

HB

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HOUSE COMMITTEE REPORT

FILE

(11)

Date Referred: April 6, 1990

FURTHER REFERRALS:

Date of Committee Action: 4/20/90

The FINANCE Committee considered:

HB 541

HOUSE BILL NO. 541

GUIDELINES FOR LITIGATION SETTLEMENT

"An Act relating to certain agreements, compromises, and settlements entered into by the Departments of Natural Resources and Revenue."

RECOMMENDATIONS:

- [] be replaced with CS HB 541 (FIN) [] the same title
- [] have 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 LEG. BUDGET (Dept) Audit Cmte.
 - [] zero fiscal note _____
 - [] zero with analysis _____

- APPROVES PREVIOUS:
- [] fiscal note(s) _____ (Date/Dept)
 - [] zero fiscal note(s) _____
 - [] zero fn/analysis _____

SIGNING DO PASS:

Ray Brown BROWN

Alan Klein RIEGER

SIGNING:

(Check approp. column)

	Do Not Pass	No Rec	Amend
<u>Ray Hoffman</u> Hoffman	<input checked="" type="checkbox"/>		
<u>Ronald J. Carson</u> CARSON	<input checked="" type="checkbox"/>		
<u>Charles Swackhammer</u> SWACKHAMMER	<input checked="" type="checkbox"/>		
<u>John Koponen</u> KOPONEN	<input checked="" type="checkbox"/>		
<u>Barney Barnes</u> BARNES	<input checked="" type="checkbox"/>		
<u>Shirley Shultz</u> SHULTZ	<input checked="" type="checkbox"/>		
<u>Roll E. Jess</u> Phillips	<input checked="" type="checkbox"/>		

Ray Hoffman Hoffman
Chairman's Signature
Ronald J. Carson Carson

FISCAL NOTE

REQUEST:

Revision Date: _____

Affected Agency: Legislative Audit Division

Title: Act Relating to Oil
and Gas Litigation and Settlement

BRU: Legislative Budget and
Audit Committee

Sponsor: Rep. Cotten, Navarre

Components: Legislative Audit Division

EXPENDITURES/REVENUES: (THOUSANDS OF DOLLARS)

OPERATING	FY 91	FY 92	FY93	FY 94	FY 95	FY 96
Personal Services	106.3	109.7	112.6	116.2	119.5	123.3
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants, Claims						
Miscellaneous						
TOTAL OPERATING	106.3	109.7	112.6	116.2	119.5	123.3

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

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (THOUSANDS OF DOLLARS)

General Fund	106.3	109.7	112.6	116.2	119.5	123.3
Federal Fund						
Other						
TOTAL	106.3	109.7	112.6	116.2	119.5	123.3

POSITIONS:

Full-Time	2	2	2	2	2	2
Part-Time						
Temporary						

ANALYSIS: (ATTACH A SEPARATE PAGE IF NECESSARY)

Prepared By: Randy Welker *Randy Welker* Phone: 465-3830
 Division: Division of Legislative Audit Date: 4/18/90

Approved By: _____ Date: _____
 Agency: _____

DISTRIBUTION (BY PREPARER)
 LEGISLATIVE FINANCE
 LEGISLATIVE SPONSOR

REQUESTOR
 OFFICE OF MANAGEMENT & BUDGET
 AGENCY(IES)

Adopted

Original sponsor(s): REP. COTTEN, Navarre, Davidson

1 IN THE HOUSE

BY THE FINANCE COMMITTEE

2 CS FOR HOUSE BILL NO. 541 (Finance)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - SECOND SESSION

5 A BILL

6 For an Act entitled: "An Act relating to certain agreements, compromises,
7 and settlements entered into by the Departments of
8 Natural Resources and Revenue; to legislative audit
9 of those departments and the release of a report of
10 the audits, that may include or refer to confidential
11 information, to the legislature and public; and to
12 collection and payments of royalties from state
13 resources, the interest rate on unpaid taxes and
14 royalties from state resources, and the interest
15 rate on overpaid taxes."

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

17 * Section 1. AS 05.15.095(c) is amended to read:

18 (c) A delinquent fee bears interest at the rate set by
19 AS 43.05.225(1) [AS 43.05.225].

20 * Sec. 2. AS 24.20.271 is amended to read:

21 Sec. 24.20.271. POWERS AND DUTIES. The legislative audit divi-
22 sion shall

23 (1) conduct a performance post-audit of boards and com-
24 missions designated in AS 44.66.010 and of those programs and activ-
25 ities of agencies subject to termination as determined in the manner
26 set out in AS 44.66.020 and 44.66.030, and submit the audit, together
27 with a written report, not later than the first day of the regular
28 session of the legislature convening in each year set out with refer-
29 ence to boards, commissions, or agency programs whose activities are

1 subject to termination as prescribed in AS 44.66;

2 (2) audit at least once every three years the books and
3 accounts of all custodians of public funds and all disbursing officers
4 of the state;

5 (3) at the direction of the Legislative Budget and Audit
6 Committee, conduct performance post-audits on any agency of state
7 government;

8 (4) cooperate with state agencies by offering advice and
9 assistance as requested in establishing or improving the accounting
10 systems used by state agencies;

11 (5) require the assistance and cooperation of all state
12 officials and other state employees in the inspection, examination,
13 and audit of state agency books and accounts;

14 (6) have access at all times to the books, accounts, re-
15 ports, or other records, whether confidential or not, of every state
16 agency;

17 (7) ascertain, as necessary for audit verification, the
18 amount of agency funds on deposit in any bank as shown on the books of
19 the bank; a [NO] bank may not be held liable for making information
20 required under this paragraph available to the legislative audit
21 division;

22 (8) complete studies and prepare reports, memoranda, or
23 other materials as directed by the Legislative Budget and Audit Com-
24 mittee;

25 (9) have direct access to any information related to the
26 management of the University of Alaska and have the same right of
27 access as exists with respect to every other state agency;

28 (10) periodically

29 (A) conduct a performance audit of the tax function;

1 of the Department of Revenue; and

2 (B) submit the audit to the legislature not later than
3 the first day of the regular legislative session;

4 (11) annually

5 (A) conduct an audit of the resolution of disputed
6 royalties by the Department of Natural Resources and disputed
7 taxes by the Department of Revenue;

8 (B) prepare a report summarizing the results of the
9 audits that may contain information made confidential by AS 43.-
10 05.230 and a version of the report edited for the public; and

11 (C) submit the audit and the unedited report prepared
12 under (B) of this paragraph to the legislature not later than the
13 first day of the regular legislative session.

14 * Sec. 3. AS 34.45.470(a) is amended to read:

15 (a) A person who fails to pay or deliver property within the
16 time prescribed by this chapter may be required to pay to the depart-
17 ment interest at the [ANNUAL] rate calculated under AS 43.05.225(1)
18 [AS 43.05.225] on the property or the value of it from the date the
19 property should have been paid or delivered.

20 * Sec. 4. AS 38.05.035 is amended by adding new subsections to read:

21 (g) If the department enters into negotiations to compromise or
22 settle a dispute between the department and a person as to a royalty
23 or net profit payment involving a claim that totals, with applicable
24 penalty and interest, \$10,000,000 or more and that relates to a calen-
25 dar year that is five or more years before the current year, the com-
26 missioner shall, not later than 14 days after commencement of nego-
27 tiations, advise the governor that negotiations have commenced, and
28 shall provide notice to the governor at least once during each
29 subsequent 30-day period that the negotiations continue.

1 (h) If the department proposes to compromise or settle a dispute
2 between the department and a person as to a royalty or net profit
3 payment involving a claim that totals, with applicable penalty and
4 interest, \$10,000,000 or more and that relates to a calendar year that
5 is five or more years before the current year, the commissioner may
6 not enter into an agreement to compromise or settle the dispute

7 (1) without first securing and reviewing an independent ap-
8 praisal of the effects of the proposed compromise or settlement; the
9 independent appraisal

10 (A) may be made by a person who is an employee of the
11 department or who is engaged by contract to complete the apprai-
12 sal, but may not be made by a person who has been involved in
13 preparing the proposed compromise or settlement;

14 (B) must specify the objectives of the department's
15 negotiations; and

16 (C) must review the proposed compromise or settlement

17 (i) to ensure that it meets the objectives speci-
18 fied; and

19 (ii) to determine whether it adversely affects
20 other litigation to which the state is a party, and

21 (2) unless at least 14 days pass between the day the com-
22 missioner receives the proposed compromise or settlement agreement and
23 the day the commissioner executes that agreement.

24 (i) The commissioner may not enter into a settlement or compro-
25 mise of a dispute between the department and a person as to a royalty
26 or net profit payment if the settlement or compromise provides that
27 information relevant to the settlement or compromise, or the terms of
28 the settlement or compromise, are confidential beyond the confiden-
29 tiality otherwise provided for by law.

1 (j) The commissioner shall maintain for review full documenta-
2 tion of a settlement or compromise of a dispute between the department
3 and a person as to a royalty or net profit payment.

4 * Sec. 5. AS 38.05.145 is amended by adding new subsections to read:

5 (c) Payment of the royalty to the state under the provisions of
6 AS 38.05.145 - 38.05.181 becomes due on the date and in the manner
7 specified in the lease or in a regulation adopted by the commissioner.

8 (d) If royalty to which the state is entitled under AS 38.05.180
9 is not paid when it becomes due under (c) of this section and the
10 total amount of royalty due exceeds \$1,000,000, notwithstanding
11 AS 09.30.070, the royalty bears interest at the rate of five percent-
12 age points above the annual rate charged member banks for advances by
13 the 12th Federal Reserve District, as established on the first day of
14 each calendar quarter, compounded quarterly.

15 * Sec. 6. AS 43.05.060 is amended by adding new subsections to read:

16 (b) If the department enters into negotiations to resolve a tax
17 dispute between the department and a taxpayer involving a claim that
18 totals, with applicable penalty and interest, \$10,000,000 or more and
19 that relates to a calendar year that is five or more years before the
20 current year, the commissioner shall, not later than 14 days after
21 commencement of negotiations, advise the governor that negotiations
22 have commenced, and shall provide notice to the governor at least once
23 during each subsequent 30-day period that the negotiations continue.

24 (c) If the department proposes to enter into an agreement under
25 (a) of this section to resolve a tax dispute between the department
26 and a taxpayer involving a claim that totals, with applicable penalty
27 and interest, \$10,000,000 or more and that relates to a calendar year
28 that is five or more years before the current year, the commissioner
29 may not enter into the agreement

1 (1) without first securing and reviewing an independent ap-
2 praisal of the effects of the proposed agreement; the independent
3 appraisal

4 (A) may be made by a person who is an employee of the
5 department or who is engaged by contract to complete the ap-
6 praisal, but may not be made by a person who has been involved in
7 preparing the proposed agreement;

8 (B) must specify the objectives of the department's
9 negotiations; and

10 (C) must review the proposed resolution

11 (i) to ensure that it meets the objectives speci-
12 fied; and

13 (ii) to determine whether it adversely affects
14 other litigation to which the state is a party; and

15 (2) unless at least seven days pass between the day the
16 commissioner receives the proposed agreement and the day the commis-
17 sioner executes that agreement.

18 (d) In making an agreement under (a) of this section, neither
19 the department nor the attorney general may agree that information
20 relevant to the agreement, or the terms of the agreement, are confi-
21 dential beyond the confidentiality otherwise provided for by law. The
22 department must maintain for review full documentation of the
23 agreement.

24 * Sec. 7. AS 43.05.070 is amended by adding new subsections to read:

25 (c) If the department enters into negotiations to compromise or
26 settle a tax dispute between the department and a taxpayer involving a
27 claim that totals, with applicable penalty and interest, \$10,000,000
28 or more and that relates to a calendar year that is five or more years
29 before the current year, the commissioner shall, not later than 14

1 days after commencement of negotiations, advise the governor that
2 negotiations have commenced, and shall provide notice to the governor
3 at least once during each subsequent 30-day period that the
4 negotiations continue.

5 (d) If the department proposes to compromise or settle a tax
6 dispute between the department and a taxpayer involving a claim that
7 totals, with applicable penalty and interest, \$10,000,000 or more and
8 that relates to a calendar year that is five or more years before the
9 current year, the commissioner may not enter into the agreement

10 (1) without first securing and reviewing an independent ap-
11 praisal of the effects of the proposed compromise or settlement agree-
12 ment; the independent appraisal'

13 (A) may be made by a person who is an employee of the
14 department or who is engaged by contract to complete the ap-
15 praisal, but may not be made by a person who has been involved in
16 preparing the proposed compromise or settlement agreement;

17 (B) must specify the objectives of the department's
18 negotiations; and

19 (C) must review the proposed compromise or settlement

20 (i) to ensure that it meets the objectives speci-
21 fied; and

22 (ii) to determine whether it adversely affects
23 other litigation to which the state is a party; and

24 (2) unless at least seven days pass between the day the
25 commissioner receives the proposed compromise or settlement agreement
26 and the day the commissioner executes that agreement.

27 (e) In compromising a tax or penalty under this section, neither
28 the department nor the attorney general may agree that information
29 relevant to the compromise, or the terms of the compromise, are

1 confidential beyond the confidentiality otherwise provided for by law.
2 The department must maintain for review full documentation of the
3 compromise.

4 * Sec. 8. AS 43.05.225 is amended to read:

5 Sec. 43.05.225. INTEREST ON TAXES. Unless otherwise provided,
6 when a tax levied in this title is not paid on or before the date
7 prescribed for its payment, [BECOMES DELINQUENT] it bears interest at
8 the rate of

9 (1) 12 percent a year if the total amount of the tax owed
10 by the taxpayer does not exceed \$1,000,000; or

11 (2) five percentage points above the annual rate charged
12 member banks for advances by the 12th Federal Reserve District, as
13 established on the first day of each calendar quarter, compounded
14 quarterly, if the total amount of the tax owed by the taxpayer exceeds
15 \$1,000,000.

16 * Sec. 9. AS 43.05.280(a) is amended to read:

17 (a) Interest shall be allowed and paid on any overpayment of a
18 tax under this title at the rates [RATE] prescribed in AS 43.05.225.

19 * Sec. 10. AS 47.23.025 is amended to read:

20 Sec. 47.23.025. RATES OF INTEREST. The rate of interest imposed
21 under AS 47.23.020(a)(2)(C) shall equal the rate imposed under AS 43.-
22 05.225(1) [AS 43.05.225] or a lesser rate that is the maximum rate of
23 interest permitted to be imposed under federal law.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 541 (Resources)

EFFECT

Page 3, lines 5 - 13:

Delete all material

Reletter subsections accordingly.

Deletes notice to other agency requirement from DNR royalty section

Page 4, lines 4 - 6:

Delete all material

Deletes 14 day restriction from DNR royalty section

Page 4, lines 17 - 25

Delete all material

Reletter subsections accordingly

Deletes notice to other agency requirement from DOR closing agreement sec.

Page 5, lines 16 - 18

Delete all material

Deletes 7 day restriction from DOR closing agreement

Page 5, lines 26 - 29; page 6 lines 1 - 5:

Delete all material

Reletter subsections accordingly

Deletes notice to other agency requirement from DOR settlement section

Page 6, lines 24 - 26:

Delete all material

Deletes 7 day restriction from DOR settlement sec.

CSHB 541 (Resources)
Department of Revenue Comments
House Finance Committee
April 19, 1990

The committee is considering CSHB 541 (Resources), which currently embodies a number of provisions suggested by the Department of Revenue. The legislation will improve the process for resolving disputes between the state and the oil industry over back taxes and royalties.

Specifically, the provisions prohibiting extra confidentiality in settlements, requiring documentation of settlements, and the legislative oversight provision together provide for less secrecy and more accountability than under the law today. This is good public policy. We note that these provisions apply to tax and royalty disputes, but not to pipeline tariff disputes.

Additionally, the interest provisions improve the "back-taxes" resolution by removing a disincentive to pay -- or an incentive to drag out a dispute as long as possible. The current interest provision is outdated and needs revision; the rate should follow the market. The department would prefer that the interest rate be uniform for all taxpayers and all tax types.

The department does not support the notification provisions in sections 3 (AS 43.05.060(b)) and 4 (AS 43.05.070(c)). First, program

responsibility should clearly reside in a single program. To require notification is to imply shared responsibility; shared responsibility means loss of accountability. Second, good managers will invoke the procedures outlined here in appropriate cases, whether or not the provisions are in statute; bad managers will avoid these guidelines -- or give them pro forma compliance -- whether or not the provisions are in statute. Attached is a proposed amendment deleting this provision; for consistency, it is deleted from the royalty provision as well as the tax provisions.

Finally, although the department is comfortable with the internal review provisions in the bill, the department does not support the seven day restriction on the ability to approve an agreement. The provision may be too restrictive in some cases, and would not be long enough in others. Again, program responsibility must reside with the program manager. The attached amendment would delete this provision from the two tax provisions, and, for consistency, also from the royalty provision.

A. LB& A Report on Tax Matters

Sec. 1: This section amends AS 24.20.271 by adding a new subsection to require the Legislative Auditor to audit and report periodically on annually to the Legislature on the resolution of disputed royalty and tax payments, and to report periodically on tax functions.

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 541 (Resources)

Page 1, line 9:

Delete "the Department of Revenue"

Insert "those departments"

Page 1, line 10:

Delete "that audit"

Insert "its audits"

Page 2, line 23:

Delete "annually"

Insert "periodically"

Page 2, line 25, after "Revenue":

Delete ", including the department's resolution of disputed taxes;

(B) prepare a report summarizing the results of the
audit that may contain information made confidential by S 43.-
05.230 and a version of the report edited for the public"

Page 3, line 1:

Delete "(C)"

Insert "(B)"

Page 3, lines 1 - 2:

Delete "and the unedited report prepared under (B) of this paragraph"

Page 3, line 3, after "session":

Insert ";

(1) annually

(A) conduct an audit of the resolution of disputed royalties by the Department of Natural Resources and disputed taxes by the Department of Revenue;

(B) prepare a report summarizing the results of the audits that may contain information made confidential by AS 43.-05.230 and a version of the report edited for the public; and"

(C) submit the audit and the unedited report prepared under (B) of this paragraph to the legislature not later than the first day of the regular legislative session"

A M E N D M E N T

OFFERED IN THE HOUSE

TO: CSHB 541 (Resources)

Page 3, line 8, after "more":

Insert "and that relates to a calendar year that is five or more years before the current year"

Page 3, line 17, after "more":

Insert "and that relates to a calendar year that is five or more years before the current year"

Page 4, line 19, after "more":

Insert "and that relates to a calendar year that is five or more years before the current year"

Page 4, line 29, after "more":

Insert "and that relates to a calendar year that is five or more years before the current year"

Page 5, line 29, after "more":

Insert "and that relates to a calendar year that is five or more years before the current year"

Page 6, line 8, after "more":

Insert "and that relates to a calendar year that is five or more years before the current year"

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

AUDIT DIVISION
P.O. BOX W
JUNEAU, ALASKA 99811-3300

April 18, 1990

The Honorable Ronald L. Larson
Co-Chairman, House Finance Committee
and

The Honorable Lyman F. Hoffman
Co-Chairman, House Finance Committee

Dear Co-Chairmen Larson and Hoffman:

The Division of Legislative Audit Division has reviewed CS for House Bill No. 541 (Resources). The bill provides for this Division's involvement in the review of the Department of Revenue's resolution of disputed taxes and also for performance audits of the Department of Revenue tax functions. We support the involvement of the Audit Division in this area, as does Senator Kerttula, Chairman of the Legislative Budget and Audit Committee.

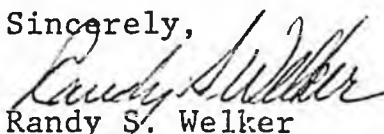
We have proposed amending language to Section 1 of the bill to better define the requirements for audit review. The amended language is enclosed for your consideration. The proposed language requires periodic performance audits of the tax functions of the Department of Revenue as opposed to annual audits. The Department has a variety of tax programs, and we would envision conducting a detailed review annually of one or two specific programs. On a rotating basis, we would cover all tax programs. This will lessen the impact on the Audit Division and better fit the purpose of performance audits.

The proposed language also includes the resolution of disputed royalties by the Department of Natural Resources along with the resolution of disputed taxes by the Department of Revenue.

Finally, we have also enclosed a fiscal note to accompany this amended language. The fiscal note provides for two Auditor positions, most likely positioned in Anchorage to implement the new responsibilities.

If we can provide any additional information, please contact me at 465-3830.

Sincerely,



Randy S. Welker
Legislative Auditor
Division of Legislative Audit

Enclosure

(10) periodically

(A) conduct a performance audit of the tax functions of the Department of Revenue and submit the audit to the legislature not later than the first day of the regular legislative session;

(11) annually

(A) conduct an audit of the resolution of disputed royalties by the Department of Natural Resources and disputed taxes by the Department of Revenue;

(B) prepare a report summarizing the results of the audits that may contain information made confidential by AS 43.05.230 and a version of the report edited for the public; and "

(C) submit the audit and the unedited report prepared under (B) of this paragraph to the legislature not later than the first day of the regular legislative session

**Synopsis of CS HB 541 (Res) Relating to Oil and Gas Revenue Disputes
(With Amendments)**

A. LB& A Report on Tax Matters:

Sec. 1: This section amends AS 24.20.271 by adding a new subsection to require the Legislative Auditor to audit and report annually to the Legislature on tax functions, including the resolution of disputed taxes.

B. Internal, Independent Review of Major Oil & Gas Settlements:

Sec. 2: To ensure that major settlements of the State's royalty litigation under AS 38.05 are in the public interest, this section requires the Commissioner of Natural Resources, before settling any royalty dispute involving a claim greater than \$10 million for a calendar year five years or more prior to the current year, to obtain an independent, internal review of the proposed settlement by an individual who was not involved in negotiating the settlement.

(The review will specify initial objectives and how they are met and will consider how the settlement affects other outstanding disputes. Additionally, this section provides that: the Commissioner shall notify the Governor when negotiations have begun; there shall be a minimum of 14 days between the time the Commissioner receives a final settlement offer and the date s/he approves the settlement; no settlement shall extend confidentiality otherwise provided by law; and full documentation shall be maintained for review.)

Secs. 3 and 4: To ensure that major settlements of the State's tax litigation under AS 43.05.060 or AS 43.05.070 are in the public interest, these identical sections require the Commissioner of Revenue, before settling any tax dispute involving amounts greater than \$10 million for a tax year five years or more prior to the current year, to obtain an independent, internal review of the proposed settlement by an individual who was not involved in negotiating the settlement.

(The review will specify initial objectives and how they are met and will consider how the settlement affects other outstanding disputes. Additionally, this section provides that: the Commissioner shall notify the Governor when negotiations have begun; there shall be a minimum of seven days between the time the Commissioner receives a final settlement offer and the date s/he approves the settlement; no settlement shall extend confidentiality otherwise provided by law; and full documentation shall be maintained for review.)

C. Interest Provisions on Outstanding Oil & Gas Taxes:

Sec. 5: This section amends AS 43.05.225 to change the interest rates for outstanding oil and gas taxes (paid under AS 43.55, AS 43.56, AS 43.57, former AS 43.21, or former AS 43.58) from 12% interest to a floating interest rate five percentage points above the annual rate charged by member banks for advances by the 12th Federal Reserve District and compounded quarterly.

Sec. 6: This amendment to AS 43.05.280 maintains State refunds of overpayments on taxes other than oil and gas taxes at 12%.

Sec. 7: This section amends AS 43.05.280 to change the interest rates for State refunds of overpayments on oil and gas taxes (paid under AS 43.55, AS 43.56, AS 43.57, former AS 43.21, or former AS 43.58) from 12% simple interest to a floating interest rate three percentage points above the annual rate charged by member banks for advances by the 12th Federal Reserve District and compounded quarterly.



Alaska State Legislature

HOUSE RESOURCES COMMITTEE

P.O. Box V
State Capitol
Juneau, Alaska 99811
(907) 465-3715

To: Rep. Lyman Hoffman, Co-Chair
House Finance Committee

Date: April 9, 1990

From: Rep. Cliff Davidson, Co-Chair
House Resources Committee

A handwritten signature in dark ink, appearing to be "Cliff Davidson", written over the name in the "From:" field.

Re: HB 541 (Dealing with Oil and Gas Revenue Disputes)

The House Resources Committee passed HB 541 out to the House Finance Committee. In my estimation, this bill is an important piece of legislation that will cure many of the problems in the system of reviewing oil and gas revenue dispute settlements. Specifically, this bill does four things. CSHB 541 (Res):

== requires the Commissioner of Revenue (tax) or Natural Resources (royalty) to conduct an independent, internal review of every major settlement (introduced by Speaker Cotten and endorsed by Commissioner of Revenue Malone);

== requires Legislative Budget and Audit to review settlements and prepare an annual report to the Legislature on the status of outstanding cases (submitted by Dept. of Revenue);

== sets out in statute that no settlement shall extend taxpayer confidentiality beyond the existing statutory provisions (submitted by Dept. of Revenue and Rep. Menard);

== changes interest rates on outstanding oil and gas taxes from 12% simple to a floating interest rate keyed to the federal funds rate and compounded quarterly (modified from Rep. Gruenberg's HB 519; recommended and re-drafted by Dept. of Revenue).

Attached are a synopsis and a copy of the bill with suggestions for minor changes consistent with the intent of the Resources Committee, along with materials on the major features of the bill with suggestions for alternatives to some of the key provisions.

With upwards of \$5 billion involved in outstanding oil and gas revenue disputes, this is an area worthy of our efforts. At this late date, we need top-quality handling in your committee. I am hopeful, therefore, that you will take on the task of seeing this bill quickly through to the floor.

From the desk of

Richard A. Fineberg
Juneau, Alaska 99801**401 8th St. - Apt. 206**
tel 907 / 463-3568

To: Representative Cliff Davidson
Co-Chair, House Resources Committee

Date: April 2, 1990
(rev. #2)

Representative Curt Menard
Co-Chair, House Resources Committee

Re: Comments on HB 541 (Oil & Gas Settlement Review)

You have now heard testimony for three days on measures dealing with oil and gas revenue disputes. I believe the most important of these bills is HB 541 (Cotten), which provides straight-forward statutory guidelines for review of settlements for a tax or royalty claim greater than \$10 million, on the books for at least one year and involving a year at least five years prior to the current year.

Industry representatives have opposed HB 541. More surprisingly, the Departments of Law and Natural Resources have also expressed reservations. Since this bill simply codifies review procedures the Commissioner would use to pass judgement on settlements of this importance, lack of departmental support is surprising. While some of the arguments against HB 541 have merit at first glance, I believe these arguments are answerable.

As I understand them, industry and department staffs have raised five major points concerning HB 541. These arguments, along with the response to each, follow:

1. The Commissioner could circumvent this statute simply by hiring someone to do what the Commissioner wants.

Response: The rubber-stamp problem is unavoidable and is no reason not to enact this statute. The fact is, at this time there are no guidelines in place to govern this major policy area. With codified procedures in place specifying internal, independent review, you are certainly less likely to see a rubber-stamp settlement than without such procedures. (To cure the rubber-stamp problem by setting up an independent review process outside the department was considered and rejected during the drafting of HB 541 because such a proposal would add a new layer to an already complicated process.)

2. The existence of a review procedure would undermine the negotiators' status with its industry counterparts.

Response: It is not clear why this is review would undermine the settlement process. HB 541 merely sets out in statute a review similar to what a Commissioner should do before taking a major policy step. Industry negotiators must be aware that settlements involving hundreds of millions of dollars are public policy issues that can and should be reviewed by elected public officials before they are put into place.

3. A settlement of this kind of case is too complex to be reviewed in 14 days.

Response: (A) In fact, I conducted a review similar to the one set out in HB 541 in the 1988 ARCO income tax settlement. That review required less than 14 days. (B) Nothing in the proposed statute prevents the Commissioner from beginning the independent review earlier; the 14 day hiatus specified in HB 541 is simply a cooling off-period, not a review mechanism.

4. The Commissioner of Natural Resources has already specified that she will get a "second opinion" from the litigating attorneys in the royalty litigation.

Response: (A) Even if this were true, what about future commissioners? Shouldn't matters of this magnitude have statutory guidelines? (B) Nothing in the proposed review framework prevents the Commissioner from seeking the counsel of the litigating attorneys; the review framework established by HB 541 simply guarantees the litigating team a sounding board to present its viewpoint. This is necessary because policy makers have sometimes discounted the opinions of litigating attorneys in previous settlements because the attorneys were felt to have a vested interest in continued litigation.

5. This review will not contribute to public review by putting more information into the public record.

Response: This statute was designed to improve policy execution, not development or review. However, it is possible to amend this legislation by requiring

the Commissioner to make a summary of a major settlement public. (Since settlements covered by HB 541 involve tax years five years prior, such a provision should not jeopardize current market information.)

The Department of Revenue has proposed adding sections pertaining to interest rates and legislative oversight measures for HB 541. While legislative oversight can improve the State's policy formulation and review, the essence of HB 541 deals with policy execution. Post-settlement legislative review is no substitute for statutory guidelines for the execution of major oil and gas revenue dispute settlements.

This analysis supports the conclusion that the need for codified, internal, independent review of major oil and gas revenue disputes outweighs the arguments against HB 541. In view of the amounts at issue in outstanding cases and the documented questions concerning past settlements, I believe HB 541 should be enacted this year.

From the desk of


Richard A. Fineberg
Juneau, Alaska 99801

401 8th St. - Apt. 208
tel 907 / 463-3568

To: Rep. Sam Cotten
Speaker of the House

Date: April 3, 1990

Re: Oil & Gas Revenue Disputes (Follow-up to Yesterday's Conversation)

In response to my concern about the failure to reference litigation guidelines (along with the implication that they were no longer in effect) in the four pages on the royalty case released to you and Senator Kelly last October 17, you noted your reliance on Wil Condon and his litigation team. Wilson does not determine royalty litigation policy; he carries it out. The Working Group rightly regards him as a contract attorney -- albeit a very sage and experienced one.

As you know, the Commissioner of Natural Resources has created a special settlement team that is working actively to settle the State's royalty litigation. The Commissioner of has informed House Resources that she has no intention of establishing an independent review procedure for this important case. Instead, she writes:

initial review of settlement offers will be undertaken by the settlement team I have appointed. . . . Any recommendations toward settlement for this group will be reviewed by the litigation team and its consultants. . . . That team, which has undertaken the most extensive analysis of and aggressive posture toward royalty obligations . . . would provide the most extensive "second opinion" on proposed settlements or settlement offers [*emphasis added*].

In my estimation, the Commissioner's blueprint is no substitute for the internal, independent review that HB 541 would mandate. Her plan has two basic problems:

First, settlements tend to develop a momentum of their own, as we have seen in the past. This happens because a settling team is liable to become enamored of its own settlement, and also because a bureaucratic group that works at length on a project naturally wants to complete that project.

What about the so-called "second opinion" by the litigating attorneys? If the litigating attorneys do not approve the settlement, their wisdom is liable to be dismissed on

one of two grounds: "Of course they want to litigate: They're lawyers." Or: "These lawyers just don't want to see their rice bowl broken." I've seen that happen at critical junctures in both of the major settlements with which I am familiar.

Note that the Commissioner's letter to the Resources Committee indicates that the State's litigating attorneys exhibit a most aggressive posture toward royalty obligations. As you and I both know, Wilson is, by nature, rather cautious (it was Condon, for example, who pushed the 1982 TAPS settlement). I admire Wilson and respect for the work of his team. But I can tell you that if he does not approve of a settlement, his view is liable to be dismissed as one of those litigating attorneys. Moreover, if he is not apprised of a settlement's particulars in time, his admirably cautious nature will prevent him from expressing strong opposition. This, in my estimation, is a very real danger.

This is not an outsider's opinion: in addition to serving on the Royalty Litigation Working Group from its inception through early 1989, I worked closely with Wilson and his team in Los Angeles and Anchorage on three separate projects in 1987 and 1988.

With hundreds of millions of dollars riding on royalty disputes with individual companies and \$1.3 billion in outstanding claims (excluding punitive damages), the independent, internal review mandated by HB 541 seems like a wise precaution. The history of previous settlements demonstrates the need for this measure.

cc: Rep. Mike Navarre

What should the State choose for
Interest rates on taxes due?

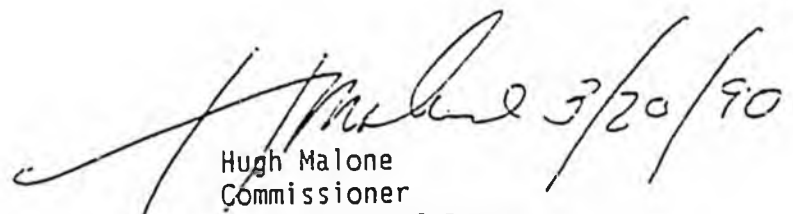
Presently, delinquent taxes pay interest at a fixed rate of 12% simple interest. Generally, this is a great deal less than what a taxpayer would have paid if he borrowed the money at a bank.

I would recommend that the rate on delinquent taxes be tied to the market.

I believe that a floating rate 5% points above the federal reserve rate, as set out in AS 45.45.010(b) would work well for delinquent taxes.

A lower rate, say 3% points above the federal reserve rate, should apply to any refunds. This would give a taxpayer an incentive to get the issue resolved, but would not put the state at risk if a taxpayer overpaid.

A similar differential approach is used by the U.S. Treasury Department.


Hugh Malone
Commissioner
Department of Revenue

Attachment: (1) Compound interest chart
(2) Historic Federal Reserve discount rate

COMPOUND INTEREST - AN INCENTIVE TO PAY

\$100,000 + interest from 1/1/80 to 1/1/90.
 Showing total amounts which would be due at one, 5, and 10 years.

	<u>1/1/81</u>	<u>1/1/85</u>	<u>1/1/90</u>
12% simple	\$112,000	\$160,000	\$220,000
12% compound	112,000	176,234	310,584
20% simple	120,000	200,000	300,000
20% compound	120,000	248,832	619,174
Floating Rate 5% above Federal Reserve (AS 45.45.010(b) compounded annually */	116,800	207,140	356,980

*/ These amounts were calculated using the following yearly rates for the federal reserve rate and adding 5% to each rate to reach the rate called for in AS 45.45.010(b). These rates are for illustration purposes only:

Federal Reserve Rate Average weighted by days for period indicated.	First year @ 11.8 Next 4 years @ 10.4 Last 5 years @ 6.5
---	--

See attachment for actual base federal reserve rates during this period.

FEDERAL RESERVE BANK OF SAN FRANCISCO
 101 MARKET STREET, SAN FRANCISCO, CALIFORNIA 94105

"DISCOUNT RATE" ON ADVANCES TO MEMBER BANKS UNDER SECTIONS 13 AND 13A OF THE FEDERAL RESERVE ACT IN EFFECT AT THE FEDERAL RESERVE BANK OF SAN FRANCISCO

March 12, 1990

The following is a list of rates of interest on our advances to, and discounts for, member banks and other depository institutions under Sections 13 and 13a of the Federal Reserve Act. Each rate (also referred to as the "discount rate") was in effect until the next date indicated.

Effective Date			Rate (% per annum)	Effective Date			Rate (% per annum)
			Days				Days
1976	January	19	5-1/2	1981	May	5	15 1/4
	November	22	5-1/4		November	2	18 1/4
1977	September	2	5-3/4		December	4	32 1/2
	October	26	6	1982	July	20	22 3/4
1978	January	13	6-1/2		August	2	13 1/4
	May	11	7		August	16	14 1/4
	July	3	7-1/4		August	27	11 1/4
	August	21	7-3/4		October	11	45 1/2
	September	22	8		November	22	42 1/2
	October	15	8-1/2		December	14	22 1/2
	November	2	9-1/2	1984	April	13	28 1/2
1979	July	20	10		November	21	22 1/2
	August	20	10-1/2		December	24	33 1/2
	September	19	11	1985	May	21	14 3/4
	October	8	12	1986	March	7	28 3/4
1980	February	15	4 1/2		April	21	45 1/2
	May	29	10 3/4		July	11	8 1/2
	June	13	15 1/2		August	21	4 1/2
	July	29	45 1/2	1987	September	9	38 1/4
	September	26	60 1/2	1988	August	9	33 1/4
	November	17	52 1/2	1989	February	24	19 1/2
	December	5	18 1/2				310 1/2
			25 1/2				to 1-1-90

From March, 1980 through November, 1981, surcharges were applied at various times on advances to certain depository institutions. The Federal Reserve Bank expresses no opinion on the applicability of the basic discount rate or surcharge to any transaction governed by a Federal or state usury or usury pre-emption statute.

*current rate

Note: Number of days at each rate is handwritten on this chart

Amc

Lenient laws give oil industry a good tax stall

It's a wonder the oil companies complain so much about Alaska taxes and royalties. They don't pay much of them anyway.

The Legislature is beginning to wrestle again with the problem of how to make oil companies pay the billions of dollars they owe us. The companies' dilatory tactics in administrative hearings and in court have choked the state's revenue flow and put our accounts years behind schedule.

Platoons of lawyers are tied up in eternal litigation, but that's only today's problem. The logjam sends the wrong signal to



Fred Pratt

all businesses, telling them Alaska is a place where they can stall the government forever, and where the government and courts can't resolve sophisticated business questions.

According to a legislative report last month, the state and Alaska oil companies have more than \$4.4 billion in taxes, royalties and pipeline tariff cases, not counting interest due. That only includes North Slope oil royalties through 1986, and income taxes only through 1985.

This concerns other businesses as well. Mining companies are embroiled in similar disputes, and whatever "solution" the Legislature devises will be read as a sign of Alaska's business climate for the 1990s.

The first steps should probably be to change lenient state laws that allow the large companies to profit from delaying their tax payments so long.

California requires taxpayers to prepay their taxes in order to challenge state assessments, for instance, but we do not. One change might be to require prepayment at some point during a lengthy major assessment appeal.

Late tax payments in Alaska bear only a 12 percent interest rate, and that's simple interest, not compounded. At times of high interest rates the companies are essentially borrowing operating revenue from the state at lower than market rates when they delay payments to us.

House Bill 519, one of five related bills considered in House Resources Committee hearings last week, would raise the interest rate to 20 percent. Another solution might be to put disputed payments in escrow accounts, where the money wouldn't be available for the Legislature to spend.

With an escrow account our politicians wouldn't spend the money and later be faced with repaying it if they lose in court. That's the situation that impelled former Gov. Jay Hammond and the 1981 Legislature to repeal the separate accounting of corporate income tax, even when it was later found to be constitutional.

HB 519 would also require oil companies to pay up their back taxes before they can buy new state oil leases. That would be OK as long as they want our new oil leases badly enough, but Alaska oil leases haven't been too hot an item for the past five years.

Another provision in HB 519 would establish an office of administrative adjudication for tax disputes, headed by an administrative law judge. That could be a move in the right direction, building a judicial expertise in business matters.

Most large corporations are chartered in Delaware for two reasons: Delaware's corporate and tax laws are favorable, and Delaware's chancery court is skilled and experienced in resolving cases of corporate law that would overwhelm most state judges who handle business cases between drunken drivers and divorces.

We might not want to be another Delaware, but we should insist on a top quality judiciary and bureaucracy. As Delaware shows, efficient government can be a "resource" every bit as valuable to our economy as gold or oil.

Free-lance journalist Fred Pratt has been covering Alaska business and politics for the past 18 years.

Clock ticking on settlement review procedures

(Editor's note: The writer worked on oil and gas matters for the Governor's Office from 1987 through October 1989 and served on the Administration's Royalty Litigation Working Group. Earlier this year, he prepared a report to the Legislature on oil and gas revenue disputes. The column is adapted from testimony before the House Resources Committee March 21, 1990.)

Last October, the Natural Resources Commissioner Lennie Gursuch released four pages of information on the State's North Slope royalty oil litigation case. This long-running court struggle centers around the State's effort to determine what Alaska North Slope oil was actually worth when it was sold for every month that royalties have been paid since August 1977, when the first North Slope oil royalty payments came in.

The documents listed for the first time the amounts by which the State claims 15 North Slope producers have underpaid their royalties. The total came to \$902 million, including interest. Of this amount, 93 percent was divided among the three major Prudhoe Bay producers — ARCO, BP and Exxon. In addition, the State estimated that purchasers of the State's royalty oil, who agreed to adjust their payments when the case was settled, would be liable for an additional \$378 million on the same basis.

Moreover, the State is seeking treble damages against three producers — ARCO, Sohio (now wholly owned by BP) and Chevron. The State alleges that these producers misrepresented the basis for their royalty payments through negligence or fraud, thereby breaching contractual and fiduciary (trust) responsibilities to the State.

For years, this case was known as "Amerinda Hess," so call for the first of the defendants. But Amerinda Hess, which only owed about \$300,000 — an almost imperceptible fraction of the amounts at issue — quickly settled its claim. As a result, the State's case is now simply known as "royalty litigation."

Whatever the name, three other small producers have already agreed to abide by the outcome. That still leaves \$898 million at issue — plus the \$378 million from royalty purchasers — excluding the claim

Richard A. Fineberg

Praise the Pipe and Pass the Money

for treble damages.

The royalty litigation trial is scheduled to begin sometime in the spring of 1991 in Juneau — if it comes to trial. The State is also trying to settle the case out of court.

In many ways, settlement makes a lot of sense. This case has cost over \$30 million to prepare, with costs rising as trial approaches. A supplemental appropriation for unanticipated expense in preparing the case for trial added \$7.4 million to the case budget for the current fiscal year. However, these costs pale beside the potential gain to the state from successful resolution, either by trial or by settlement.

How does the State go about settling such a mammoth case? The Commissioner of Natural Resources has created a special, three-person settlement team that is working actively toward settlement, but past settlement of major tax claims — along with the 1985 settlement of the trans-Alaska Pipeline rate case — have called the State's settlement process into question.

This is a rather unusual area of public policy. If you get a traffic ticket, you pay the penalty or go to court. If you receive a traffic ticket when you are drunk, the penalty is also clear. And if you rack up a specific number of infractions, you lose your license to drive. But if you are one of the small number of taxpaying corporations that habitually underpay their tax and royalty bills by millions of dollars, year after year, and if you then stonewall the tax auditors, the sanctions are not at

all clear. The typical outcome is a settlement negotiated in the absence of clear statutory guidelines, and in secrecy that erodes the checks and balances that normally safeguard the public interest.

In view of the magnitude of the royalty case and the troubled history of other oil and gas settlements, it's surprising that there are no procedures in place to insure an independent review of any settlement that might be negotiated by the settlement team.

Nor are any formal review procedures contemplated.

Last month, the Commissioner of Natural Resources informed the Legislature that she has no intention of establishing an independent review procedure for this important case. In response to a legislative request, the Commissioner responded that:

"... initial review of settlement offers will be undertaken by the settlement team I have appointed. . . . Any recommendations toward settlement for this group (sic) will be reviewed by the litigation team and its consultants. . . . That team, which has undertaken the most extensive analysis of and aggressive posture toward royalty obligations. . . . would provide the most extensive 'second opinion' on proposed settlements or settlement offers."

In other words, the Commissioner intends to rely first on the settling team to review its own settlement and to rely second on the litigating attorneys to blow the whistle if the litigators don't like the settlement. I believe this plan has two

basic problems:

First, settlements tend to develop a momentum of their own, a phenomenon those of us close to the settlement process have seen in the past. This happens because the settling team is liable to become enamored of its own settlement, and also because a bureaucratic group that works at length on a project naturally wants to see results. With hundreds of millions of dollars riding on disputes with individual companies, independent review — not review by the settling team — seems like a wise precaution.

What about the so-called "second opinion" by the litigating attorneys? This review will protect the public interest only if the recommendations are heeded. But if the litigating attorneys do not approve the settlement, their wisdom is liable to be dismissed on one of two grounds: "Of course they want to litigate: They're lawyers." or "These lawyers just don't want to see their rice bowl broken."

The seeds for ignoring the second opinion are already planted: Note that the Commissioner's recent letter to the Legislature indicated that the State's litigating attorneys exhibit a "most aggressive posture" toward royalty obligations.

With upwards of \$3 billion outstanding in taxes — most of it involving the North Slope (and, presumably, the same, few major producers) — there is a similar need for an internal review procedure for tax settlements. In September, 1988, the Administration's Oil & Gas Subcabinet commissioned the creation of independent review procedures. After thirteen months, draft procedures from the Governor's Office finally found their way to the Department of Revenue, where they have languished for the last six months.

A proposal introduced earlier this session by the Speaker of the House (HB 511) would create a statutory requirement for internal, independent review of major oil and gas settlements in both the tax and royalty arenas. The proposal has cleared the House Resources Committee and is now in the Finance Committee. It remains to be seen whether the House leadership can push this bill through before the curtain falls on the current legislative session.

The legislative clock will stop ticking, but settlement negotiations will continue

FISCAL NOTE

REQUEST:

Revision Date: _____
 Title: "An Act relating to... agreements,
 compromises... Natural Resources and Revenue."
 Sponsor: Repr. Cotten
 Requestor: House Resources

Agency Affected: Department of Law
 BRU: Oil and Gas Spacial Projects
 Components: Operations

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
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	-0-	-0-	-0-	-0-	-0-	-0-
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

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

ANALYSIS : (Attach a separate page if necessary)

Please see the attached analysis.

Prepared by: Richard I. Pegues, Director Phone: 465-3612
 Division: Administrative Services Date: March 21, 1990
 Approved by Commissioner: Richard I. Pegues / FBI Date: March 21, 1990
 Agency: Douglas B. Baily, Attorney General
Department of Law

Distribution (by preparer):

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

CONTINUATION of FISCAL NOTE ANALYSIS

For Bill/Resolution No. HB 541

This bill amends AS 38.05.035 to require that if the commissioner of natural resources enters into negotiations to compromise or settle a dispute between the department and a person as to a royalty or net profit payment involving a claim that totals, with applicable penalty and interest, \$10,000,000 or more, the commissioner shall advise the commissioner of revenue and the attorney general that negotiations have commenced, not later than 14 days after the commencement of negotiations.

This bill also amends AS 43.05.070 to require that if the Department of Revenue enters into negotiations to compromise or settle a tax dispute between the department and a taxpayer involving a claim that totals, with applicable penalty and interest, \$10,000,000 or more, the commissioner of revenue shall advise the commissioner of natural resources and the attorney general that negotiations have commenced, not later than 14 days after the negotiations commenced.

In effect, the bill institutionalizes the notification process to be followed whenever the Departments of Natural Resources or Revenue seek to settle major royalty or tax claims. Inasmuch as notification is a normal part of business, there should not be a fiscal impact for the Department of Law.

FISCAL NOTE

REQUEST:

Revision Date: 3/27/90
 Title: Revenue and DNR Agreements and Settlements
 Sponsor: Rep. Cotten, Rep. Navarre
 Requestor: House Resources

Agency Affected: Natural Resources
 BRU: Petroleum Management
 Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0- *	-0- *	-0- *	-0- *	-0- *	-0- *

CAPITAL						
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REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

* If the independent appraisal of a proposed settlement, as required by this bill, is completed by an employee of the Department of Natural Resources there would likely be no additional cost. If the appraisal is completed by a consultant, there would be additional costs. Costs for consulting services would depend on the topic of the settlement and the degree of technical expertise required for review.

Prepared by: Carol Wilson Phone: 465-2400
 Division: Commissioner's Office Date: 3/27/90

Approved by Commissioner: [Signature] Date: 3/27/90
 Agency: Department of Natural Resources

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

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: An Act Relating to certain
agreements & settlements by DNR & DOR
Sponsor: Cotten, Navarre
Requester: _____

Agency Affected: _____
BRU: _____
Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE	See analysis.					

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: Charles L. London
Division: Oil and Gas Audit
Approved by Commissioner: [Signature]
Agency: REGULAF

Phone: 277-5627
Date: March 22, 1990
Date: 3/20/90

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

Fiscal Note
HB 541
March 22, 199

Analysis

This bill would establish a review and or a 14 day cooling off period for agreements and settlements of tax and royalty disputes in excess of \$10 million entered into by the Department of Revenue or the Department of Resources.

The aim of this bill is to provide additional assurance that the State receives the maximum expected value from oil and gas tax and royalty revenue.