 124
Publish Date: 2/11/87

51

REQUEST

Bill/Resolution No.: 773-87-0074
Title: An Act relating to the Oil and Gas Conservation Tax
Sponsor: rules
Requestor: governor
Date of Request: _____

FISCAL DETAIL

Agency Affected: Oil & Gas Conservation Com.
BRU: _____
Components: _____

EXPENDITURES/REVENUES : (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0					

CAPITAL	0					
---------	---	--	--	--	--	--

REVENUE		2402.8	2212.9	1927.5	1684.9	1373.0
Loss by AS 43.57 repeal		745.2	685.9	590.7	520.9	402.0

FUNDING : (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS :

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : Attach a separate page if necessary
Based on November '86 production record, Prudhoe Oil Pool and Kuparak Oil Pool initiating a production decline rate of 15% starting July 1, 1987; Lisbourne Oil Pool on stream July 1, 1987 at 100,000 b/d; and Endicott Oil Pool on stream July 1, 1986 at 100,000 b/d.

Prepared by: Chat Chatterton *Chat Chatterton/bb* Phone: 279-1433
Division: _____ Date: _____
Approved by Commissioner: *[Signature]* Date: 11/24/86
Agency: _____

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)

(4)

HJR 19

HOUSE JOINT RESOLUTION NO. 19 by Donley, Gruenberg, Boyer, Hoffman, Koponen, Springer and Grussendorf:

Relating to resident hire on federal projects in the state.

was read the first time and referred to the Labor & Commerce and Judiciary Committees.

HOUSE JOURNAL FEBRUARY 27, 1987

HJR 19

Representative Menard added his name as co-sponsor to:

HOUSE JOINT RESOLUTION NO. 19

Relating to resident hire on federal projects in the state.

HOUSE JOURNAL MARCH 6, 1987

HJR 19

The Labor & Commerce Committee has considered:

HOUSE JOINT RESOLUTION NO. 19

Relating to resident hire on federal projects in the state.

and recommends it be replaced with:

COMMITTEE SUBSTITUTE FOR HOUSE JOINT RESOLUTION
NO. 19 (L&C)
(same title)

Recommending do pass (5): Donley (Chairman), Ellis, Menard, Boucher, Koponen

No recommendation (1): Furnace

A zero fiscal note was published March 6, 1987.

HJR 19 was referred to the Judiciary Committee.

HOUSE JOURNAL MARCH 11, 1987

HJR 19

Representative Swackhammer added his name as co-sponsor to:

HOUSE JOINT RESOLUTION NO. 19

Relating to resident hire on federal projects in the state.

HOUSE COMMITTEE REPORT

(7)

Date referred: 3/6/87

FURTHER REFERRALS:

3/25

Rules

DATE: 3-23-87

The Judicial Committee has considered HJR 19

Relating to resident hire on federal projects in the state.

RECOMMENDS:

- replace with CS HJR 19 (L+C) the same title
- attached amendment(s) a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published 3/6/87
- zero with analysis

SIGNING DO PASS:

[Signature]

[Signature]

[Signature]

[Signature]

[Signature]

SIGNING OTHER RECOMMENDATIONS:

[Signature] NO REC

[Signature] to be

Chairman's signature

LEGISLATIVE REPORTING SERVICE

Resident Hire
(on federal
projects)

HOUSE JOINT RESOLUTION NO. 19, by Reps. Donley, Gruenberg, Boyer, Hoffman, Koponen, Springer and Grussendorf. Requests members of the Alaska delegation in Congress to introduce and seek the passage of federal legislation giving an employment preference to unemployed qualified state residents on all construction projects in the state that are wholly or partially funded with federal funds.

Introduced February 20 and referred to Labor & Commerce; Judiciary.

Resident Hire
(on federal
projects)

HOUSE JOINT RESOLUTION NO. 19, (see pages 221;254). Reported back to the House March 6 by Labor & Commerce recommending it be replaced with a substitute and that it do pass. Concurring: Donley (Chair), Ellis, Menard, Boucher, Koponen. Not concurring: Furnace had no recommendation. To Judiciary.

The L&C substitute adds several new "whereas clauses" relating to unemployment in the state. Adds a new "resolve clause" that encourages the federal government to hire as many state residents as possible and practicable for federal positions located in the state, including temporary and seasonal positions. Expands list of persons to whom the resolution will be sent to include the President, Secretarys of Commerce, Defense, Interior and Labor. Also adds John Katz, Director of State/Federal Relations, Office of the Governor.

HJR 22

HOUSE JOINT RESOLUTION NO. 22 by Boyer, Donley, Pourchot, Brown, Davis, Gruenberg, Wallis, Herrmann, Larson and Menard:

Relating to an agreement between the Department of Defense and the Alaska Department of Labor for enforcement of the Alaskan hire requirements of sec. 8078 of the 1986 Defense Appropriations Act, and subsequent acts; and urging the Congress to extend the resident hire provision through fiscal year 1988.

was read the first time and referred to the Labor & Commerce Committee.

Resident Hire (Dept. of Defense & Dept. of Labor)

HOUSE JOINT RESOLUTION NO. 22, by Reps. Boyer, Donley, Pourchot, Brown, Davis, Gruenberg, Wallis, Herrmann, Larson, Menard, Shultz. Encourages the Department of Defense and the state Department of Labor to enter into an agreement under which the state would monitor and enforce compliance with section 8078 of the 1986 Defense Appropriations Act, and subsequent acts. Encourages Congress to extend the resident hire provisions of sec. 8078 through fiscal year 1988.

Introduced March 18 and referred to Labor & Commerce.

HOUSE COMMITTEE REPORT

Date referred: 3/18/87

FURTHER REFERRALS:

DATE: 3/24/87

The Labor & Commerce Committee has considered

HJR 22

Relating to an agreement between the Department of Defense and the Alaska Department of Labor for enforcement of the Alaskan hire requirements of sec. 8078 of the 1986 Defense Appropriations Act, and subsequent acts; and urging the Congress to extend the resident hire provision through fiscal year 1988.

RECOMMENDATION:

- [] replace with [] the same title
[] attached amendment(s) [] a new title

- [X] do pass
[] do not pass
[] no recommendation
[] individual recommendations
[] additional referral to the [] Committee

ADVERTS: [] letter of intent [] Committee

ATTACHING NEW FISCAL NOTE(S):

- [] fiscal impact
[X] zero fiscal note
[] zero with analysis

[] same as previous fiscal note published

[] same as previous zero fiscal note published

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

Handwritten signatures: Bill Donley, Donley

Handwritten signature: W. F. ... no pass

Handwritten signature: David Donley, Chairman's signature

BSN: 143

ALASKA HOUSE OF REPRESENTATIVES
HB 124

1ST SESSION 15TH LEG

3/26/87 10:58 AM

32 YEAS 8 NAYS 0 EXC 0 ABS

Y	ADAMS	Y	DONLEY	Y	<u>HUDSON</u>	Y	FOURCHOT
(N)	BARNES	Y	ELLIS	Y	KOPONEN	Y	<u>RIEGER</u>
Y	BOUCHER	Y	FRANK	Y	LARSON	Y	<u>SHULTZ</u>
Y	BOYER	Y	<u>FURNACE</u>	(N)	MARTIN	Y	SPRINGER
Y	BROWN	Y	GOLL	(N)	MENARD	Y	SUND
Y	CATO	Y	GRUENBERG	Y	MILLER	Y	SWACKHAMMER
(N)	COLLINS	Y	GRUSSENDORF	Y	NAVARRE	Y	<u>TAYLOR</u>
Y	COTTEN	(N)	HANLEY	Y	<u>PEARCE</u>	Y	ULMER
Y	DAVIDSON	Y	HERRMANN	(N)	PETTYJOHN	Y	WALLIS
Y	DAVIS	Y	HOFFMAN	(N)	PHILLIPS	(N)	ZAWACKI

+ VOTED FOR

* CHANGED VOTE

Samuel
Cotton

1 This bill conforms with this administrator's policy of having the industry that is being regulated pay the cost of the regulator.

2 The O & G Commission is an independent quasi-judicial agency ^{1st established in 1955} whose responsibilities include ensuring that O & G drilling, production, reservoir depletion and metering operations

comply with the ~~the~~ O & G Conservation Act.

3 The ~~budgets~~ ^{operating expenses} for the commission have been substantially less than the \$ provided from the conservation tax & this bill would reverse that situation.

3

The original tax in 1955 was 5 mills and was a dedicated fund. The legislature repealed the ~~the~~ dedicated fund & as a result it is no longer revenue. A option The dedicated asset

6

I feel this legislation is ^a insult for the & appropriate method of proving the costs of this very important mission.

4

Repeals in 70

This TAX admits (24)

ered:
ent of criminal fines
h:
HOUSE BILL NO. 106
Chairman), Ulmer, Navarre,
Barnes (signed "we need
ns.")
zero fiscal notes with
1987.
e Committee.

HB 122

and recommends it be replaced with:

COMMITTEE SUBSTITUTE FOR HOUSE BILL NO. 122
(Judiciary)
(same title)

Recommending do pass (2): Sund (Chairman), Ulmer

Recommending do not pass (1): Taylor

No recommendation (3): Cotten, Navarre, Barnes

Other recommendations (1): Gruenberg (signed "do not pass
unless amended to allow compromise in certain cases -
particularly certain divorce cases as per Judiciary
Committee 'Gruenberg amendment #3'")

The same zero fiscal note published February 11, 1987,
applies to CS HB 122(Jud).

HB 122 was referred to the Finance Committee.

s considered:
farming; and providing
h:
SE BILL NO. 108 (L&C)
(signed "with full public
"), Menard (signed "with
hairman), Furnace, Koponen,
iscal note were published
ces Committee.

HB 124

The Resources Committee has considered:

HOUSE BILL NO. 124
"An Act relating to the oil and gas conservation
tax; and providing for an effective date."

Recommending do pass (5): Cotten (Chairman), Sund, Hoffman,
Navarre, Davidson

No recommendation (2): Springer, Shultz

HB 124 was referred to the Finance Committee.

ered:
thority to compromise

HB 142

The State Affairs Committee has considered:

HOUSE BILL NO. 142
"An Act relating to wages and benefits for certain
legislative employees; and providing for an
effective date."

Recommending do pass (7): Ulmer (Chairman), Davidson,
Donley, Menard, Martin, Boucher, Hoffman

A fiscal note, a zero fiscal note and a zero fiscal note
with analysis were published March 4, 1987.

A letter of intent, signed by Ulmer (Chairman), appears
below:

BRU NARRATIVE

OIL & GAS CONSERVATION

THE ALASKA OIL & GAS CONSERVATION COMMISSION IS AN INDEPENDENT QUASI-JUDICIAL AGENCY ESTABLISHED WITHIN THE EXECUTIVE BRANCH BY THE LEGISLATURE TO ENSURE THAT OIL & GAS DRILLING, PRODUCTION, RESEVOIR DEPLETION & METERING OPERATIONS CONDUCTED ON LANDS SUBJECT TO THE STATE'S POLICE POWERS ARE IN COMPLIANCE WITH THE ALASKA OIL & GAS CONSERVATION ACT (AS 31.05).

THE ACT PROHIBITS THE PHYSICAL WASTE OF CRUDE OIL & NATURAL GAS, PROTECTS THE CORRELATIVE RIGHTS OF OWNERS WITH OIL & GAS RIGHTS, & PROVIDES FOR THE MAXIMUM ULTIMATE RECOVERY OF OIL & GAS THAT IS PRUDENTLY FEASIBLE. THE COMMISSION IS EMPOWERED TO CITE & LEVY FINES FOR VIOLATIONS OF THE ACT, REGULATION OR ORDER OF THE COMMISSION, & SEEK INJUNCTIVE RELIEF TO PREVENT CONTINUANCE OF A VIOLATION.

SEVERANCE & OIL & GAS REGULATION TAXES ARE LEVIED ON PRODUCTION. REVENUE ACCRUES FROM ROYALTY PRODUCTION ON STATE LEASES. THE PREVENTION OF WASTE ENHANCES THESE INCOME SOURCES & SERVES THE PUBLIC GOOD BY PROVIDING INCREASED FUNDING TO MEET THE PUBLIC NEEDS.

06-08-13-05-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

SALSFRMA 16:09 1/28/87

AGENCY: DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
CATEGORY: PUBLIC PROTECTION

PROGRAM: REAL ESTATE COMMISSION
SUB-PROGRAM: DATA AND WORD PROCESSING

LEG. FIN.

***** FY87 REV ANALYSIS *****

STATE OF ALASKA -- BUDGET UNIT SUMMARY

SALSFRMA 11:23 1/29/87

AGENCY: DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT PROGRAM: OIL & GAS CONSERVATION
CATEGORY: PUBLIC PROTECTION

LEG. FIN.

COMPONENT DESCRIPTION	FY87 ATH	FY87 REV	TRANSFER	DECRMTS	INCRMNTS	GOVERNOR	HOUSE	SENATE	C. C.	BILLS
OPERATIONS	1776.6	1518.2	-32.8			1485.4				
DATA AND WORD PROCESSING	104.5	95.7	-4.4			95.3				
** TOTAL	1881.1	1613.9	-33.2			1580.7				
** CHANGE VERSUS FY87 ATH				-100.0%	-100.0%	-100.0%	-15.9%	-100.0%	-100.0%	
OBJECT DESCRIPTION										
PERS. SERV.	1521.4	1362.4	-33.2			1329.2				
TRAVEL	158.7	98.0				98.0				
CONTRACTUAL	173.9	135.4				135.4				
COMMODITIES	21.7	18.1				18.1				
EQUIPMENT	5.4									
FUNDING SUMMARY										
FED. RECEIPT	100.0	100.0				100.0				
GENERAL FUND	1781.1	1513.9	-33.2			1480.7				
** GENERAL FUND CHANGE VS. FY87 ATH				-100.0%	-100.0%	-100.0%	-16.8%	-100.0%	-100.0%	
POSITIONS										
FULL TIME	25.0	25.0				25.0				
STAFF MONTHS	300.0	273.0				273.0				

06-08-14-06-00 (08-46-2-50-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 16:09 1/28/87

AGENCY: DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
CATEGORY: PUBLIC PROTECTIONPROGRAM: OIL & GAS CONSERVATION
SUB-PROGRAM: OPERATIONS

LEG. FIN.

EXPENDITURES & FUNDING	FISCAL YEAR 1988												
	(01) FY86 ACT	(02) FY87 ATH	(03) FY87 REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMTS	(07)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS	(13) LEG.REC.
01 PERS. SERV.	1487.8	1442.4	1283.4	-32.8				1250.6					
02 TRAVEL	104.1	158.7	98.0					98.0					
03 CONTRACTUAL	132.2	150.9	120.4					120.4					
04 COMMODITIES	17.6	19.2	16.4					16.4					
05 EQUIPMENT	5.7	5.4											
06 LANDS/BLDGS													
07 GRANTS, CLMS													
08 MISC.													
** TOTAL EXPEND	1747.4	1776.6	1518.2	-32.8				1485.4					
09 I-A TRANSFER	10.3	13.7	13.7					13.7					
1002 FED RCPTS		100.0	100.0					100.0					
1004 GEN FUND	1747.4	1676.6	1418.2	-32.8				1385.4					
15 FULL TIME	25.0	24.0	24.0					24.0					
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS	300.0	288.0	261.0					261.0					

06-08-14-06-00 (08-46-2-50-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

SALSFRMA 16:09 1/28/87

AGENCY: DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
 CATEGORY: PUBLIC PROTECTION

PROGRAM: OIL & GAS CONSERVATION
 SUB-PROGRAM: OPERATIONS

LEG. FIN.

***** FY87 REV ANALYSIS *****

OBJECT GROUP	VARIATION		DESCRIPTION: FY87 REV (\$1,518.2) VERSUS FY87 ATH (\$1,776.6)
01 PERS. SERV.	-159.0	-11.0%	REDUCE STAFF MONTHS BY HOLDING VACANT A PFT SENIOR PETROLEUM GEOLOGIST FOR SIX MONTHS, A PFT SENIOR PETROLEUM ENGINEER FOR SIX MONTHS, A PFT PETROLEUM INSPECTOR FOR SIX MONTHS, AND A PFT PETROLEUM CARTOGRAPHER FOR NINE MONTHS <\$159.0>.
02 TRAVEL	-60.7	-38.2%	REDUCE TRAVEL, PRIMARILY FOR FIELD INSPECTIONS <\$60.7>.
03 CONTRACTUAL	-30.5	-20.2%	REDUCE CONTRACTUAL SERVICES <\$30.5>.
04 COMMODITIES	-2.8	-14.6%	REDUCE SUPPLIES <\$2.8>.
05 EQUIPMENT	-5.4	-100.0%	DELETE FUNDING FOR REPLACEMENT EQUIPMENT <\$5.4>.
** TOTALS	-258.4	-14.5%	

***** GOVERNOR'S ANALYSIS (87 REV TO 88 GOV) *****

TOTAL	GEN_FUND	OTH_FUND	PFT	PPT	DESC
-33.2	-33.2	0.0	0.0	0.0	TRANSFER TO RIP BRU #2130
0.4	0.4	0.0	0.0	0.0	TRANSFER FROM OIL & GAS COM DP #2131
0.0	0.0	0.0	0.0	0.0	IOCC INCREASE IN ANNUAL ASSESSMENT #2132

06-08-14-07-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET SUMMARY

SALSFRMA 16:09 1/28/87

AGENCY: DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
CATEGORY: PUBLIC PROTECTIONPROGRAM: OIL & GAS CONSERVATION
SUB-PROGRAM: DATA AND WORD PROCESSING

LEG. FIN.

----- F I S C A L Y E A R 1 9 8 8 -----

EXPENDITURES & FUNDING	(01) FY86 ACT	(02) FY87 ATH	(03) FY87 REV	(04) TRANSFER	(05) DECRMTS	(06) INCRMTS	(07)	(08) GOVERNOR	(09) HOUSE	(10) SENATE	(11) C. C.	(12) BILLS	(13) LEG.REC.
01 PERS. SERV.	78.1	79.0	79.0	-.4				78.6					
02 TRAVEL													
03 CONTRACTUAL	15.1	23.0	15.0					15.0					
04 COMMODITIES	2.4	2.5	1.7					1.7					
05 EQUIPMENT	3.3												
06 LANDS/BLDGS													
07 GRANTS, CLMS													
08 MISC.													
** TOTAL EXPEND	98.9	104.5	95.7	-.4				95.3					
09 I-A TRANSFER													
1004 GEN FUND	98.9	104.5	95.7	-.4				95.3					
15 FULL TIME	1.0	1.0	1.0					1.0					
16 PART TIME													
17 TEMPORARY													
18 STAFF MONTHS	12.0	12.0	12.0					12.0					

BRU NARRATIVE

ALASKA POWER AUTHORITY

THE LEGISLATURE ESTABLISHED THE ALASKA POWER AUTHORITY AS A PUBLIC CORPORATION IN 1976 (AS 44.56.030) & HAS AMENDED & EXPANDED THE AGENCY'S FUNCTIONS THROUGH SUBSEQUENT LEGISLATION. IN MEETING ITS LEGISLATIVE MANDATES, THE POWER AUTHORITY IDENTIFIES, EVALUATES, DEVELOPS, & OPERATES ELECTRICAL POWER PRODUCTION FACILITIES THROUGHOUT ALASKA, UTILIZING THE MOST APPROPRIATE TECHNOLOGY, EXCEPT NUCLEAR GENERATION, FROM AMONG THOSE THAT ARE COMMERCIALY AVAILABLE.

IN FULFILLING THIS MANDATE, THE POWER AUTHORITY IS AUTHORIZED TO CONDUCT RECONNAISSANCE & FEASIBILITY STUDIES, ISSUE BONDS, ADMINISTER LOANS & OTHER GRANT PROGRAMS, DESIGN, CONSTRUCT & OPERATE POWER PROJECTS, & ENTER INTO CONTRACTS FOR POWER SALES. THE EXTENT OF THE POWER AUTHORITY'S INVOLVEMENT IN ANY PROJECT DEPENDS ON LOCAL NEEDS, RESOURCES & PREFERENCES, PROJECT DEMANDS, & STATE BUDGET PRIORITIES.

AMONG THE PROGRAMS ADMINISTERED BY THE POWER AUTHORITY ARE THE ENERGY PROGRAM FOR ALASKA, THE RURAL ELECTRIFICATION PROGRAM, THE WASTE HEAT RECOVERY PROGRAM, THE POWER PROJECT LOAN FUND, THE POWER COST EQUALIZATION PROGRAM & THE RURAL ELECTRIFICATION REVOLVING LOAN FUND.

06-08-14-07-00 (00-00-0-00-00-00)

STATE OF ALASKA -- COMPONENT BUDGET ANALYSIS

SALSFRMA 16:09 1/28/87

AGENCY: DEPARTMENT OF COMMERCE & ECONOMIC DEVELOPMENT
CATEGORY: PUBLIC PROTECTION

PROGRAM: OIL & GAS CONSERVATION
SUB-PROGRAM: DATA AND WORD PROCESSING

LEG. FIN.

***** FY87 REV ANALYSIS *****

OBJECT GROUP	VARIATION		DESCRIPTION: FY87 REV (\$95.7) VERSUS FY87 ATH (\$104.5)
03 CONTRACTUAL	-8.0	-34.8%	REDUCE PROFESSIONAL SERVICES <\$1.5>, AND REPAIR AND MAINTENANCE CONTRACTS <\$6.5>.
04 COMMODITIES	-0.8	-32.0%	REDUCE DATA PROCESSING SUPPLIES <\$0.8>.
** TOTALS	-8.8	-8.4%	

***** GOVERNOR'S ANALYSIS (87 REV TO 88 GOV) *****

TOTAL	GEN_FUND	OTH_FUND	PFT	PPT	DESC
-0.4	-0.4	0.0	0.0	0 0	TRANSFER TO OIL & GAS CONS COM OPERATIONS #2140

STEVE COWPER
GOVERNOR



STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

February 10, 1987

The Honorable Ben Grussendorf
Speaker of the House
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representative Grussendorf:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill relating to the oil and gas conservation tax.

The primary purpose of the bill is to adjust the existing oil and gas conservation tax in AS 43.57.010 to provide enough additional revenue to the state to cover the amount of the operating costs of the Alaska Oil and Gas Conservation Commission ("commission"). An oil and gas conservation tax is included in most of the conservation Acts of the 30 oil and gas producing states. The tax would be in the amount of four mills per barrel of crude oil and 50,000 cubic feet of natural gas. Proceeds from the tax would be placed in the general fund. The commission has calculated that approximately \$2,680,000 would be collected annually if this bill were enacted.

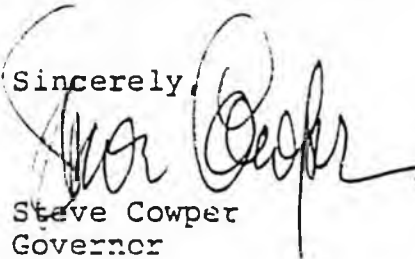
The concept of a tax related to oil and gas conservation activities is not new to the state. Section 15, ch. 40, SLA 1955, which created the commission, provided funding by levying a tax on the gross amount of oil and gas produced. The tax rate was then five mills per barrel of oil and per 50,000 cubic feet of natural gas. After statehood, sec. 15 became AS 31.05.130 and 31.05.140.

The original tax was repealed effective July 1, 1970, by ch. 247, SLA 1970.

Effective July 1, 1974, AS 43.57.010, the Oil and Gas Regulation and Conservation Tax, was enacted. Sec. 1, ch. 5, FSSLA 1973. This tax is still in effect. It assesses a tax of 1.25 mills (one-eighth of one cent) per barrel of oil, a 75 percent reduction from the amount of the conservation tax levied up to July 1, 1970. The amount of revenue generated

by this tax is not even equal to the operating costs of the commission, and may be perceived by the oil and gas industry as little more than a "nuisance tax." As described earlier, the tax in AS 43.57.010 would be adjusted to include a tax on production of natural gas, and to increase the amount of the tax.

Sincerely,



Steve Cowper
Governor

**STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE**

REQUEST: _____

Bill Version: HB 124

Publish Date: _____

Revision Date: _____
Title: "An Act relating to the Oil and Gas Conservation Tax."

Agency Affected: Oil & Gas Cons. Comm.

BRU: _____

Sponsor: Rules

Components: _____

Requestor: Governor

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0
REVENUE		1,657.6	1,527.0	1,330.8	1,164.0	910.8

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

Based on November 1986 production record, Prudhoe Oil Pool and Kuparuk Oil Pool initiating a production decline rate of 15% starting July 1, 1987; Lisbourne Oil Pool on stream July 1, 1987 at 100,000 b/d; and Endicott Oil Pool on stream July 1, 1988 at 100,000 b/d.

Prepared by: Chat Chatterton Phone: 279-1433
Division: Oil & Gas Conservation Committee Date: 2/15/87

Approved by Commissioner: J. Anthony Smith Date: 2/18/87
Agency: Department of Commerce and Economic Development

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impact Agency(ies)
- Senate Secretary

STATE OF ALASKA 1987 LEGISLATIVE FISCAL NOTE

REQUEST _____

Bill Version: HB 124
 Publish Date: _____

Revision Date: 2/17/87
 Title: Relating to the Oil and Gas Conservation Tax
 Sponsor: Rules Committee
 Requestor: Governor

Agency Affected: Revenue
 BRU: _____
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	408	1561	1501	1391	1341	1241

FUNDING: (Thousands of Dollars)

GENERAL FUND	-	-	-	-	-	-
FEDERAL FUNDS	-	-	-	-	-	-
OTHER	-	-	-	-	-	-
TOTAL	-	-	-	-	-	-

POSITIONS:

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

ANALYSIS: Attach a separate page if necessary

This bill would increase the conservation tax on oil production from 1.25 mills per barrel to 4.0 mills per barrel. At the same time a conservation tax would be levied on natural gas production at the rate of 4.0 mills for every 50,000 cubic feet. This proposed change would increase State revenues by approximately \$1.5 million per year. This analysis assumes an effective date of March 1, 1987.

Prepared By: Charles L. Logsdon *Charles L. Logsdon* Phone: 276-5364
 Division: Research/Revenue Date: 2/17/87

Approved by Commissioner: Hugh Malone *Hugh Malone* Date: _____
 Agency: Department of Revenue

Distribution (by Agency preparing fiscal note):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

