

SJR

3

SFIN

FILE

SENATE COMMITTEE REPORT
First Committee of Referr

final DATE: 1/16/95

FURTHER: *[Signature]*

Date of 5-Day Notice: 1-19-95
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 2-3-95

Resources Committee considered SJR 3

act
~~Opposing the ban on the export of Alaska North Slope crude oil; endorsing federal legislation to remove restraints; requesting the Congress to pass legislation to permit the export of Alaska North Slope crude oil; and urging the President of the United States to support the legislation to lift the ban.~~

and recommends:

- be replaced with _____ CS _____ ()
- adopt previous _____ CS _____ ()
- attached amendment(s) *[checkmark]*
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

Senate Bill:
 same title
 new title
 House Bill:
 technical change
 new: SCR# _____

SIGNING WITH RECOMMENDATIONS:	DP	DNP	NR	AM
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
<i>[Signature]</i>	✓			
CHAIR: <i>[Signature]</i>	✓			

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
Revenue	1-23-95	✓	80.

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

STATE OF ALASKA

DEPARTMENT OF REVENUE

TONY KNOWLES, GOVERNOR

STATE OFFICE BUILDING
P.O. BOX 110410
JUNEAU, ALASKA 99811-0410

January 26, 1995

The Honorable Steve Frank
The Honorable Rick Halford
Senate Finance
Alaska State Legislature
State Capitol, Rm. 518
Juneau, AK 99801-1182

Dear Senators Frank and Halford:

The enclosed memorandum from Mr. Chuck Logsdon, Department of Revenue, Oil and Gas Division is submitted to clarify statements which he presented on January 20th to the Senate Finance Committee.

Sincerely,



R.E. Baraiko
Director

Administrative Services Division

*This memo did not
accompany the bill.*

95-004

Enclosure



Apparently there is some confusion over my response to a question about the value of the ANS Export Ban during my testimony before the Senate Finance committee. As I recall I gave a several part response in which I mentioned that one, albeit very rough, way of making the estimate would be to look at the price difference between ANS at the West and ANS at the Gulf. Currently this spread is about \$.50/bbl or using the rule of thumb of \$130 million in general fund unrestricted revenue for every \$1.00/bbl, this would be \$65 million.

The other thing I stated was that even if the price on the West and Gulf were the same, the transportation cost savings alone would account for \$20 million in additional revenues.

The fiscal note I prepared for SJR 3 estimates benefits of \$80 million and uses current prices and transportation costs. The estimate was arrived at as follows:

ANS Price Before Export Ban Lifted less Tanker Cost		ANS Price After Export Ban Lifted less Tanker Cost		
	Gulf	West	Japan	West
	16.90	16.40	16.65	16.90
	<u>-3.30</u>	<u>-1.20</u>	<u>-1.70</u>	<u>-1.20</u>
Net	13.60	15.20	14.95	15.70

Weighted Average Net = 14.96
(85% West, 15% Gulf)

Weighted Average Net = 15.59
(85% West, 15% Japan)

Impact on Wellhead = 15.69-14.96 = \$.63/bbl or Revenue = 130 * .63 = 81.575 million

Transportation Effect

\$3.30
 less 1.70
 1.60 gross transport savings /bbl
 less .25 (lower price in Japan than U.S. Gulf since Middle East closer to Japan)
 1.35 net transport savings /bbl
 * .15
 0.2025 net impact on ANS wellhead (15% shipped to Japan)

Total Transport benefit by the rule of thumb = 130*.2025 = \$26.325 million

ENCLOSURE (1)

Bob Baratko
January 26, 1995
Page 2

Price Effect

	\$16.90	after export price
less	<u>16.40</u>	before export price
	0.50	gross increase in sales price
*	<u>.85</u>	
	.425	net impact of higher price on ANS wellhead (85% shipped to West)

Total Price Effect benefit by the rule of thumb = $130 * .425 = \$55.25$ million

The fiscal note prepared for SJR 3 goes to zero at that point at which our forecast of ANS production declines to the point that there is no longer a surplus of ANS for sale on the West Coast in the second half of FY 1997.

Finally please note that at a minimum, regardless of the price of oil we would achieve a \$26.325 million increase in revenues if the ban were lifted in FY 1996.

ENCLOSURE ()

FISCAL NOTE

No. 1

Bill Version: SJK 3

(C) Publish Date: 2/6/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Revision Date: 1/23/95 Dept. Affected: _____
 Title: resolution urging the lifting of the ANS BRU: _____
export ban Component: _____
 Sponsor: Ellis, Duncan, Kelly, et.al.
 Requester: Ellis COMPONENT SERIAL NO. _____

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
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 EXPENDITURES						
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CHANGE IN REVENUES ()	80,000.0	40,000.0	0.0	0.0	0.0	0.0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY95) cost: \$ _____

POSITIONS

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: (Attach a separate page if necessary)

If the export ban were lifted, Alaska North Slope oil (ANS) in excess of U.S. West Coast needs could be shipped to the Far East instead of making the long and costly trip via Panama to the U.S. Gulf Coast. Assuming current prices and transportation costs mandating use of Jones Act tankers, lifting the ban would increase the wellhead value of ANS by over \$.50/bbl and thus increase State taxes and royalties. The window of opportunity to enhance State revenues by lifting the export ban is closing. ANS production is projected to continue to decrease so that the West Coast surplus of ANS is projected to disappear by FY 1997. When the West Coast ANS surplus disappears so will the direct benefit to the state treasury from lifting the export ban.

Prepared by: John Pilkinton Phone: 277-5627
 Division: Oil and Gas Audit Division Date: 1/25/95
 Approved by Commissioner: Deborah Vogt Date: 1/23/95
 Agency: Revenue

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#1

AMENDMENT

OFFERED IN THE SENATE
TO: SJR 3

BY SENATOR LEMAN

Page 2, Line 6:
after "of the taxes" INSERT: and royalty

Page 2, Line 8:
DELETE: [\$1,000,000,000]
INSERT: \$290,000,000

DELETE: [\$1.10]
INSERT: \$0.50

Adopted 2-3-95