

HB

380

SFIN

FILE

SENATE FINANCE COMMITTEE REPORT

DATE: 4/16/98

FURTHER: REPORTED OUT OF
SEN 4/16/98

DATE TURNED

IN TO OFFICE: 4/17/98

Finance Committee considered

CS FOR HOUSE BILL NO. 380(FIN)(title am)

REDUCE ROYALTY ON COOK INLET OIL & GAS

and recommends:

be replaced with 5 CS CS HB 380 (FIN)

adopt previous _____ CS _____ (_____)

attached amendment(s)

adopt Letter of Intent by _____ Committee

further referral to the _____ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR# _____

SIGNING DP PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>John Ingram</i>	<input checked="" type="checkbox"/>	<i>Roll E. [unclear]</i>	<input checked="" type="checkbox"/>		
		<i>Sean Kinnell</i>	<input checked="" type="checkbox"/>		
		<i>David [unclear]</i>	<input checked="" type="checkbox"/>		
		<i>Al [unclear]</i>		<input checked="" type="checkbox"/>	
Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>	Co-Chair:			
Co-Chair: <i>[Signature]</i>	<input checked="" type="checkbox"/>	Co-Chair:			

NEW FISCAL NOTE(S):

Department Date Zero Fiscal

Department	Date	Zero	Fiscal

PREVIOUS FISCAL NOTE(S):*

Department Date Zero Fiscal

Department	Date	Zero	Fiscal
DNR/Oil & Gas	4/16/98	0	

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

REPORTED OUT OF

4/16/98

No. 2

STATE OF ALASKA 1998 LEGISLATIVE SESSION

EBill Version: SCS CSH3390 (RES)

(S) Publish Date: 4-16-98

Revision Date: 16-Apr-98
 Title: An Act relating to a temporary reduction of
royalty on oil and gas produced ... from ... Cook Inlet ...
 Sponsor: Rep. Hodgins
 Requestor: S (RES)

Dept Affected: Natural Resources
 BRU: Resource Development
 Component: Oil & Gas Development
 Component Serial No. #439

Expenditures/Revenues

(Thousands of Dollars)

OPERATING EXPENDITURES	FY99	FY00	FY01	FY02	FY03	FY04
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	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	0.0	0.0 ?	?	?	?	?

FUND SOURCE

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY98) cost: \$ none

POSITIONS

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

ANALYSIS:

(Attach a separate page if necessary)

It is impossible to quantify the effect of this bill since no economic analysis has been performed. Using the 25MMBBL "cap" the attached spreadsheet shows the effect of this bill on state revenues and the Permanent Fund. This is for oil only.

The known gas reserves in the four fields comes to about 47 BCF. Using that number and a price of \$1.50/mcf the effect on the treasury would be approximately \$5 million (i.e. the State would receive about \$5 million less in royalties).

47 bcf = 47,000 mmcf. 47,000 mmcf @ \$1.50 mcf = \$70,500,000

\$70,500,000 x (.125 - .05) = \$5,287,500

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 16-Apr-98
 Approved by Commissioner: *Michael Canale* Date: 4/16/98
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE

Attachment to fiscal note CSHB380(FIN)(Title am)

	Barrels	Royalty Barrels	Ten Dollar	Eleven Dollar	Twelve Dollar	Fifteen Dollar	Twenty Dollar	
At 12.5%	25,000,000	3,125,000	\$31,250,000	\$34,375,000	\$37,500,000	\$46,875,000	\$62,500,000	
At 5.0%	25,000,000	1,250,000	\$12,500,000	\$13,750,000	\$15,000,000	\$18,750,000	\$25,000,000	
			Forgiven Royalty (one field)	\$18,750,000	\$20,625,000	\$22,500,000	\$28,125,000	\$37,500,000
			Perm Fund (50% - one field)	\$9,375,000	\$10,312,500	\$11,250,000	\$14,062,500	\$18,750,000
			Forgiven Royalty (two fields)	\$37,500,000	\$41,250,000	\$45,000,000	\$56,250,000	\$75,000,000
			Perm Fund (50% - two fields)	\$18,750,000	\$20,625,000	\$22,500,000	\$28,125,000	\$37,500,000