

SJR

8

SENATE COMMITTEE REPORT

FURTHER:

DATE TURNED INTO OFFICE 4/7/88

Mr. President:

FINANCE Committee considered SJR 8

federal tax on imported oil.

and recommended:

replace with CS FOR \_\_\_\_\_ )  same title  
 or adopt \_\_\_\_\_ CS FOR \_\_\_\_\_ )  new title

attached amendment(s) and

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted \_\_\_\_\_

Committee  attached or  adopted fiscal note(s)

new  updated or  previous  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Paul Trieb  
Dolores Riney  
W. Kunkle  
PAU...

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Paul Halford do pass  
Chairman signature and recommendation

Committee Backup Attached

STATE OF ALASKA  
1988 LEGISLATIVE SESSION

BILL VERSION: SJR 8  
PUBLISH DATE: \_\_\_\_\_

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Federal tax on imported oil

Agency Affected: Dept of Natural Resources  
BRU: Petroleum Management

Sponsor: Josephson, Kelly, Halford,  
Requestor: Senate Finance Committee

Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		0	0	0	0	0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		*	*	*	*	*
---------	--	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND		0	0	0	0	0
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

\* See Attached

Prepared by: *Rick Halford*  
Division: Senator Rick Halford, Co-chairman  
Senate Finance Committee

Phone: 465-4958

Date: 4/7/88

Approved by Commissioner: \_\_\_\_\_  
Agency: \_\_\_\_\_

Date: \_\_\_\_\_

Distribution (by preparer):

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

It is not anticipated that a federal import tax on imported oil would generate increased expenditures from either the operating or capital budgets. The tax would increase income to the state treasury by increasing the wellhead price of Alaska oil. Actual monetary benefits will depend upon the actual amount of the proposed tariff and the projected wellhead price. At this time it is not known if the wellhead price of Alaskan crude could adjust to match the tariff increase. Thus, all that can be said is that for every one dollar increase in wellhead price, between \$135 million and \$150 million would annually accrue to the state treasury as a result of increased royalties and severance taxes. Assuming a ten dollar per barrel tariff and a full corresponding adjustment to wellhead prices, at current production levels, the state would receive about \$1.35 to \$1.50 billion dollars annually.

By raising the wellhead price of domestic oil, and in effect, creating a floor price for domestic oil, the federal tariff would also encourage (1) more intensive drilling and production in existing reservoirs; (2) development of marginal fields near Prudhoe Bay, such as offshore Lisburne, Pt. Thompson, and Gwyder Bay; and (3) exploration in more remote, wildcat areas.

1 IN THE SENATE

BY JOSEPHSON, KELLY, HALFORD  
AND STURGULEWSKI

2

SENATE JOINT RESOLUTION NO. 8

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

Relating to a federal tax on imported

6

oil.

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

8 WHEREAS rapidly fluctuating oil prices create an unstable environment  
9 in Alaska and the United States for business planning and investment and  
10 threaten the stability of the domestic petroleum exploration and develop-  
11 ment industry, the stability of which is vital to the national security;  
12 and

13 WHEREAS the continuation of energy conservation measures and further  
14 development of alternative energy technologies could be jeopardized by  
15 sharp declines in oil prices; and

16 WHEREAS the federal government needs additional revenue to reduce the  
17 federal deficit and the threat of another period of high inflation; and

18 WHEREAS Americans face the prospect of significant budget reductions  
19 in federal programs that are vital to the health, education, and welfare of  
20 many Americans, but the imposition of an oil import tax would moderate the  
21 severity of these reductions; and

22 WHEREAS a precipitous decline in oil prices results in major reduc-  
23 tions in revenue to oil-producing states, subjecting them to undue hard-  
24 ships in providing the governmental services and infrastructure support  
25 needed to continue the production of domestic oil at the same time that  
26 these states are being given expanded responsibility as a result of dimin-  
27 ishing federal participation through revenue-sharing and similar programs;

28 BE IT RESOLVED that the Alaska State Legislature encourages the United  
29 States Congress to impose a federal tax on imported oil, the revenue to be

1 used to reduce the federal deficit.

2 COPIES of this resolution shall be sent to the Honorable Ronald  
3 Reagan, President of the United States; the Honorable George Bush, Vice-  
4 President of the United States and President of the U.S. Senate; the Honor-  
5 able Jim Wright, Speaker of the U.S. House of Representatives; the  
6 Honorable Robert Byrd, Majority Leader of the U.S. Senate; and to the  
7 Honorable Ted Stevens and the Honorable Frank Murkowski, U.S. Senators, and  
8 the Honorable Don Young, U.S. Representative, members of the Alaska delega-  
9 tion in Congress.

FISCAL NOTE

REQUEST:

Revision Date: \_\_\_\_\_  
Title: Relating to a federal tax on  
imported oil.  
Sponsor: Josephson, et al  
Requestor: Senate Finance

Agency Affected: Revenue  
BRU: \_\_\_\_\_  
Components: \_\_\_\_\_

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
OPERATING						
PERSONAL SERVICES	-	-	-	-	-	-
TRAVEL	-	-	-	-	-	-
CONTRACTUAL	-	-	-	-	-	-
SUPPLIES	-	-	-	-	-	-
EQUIPMENT	-	-	-	-	-	-
LANDS & STRUCTURES	-	-	-	-	-	-
GRANTS, CLAIMS	-	-	-	-	-	-
MISCELLANEOUS	-	-	-	-	-	-
TOTAL OPERATING	-	-	-	-	-	-
CAPITAL	-	-	-	-	-	-
REVENUE	-	807.8	653.4	634.4	592.8	528.1

FUNDING: (Thousands of Dollars)

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

POSITIONS:

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

ANALYSIS: (Attach a separate page if necessary)

(see attached)

Prepared By: Royce B. Weller Phone: 465-2300  
Division: Commissioner's Office Date: 03/02/88

Approved by Commissioner: Hugh Malone Date: 03/02/88  
Agency: Department of Revenue

Distribution (by preparer):

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

## SJR 8 Fiscal Note Analysis

Current legislation to tax imported oil amounts to an approximate \$5/bbl charge based on current oil prices. This fiscal note assumes that this tax results in a dollar for dollar increase of \$5/bbl in the price of Alaskan oil over what it would have been in the absence of the tax. The revenue impacts are based on March projections of Alaska North Slope production and include only the impact on royalties and severance tax.

The import tax on petroleum and petroleum products would without a doubt help prevent what could be an abrupt and severe dislocation in the Alaskan economy due to the tax base erosion, devaluation of State royalties, and decline in oil industry activity which may result from the recent oil price plunge. However, a clear majority of economists feel such a tax is on balance not a good idea for the nation as a whole. This department cannot evaluate the short and long term effects on Alaska which may result from political considerations rising out of economic consequences on the national scene.

13

STATE OF ALASKA 1987 LEGISLATIVE SESSION  
FISCAL NOTE

REQUEST: \_\_\_\_\_

Bill Version: SJR 8  
Publish Date: 3-11-87

Revision Date: February 24, 1987  
Title: Federal tax on imported oil

Agency Affected: Natural Resources  
BRU: Petroleum Management

Sponsor: John Eason, Kelly, Halford, Sturgeon, Lewis  
Requestor: \_\_\_\_\_

Components: Petroleum Management

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-

CAPITAL						
---------	--	--	--	--	--	--

REVENUE		*	*	*	*	*
---------	--	---	---	---	---	---

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

\* SEE ATTACHED

Prepared by: James E. Eason  
Division: Oil and Gas

Phone: 762-4241  
Date: February 24, 1987

Approved by Commissioner: John Eason, Deputy  
Agency: Natural Resources

Date: 2/25/86

Distribution (by preparer):  
Legislative Finance  
Legislative Sponsor  
Requestor  
Office of Management and Budget  
Impacted Agency(ies)  
Senate Secretary

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FEB 23 1987

LEGISLATIVE FINANCE

page 1 of 2

*New DNR  
FN  
w/ current date?*

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FEB 26 1987

LEGISLATIVE FINANCE

# ALASKA STATE SENATE

JOE P. JOSEPHSON  
DISTRICT H ANCHORAGE  
3111 C STREET, SUITE 550  
ANCHORAGE, ALASKA 99503  
(907)561-7611



WHILE IN JUNEAU  
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JUNEAU, ALASKA 99811  
(907)465-4525

Senate Finance  
March 4, 1988

## OIL IMPORT FEE RESOLUTION

### Oil Imports:

--In 1985, the United States imported 4.9 million barrels of oil per day, about 30% of our total consumption.

--In 1987, the United States imported almost 7 million barrels of oil per day, nearly 40% of total consumption.

--Experts tell us that oil imports could comprise as much as 50% of the United States' consumption by 1990.

### Benefits of a Federal Tax on Imported Oil:

(House Research Memo, 2/7/86)

--estimated federal revenues of \$26 million per day (on projected imports of 3.3 million barrels per day of crude oil and 1.9 million barrels per day of refined products in 1986, at \$5/barrel tax);

--the potential for reducing the federal budget deficit and thereby lowering interest rates;

--a stabilizing effect on the U.S. oil industry and its employment which have been badly bruised under current declines in crude oil prices;

--encouragement of domestic oil exploration and production;

--less likely failure of banks heavily burdened with energy loans;

--enhanced revenues to energy-producing states such as Alaska, Texas, California, Louisiana, and Oklahoma.

### Revenue Implications for Alaska:

--If the wellhead price of Alaskan crude could adjust to match the tax increase, for every \$1 increase in wellhead prices, between \$135 million and \$150 million would accrue to the State treasury as a result of increased royalties and severance taxes.

--At current production levels, assuming a \$5/barrel import fee, the State could receive as much as \$750 million a year.

SENATE COMMITTEE REPORT

FURTHER:

FINANCE

DATE TURNED INTO OFFICE \_\_\_\_\_

3/11/87

Mr. President:

RESOURCES

Committee considered

SJR 8

federal tax on imported oil.

and recommended:

[ ] replace with CS FOR \_\_\_\_\_ ) [ ] same title  
[ ] or adopt \_\_\_\_\_ CS FOR \_\_\_\_\_ ) [ ] new title

[ ] attached amendment(s) and

[✓] do pass

[ ] do not pass

[ ] no recommendation

[ ] individual recommendations

[ ] further referral to \_\_\_\_\_

[ ] letter of intent adopted \_\_\_\_\_

Committee [ ] attached or [ ] adopted fiscal note(s)

[ ] new [ ] updated or [✓] previous

[✓] zero [ ] fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

*Tom Duran*  
*Paul G. ...*  
*...*  
*...*

*J. A. ...*  
Chairman signature and recommendation

[ ] Committee Backup Attached

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 2-25-87 5-DAY NOTICE  
IN ACCORDANCE WITH UNIFORM RULE 23

\*\*FISCAL NOTE(S) ATTACHED  \*\*  
IN ACCORDANCE WITH AS 24.08.035  
(see below)

FURTHER: RESOURCES  
FINANCE

DATE TURNED INTO OFFICE 3-11-87

Mr. President:

OIL & GAS Committee considered SJR 8

federal tax on imported oil.

and recommended:

- replace with CS \_\_\_\_\_  same title
- attached amendment(s) and  new title

do pass

do not pass

no recommendation

individual recommendations

further referral to \_\_\_\_\_

letter of intent adopted and attached

\*\* Committee  attached or  adopted fiscal note(s)  
 zero  fiscal impact

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Chairman signature and recommendation

Committee Backup Attached