

HB

96

HOUSE COMMITTEE REPORT

(7)

Date Referred to Committee: March 5, 1999

FURTHER REFERRALS:

Finance

Date of Committee Action: 3/23/99

The STATE AFFAIRS Committee considered:

SSHB 96

SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 96

DEPOSITS TO THE PERMANENT FUND

"An Act relating to deposits to the Alaska permanent fund; and providing for an effective date."

recommends it be replaced with the following committee substitute _____ the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): _____ (Dept)

APPROVES PREVIOUS: _____ (Dept/Date)

fiscal note(s) _____

fiscal note(s) _____

zero fiscal note(s) REV

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS	DP	DNP	NR	AM
<u>Juanette James</u>	✓			
<u>Hal Smalley</u>			✓	
<u>Bern Korttula</u>			✓	
<u>John Capitt</u>			✓	
<u>Bill Hudson</u>	✓			
<u>M. A. A.</u>	✓			
<u>Scott Dyer</u>		✓		

CHAIR'S SIGNATURE Juanette James

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &
TOURISM, MEMBER

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Representative Norman Rokeberg

SPONSOR STATEMENT SSHB96

"An Act Relating to Deposits to the Alaska Permanent Fund"

This legislation returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 percent.

SSHB96 proposes changes to a statute—not the Constitution. The Constitution states that "at least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the state shall be placed in a permanent fund." In 1980, the Legislature realized excess revenues existed (GF revenues for FY81 totaled \$4.07 billion) and wisely decided to raise the amount of royalties and bonuses deposited into the Permanent Fund to 50 percent.

It is time for the State of Alaska to redirect these deposits to the General Fund. Passage of this bill would generate an extra \$9.5 million in FY 00, and an extra \$16 million (average) per year—plus bonus revenues—over the next fifteen years.

As the Prudhoe Bay and Kuparuk fields—which currently contribute to the General Fund at a 75 percent rate—diminish, we need to replace them with the new, smaller satellite fields contributing at the same rate.

While we can and should make budget cuts, we would be foolish to ignore this source of General Fund revenue in solving our budget problem, as well as, planning for the potential future development of Alaska's resources. Prudent fiscal management requires this statutory change. SSHB96 is a small step in the right direction.

I urge you to support this legislation.

ALASKA STATE LEGISLATURE

House of Representatives

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Representative Norman Rokeberg

SECTIONAL ANALYSIS Sponsor Substitute for House Bill 96 Deposits to the Alaska Permanent Fund

Prepared by Representative Rokeberg (via Legal Services)

Section 1: Provides that the permanent fund consists of 25 percent of the state receipts from itemized mineral sources and of money appropriated to the fund or allocated by law or former law to the fund.

Section 2: This Act takes effect immediately.

Legislative Research Report 99.052
February 16, 1999

Estimated Impact on the General Fund if Permanent Fund Contributions Were at 25 Percent of Mineral Income

Legislative Research Services
Division of Legal and Research Services
Legislative Affairs Agency
Alaska State Legislature

Prepared for Representative Norman Rokeberg
Prepared by Maria Gladziszewski, Manager



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PERMANENT FUND CONTRIBUTIONS AT 25 PERCENT OF MINERAL INCOME

Alaska Statute 37.13.010 specifies that 25 percent of income from mineral leases issued before December 1, 1979 must be deposited into the permanent fund.¹ For leases issued after December 1, 1979, required permanent fund contributions are 50 percent of income. You asked us to calculate the effect on the permanent fund and general fund if required deposits to the permanent fund were 25 percent of income from all mineral leases.²

Previously, we sent you a table showing actual contributions to the permanent fund from mineral revenues for the past eight years (1990-1998) as well as projected revenues from oil and gas royalties through 2013 (Legislative Research Report 99.010, December 1998). You asked for details--such as assumptions regarding oil prices and production--on how the projections were calculated. The attached table provides some of those details. Charles Logsdon, petroleum economist at the Alaska Department of Revenue, provided the predictions using data from the department's revised fall 1998 forecast. As you can see from Table 1, if all deposits to the permanent fund were at 25 percent of income, the Department's revised fall 1998 forecasting model estimates additional deposits to the General Fund averaging \$16 million annually over the next 15 years.

The Department of Revenue estimates contributions based on production forecasts on a field by field basis. As the table indicates, the price of oil used to calculate the contributions presented in Table 1 was \$11.58 for the remainder of 1999 and \$12.50 for 2000.³ When preparing the revised projections for this report, Mr. Logsdon discovered that he failed to subtract from the original numbers (presented in Research Report 99.010) the oil and gas royalties that go to the school fund. The revenue impact on the general fund, therefore, is less than estimated previously.

It should be noted that neither bonuses from mineral sales nor the small amount of mineral rent deposited into the state treasury, primarily from coal leases, is included in the department's forecasting model. Future revenue from currently undiscovered sources of oil are also not included in these projections. The additional general fund revenues predicted in Table 1, therefore, underestimate deposits to the extent that mineral rents, bonuses, and revenues from as yet undiscovered fields are not included in the figures; additional annual deposits to the general fund would likely exceed the figures presented in Table 1.

I hope you find this information useful. Please do not hesitate to contact us if you have questions or need additional information.

¹ This report discusses what happens to state mineral revenues once they are collected. Changes to AS 37.13.010 affect not the amount of revenue collected overall, but how much revenue is deposited into the permanent fund as opposed to the general fund. Deposits to the permanent fund under AS 37.13.010 derive mostly from petroleum (primarily oil royalties) but they also include some revenue from other minerals (mostly coal).

² The majority of mineral income deposited into the permanent fund comes from leases issued before December 1, 1979, and is, therefore, already deposited at the 25 percent rate. Alaska Statute 37.13.010 specifies that only the following incomes from leases issued after December 1, 1979 are subject to 50 percent deposits: mineral lease rentals, royalties, royalty sale proceeds, net profit shares, and federal mineral revenue sharing payments. Bonuses received by the state from mineral leases issued after February 15, 1980 are also subject to 50 percent deposits.

³ The oil prices assumed on the spreadsheet can be changed to roughly estimate the revenue impact of changing the 50 percent permanent fund contributing leases to 25 percent as oil prices vary. Production changes, though, depend on what oil fields are assumed to change from the baseline and would have to be re-estimated by the Department of Revenue.

**Projected Contributions to the Permanent and General Funds from Mineral Royalties
If All Leases Contributed to the Permanent Fund at 25 Percent of Royalties**

Fiscal Year	A	B	C	D	E	F	G	H	I	J	K	L	M
	ANS West Coast Price	TAPS, Marine, Other Allowable Costs	Royalty Wellhead Price	Daily Production	Annual Value of Production for Royalties	Average Royalty Rate	North Slope Current Gross Royalties	Current Average Permanent Fund Contribution Rate	Current		If Permanent Fund Contributions @ 25%		
									Contribution to the Permanent Fund from North Slope Oil	Contribution to the General Fund from North Slope Oil	Contribution to the Permanent Fund from North Slope Oil	Contribution to the General Fund from North Slope Oil	Estimated Gain to the General Fund
									Millions of Dollars	Millions of Dollars	Millions of Dollars	Millions of Dollars	Millions of Dollars
Dollars	Dollars	Dollars	Millions of Barrels/Day	Millions of Dollars	Percent	Millions of Dollars	Percent	Millions of Dollars					
		A-B		C'D*365		E*F		G*H	G-I	G*25%	G-K	L-J	
1999	\$11.58	\$5.05	\$6.53	1.177	\$2,035.3	13%	\$356.9	27%	\$94.7	\$262.2	\$89.2	\$267.7	\$5.5
2000	\$12.50	\$4.80	\$7.70	1.117	\$3,147.9	13%	\$399.6	27%	\$109.4	\$290.1	\$99.9	\$299.7	\$9.5
2001	\$15.90	\$4.99	\$10.91	1.146	\$4,564.2	12%	\$567.9	27%	\$155.8	\$412.1	\$142.0	\$425.9	\$13.8
2002	\$16.23	\$5.06	\$11.18	1.159	\$4,726.2	12%	\$583.9	28%	\$164.3	\$419.6	\$146.0	\$438.0	\$18.3
2003	\$18.66	\$5.11	\$11.55	1.175	\$4,952.7	12%	\$608.8	29%	\$175.6	\$433.2	\$152.2	\$456.6	\$23.4
2004	\$17.13	\$5.17	\$11.96	1.139	\$4,985.1	12%	\$614.9	29%	\$177.0	\$437.9	\$153.7	\$461.2	\$23.3
2005	\$17.61	\$5.93	\$11.68	1.060	\$4,519.7	12%	\$558.8	29%	\$159.7	\$399.1	\$139.7	\$419.1	\$20.0
2006	\$18.10	\$6.10	\$12.00	0.987	\$4,324.4	12%	\$536.2	28%	\$152.0	\$384.2	\$134.0	\$402.1	\$18.0
2007	\$18.62	\$6.25	\$12.37	0.925	\$4,175.7	13%	\$528.8	28%	\$149.5	\$379.3	\$132.2	\$396.6	\$17.3
2008	\$19.16	\$6.45	\$12.71	0.859	\$3,995.0	13%	\$510.4	28%	\$143.9	\$366.4	\$127.6	\$382.8	\$16.4
2009	\$19.72	\$6.63	\$13.09	0.799	\$3,817.6	13%	\$489.3	28%	\$137.6	\$351.7	\$122.3	\$367.0	\$15.3
2010	\$20.31	\$7.42	\$12.89	0.746	\$3,500.4	13%	\$445.3	28%	\$125.1	\$320.2	\$111.3	\$334.0	\$13.8
2011	\$20.91	\$7.69	\$13.22	0.695	\$3,355.1	13%	\$427.1	28%	\$119.9	\$307.2	\$106.8	\$320.3	\$13.1
2012	\$21.52	\$7.64	\$13.88	0.647	\$3,274.6	13%	\$419.4	28%	\$117.5	\$301.9	\$104.8	\$314.5	\$12.7
2013	\$22.15	\$7.94	\$14.21	0.602	\$3,125.2	13%	\$400.2	28%	\$112.1	\$288.1	\$100.1	\$300.2	\$12.0

NOTES: Alaska Statute 37.13.010 specifies that 50 percent of income from mineral leases issued after December 1, 1979, must be deposited into the permanent fund. For leases issued before December 1, 1979, required permanent fund contributions are 25 percent of income. This table projects future deposits into both funds if contributions to the Permanent Fund from all leases were at 25 percent of income. Projections are based on the Alaska Department of Revenue's revised fall 1998 revenue forecast. Figures include oil and gas royalties only (i.e., mineral rents and bonuses are not included).

SOURCE: Alaska Department of Revenue, Oil & Gas Audit Division (Charles Logsdon).

Article IX

Section 14. Legislative Post-audit

The legislature shall appoint an auditor to serve at its pleasure. He shall be a certified public accountant. The auditor shall conduct post-audits as prescribed by law and shall report to the legislature and to the governor.

A legislative post-audit is a review of the expenditure of public funds by all government agencies (legislative, executive and judicial) to ensure that the agencies spent the money in compliance with applicable laws and regulations. A post-audit contrasts with the pre-audit used in some states where expenditures are reviewed *before* payment is made. This section makes the auditor responsible to the legislature, as a potential conflict of interest exists if the post-auditor is appointed by and responsible to the governor, as is the case in some states

State statutes that implement this section (AS 24.20.270) authorize the legislative auditor to undertake "performance" audits as well as financial audits. A performance audit evaluates a program's management and its effectiveness in meeting its goals.

Section 15. Alaska Permanent Fund

At least twenty-five percent of all mineral lease rentals, royalties, royalty sale proceeds, federal mineral revenue sharing payments and bonuses received by the State shall be placed in a permanent fund the principal of which shall be used only for those income-producing investments specifically designated by law as eligible for permanent fund investments. All income from the permanent fund shall be deposited in the general fund unless otherwise provided by law.

A constitutional amendment in 1976 added this entire section. It mandates the creation of the Alaska Permanent Fund. An amendment was required because Section 7 prohibits dedicated funds. Although the permanent fund dedicates nontax petroleum revenue (royalties and lease-related revenue received by the state by virtue of its ownership of oil lands), the phrase "tax or license" used in Section 7 has been interpreted to encompass all forms of public revenue.

Dedicated funds normally specify the source of the revenue and the purpose for which it is to be expended (for example, motor fuel taxes are often dedicated to highway construction, lottery income to education, and so on). This provision specifies merely that certain money will be deposited to a special fund and invested, only the earnings of which may be appropriated by the legislature. Nonetheless, the fund represents a type of dedication because the deposits bypass the legislative appropriation process. The fund's earnings are not earmarked for a particular purpose by the constitution; they are deposited in the general fund "unless otherwise provided by law." The law on the matter provides that approximately half of the annual income of the fund is to be distributed on a per capita basis (the dividend program) and as much of the balance as necessary is to be deposited to the corpus (principal) of the fund to account for losses in the value of the fund due to inflation (so-called inflation-proofing). Any income remaining after these purposes are satisfied is deposited to a reserve account for future dividends and inflation-proofing.

APPENDIX A OIL AND GAS FIELDS

OIL AND GAS FIELDS

Field	Type	Location	Discovery Operator	Production
ALBERT KALOA	Gas	Cook Inlet, west side, onshore	1/4/88 CIRI	shut-in 1971
ALPINE	Oil	North Slope, Colville Delta, onshore	3/27/84 Arco	underway 100%
BADAMI	Oil & Gas	North Slope, Canning R., offshore	4/27/90 BP	underway 100% *
BEAVER CREEK	Oil & Gas	Cook Inlet, east side, onshore	12/17/72 Marathon	prod. began 1973
BELUGA RIVER	Gas	Cook Inlet, west side, onshore	12/1/82 Arco	prod. began 1988
BIRCH HILL	Gas	Cook Inlet, east side, onshore	8/9/85 Arco	shut-in 1985
BURGER	Oil & Gas	OCS, Beaufort Sea, offshore	10/14/89 Shell	undeveloped
CANNERY LOOP	Gas	Cook Inlet, east side, onshore	6/24/79 Marathon	prod. began 1988 *
CASCADE	Oil	North Slope, central, onshore	3/14/83 BP	prod. began 1988
COLVILLE DELTA	Oil	North Slope, Colville Delta, onshore	4/20/85 Arco	undeveloped
EAST BARROW	Gas	North Slope, western, onshore	6/1/74 NS Borough	prod. began 1981
EAST KURUPA	Gas	North Slope, foothills, onshore	3/1/78	undeveloped
EAST UMIAT	Gas	North Slope, foothills, onshore	3/28/84 UMC Pat.	shut-in, no production
ENDICOTT	Oil	North Slope, central, onshore	2/14/78 BP	prod. began 1987 *
FALLS CREEK	Gas	Cook Inlet, east side, onshore	4/10/61 Marathon	shut-in 1981
FIORD	Oil	North Slope, Colville Delta, onshore	4/18/92 Arco	undeveloped
FISH CREEK	Oil	North Slope, NPRA, onshore	9/4/49	undeveloped
FLAXMAN ISLAND	Oil	North Slope, Canning R., offshore	9/8/75 Exxon	undeveloped
GRANITE POINT	Oil & Gas	Cook Inlet, west side, offshore	5/18/85 Unocal	prod. began 1987
GUBIK	Gas	North Slope, foothills, onshore	8/11/51	undeveloped
GWYDYR BAY	Oil	North Slope, central, onshore	11/25/69 BP	undeveloped
HAMMERHEAD	Oil	OCS, Beaufort Sea, offshore	10/11/88 Chevron	undeveloped
HEMI SPRINGS	Oil	North Slope, central, onshore	4/3/84	undeveloped
IVAN RIVER	Gas	Cook Inlet, west side, onshore	10/8/68 Unocal	prod. began 1980 *
KALUBIK	Oil	North Slope, Colville Delta, offshore	5/1/92 Arco	undeveloped
KATALLA	Oil	Gulf of Alaska, onshore	1/1/02	abandoned 1933
KAVIK	Gas	North Slope, foothills, onshore	11/5/89 Arco	undeveloped
KEMIK	Gas	North Slope, foothills, onshore	6/17/72 BP	undeveloped
KENAI	Gas	Cook Inlet, east side, onshore	10/11/59 Marathon	prod. began 1981
KUPARUK RIVER	Oil & Gas	North Slope, central, onshore	4/7/69 Arco	prod. began 1981 *
KUVLUM	Oil	OCS, Beaufort Sea, offshore	10/1/92 Chevron	undeveloped
LEWIS RIVER	Gas	Cook Inlet, west side, onshore	10/1/75 Unocal	prod. began 1984
LIBERTY = TERN ISLAND	Oil	OCS, Beaufort Sea, offshore	3/3/83 BP	undeveloped
LISBURNE	Oil & Gas	North Slope, central, onshore	12/19/67 Arco	prod. began 1986
MCARTHUR RIVER	Oil & Gas	Cook Inlet, west side, offshore	9/29/65 Unocal	prod. began 1967
MEADE	Gas	North Slope, NPRA, onshore	8/21/50	undeveloped
MIDDLE GROUND SHOAL	Oil & Gas	Cook Inlet, mid channel, offshore	6/10/62 Unocal/Shell	prod. began 1967
MIKKELSON	Oil	North Slope, central, onshore	11/11/78 Exxon/Arco	undeveloped
MILNE POINT	Oil	North Slope, central, onshore	8/9/69 BP	prod. began 1985 *
MOQUAWKIE	Gas	Cook Inlet, west side, onshore	11/28/65 CIRI	shut-in 1979
NIAKUK	Oil	North Slope, central, offshore	3/7/85 BP/Arco	prod. began 1984
NICOLAI CREEK	Gas	Cook Inlet, west side, onshore	4/28/68 Unocal	shut-in 1971
NORTH COOK INLET	Gas	Cook Inlet, mid channel, offshore	8/21/62 Phillips	prod. began 1970
NORTH FORK	Gas	Cook Inlet, east side, onshore	12/20/65 Gas-Pro	shut-in 1985
N. MIDDLE GROUND SHOAL	Oil & Gas	Cook Inlet, mid channel, offshore	11/15/64 Unocal	undeveloped
NORTH PRUDHOE	Oil & Gas	North Slope, central, onshore	3/31/70 Arco	prod. began 1993
NORTHSTAR	Oil & Gas	North Slope, central, offshore	1/30/84 BP	undeveloped
NORTH TRADING BAY	Oil	Cook Inlet, offshore	various	abandoned 1933
NORTH TRADING BAY	Gas	Cook Inlet, offshore	Marathon	prod. began 1996
POINT MCINTYRE	Oil & Gas	North Slope, central, offshore	3/22/88 Arco	prod. began 1993 *
POINT THOMSON	Oil & Gas	North Slope, Canning R., offshore	12/8/77 Exxon	undeveloped
PRETTY CREEK	Gas	Cook Inlet, west side, onshore	2/20/79 Unocal	prod. began 1986
PRUDHOE BAY	Oil & Gas	North Slope, central, onshore	12/19/67 BP/Arco	prod. began 1977
REDOUBT SHOAL	Oil	Cook Inlet, west side, offshore	9/21/68 Forcenenergy	proposed
SAG DELTA NORTH	Oil	North Slope, central, onshore	1/25/82 BP	prod. began 1989 *
SAG RIVER	Oil	North Slope, central, onshore	8/9/69 BP	prod. began 1994
SANDPIPER	Oil	OCS, Beaufort Sea, offshore	1/25/88 Murphy	undeveloped
SCHRADER BLUFF	Oil	North Slope, central, onshore	8/9/69 BP	prod. began 1991 *
SIKULIK	Gas	North Slope, western, onshore	4/18/88 NS Borough	undeveloped
SIMPSON	Oil	North Slope, NPRA, onshore	10/23/50	undeveloped
SOURDOUGH	Oil	North Slope, Canning R., offshore	4/27/94 BP	undeveloped
SOUTH BARROW	Gas	North Slope, western, onshore	4/15/49 NS Borough	prod. began 1950
SQUARE LAKE	Gas	North Slope, NPRA, onshore	4/18/52	undeveloped
STARICHKOF	Oil	Cook Inlet, east side, offshore	4/1/67 Forcenenergy	undeveloped

Field	Type	Location	Discovery Operator	Production
STERLING	Gas	Cook Inlet, east side, onshore	7/11/81 Marathon	prod. began 1962 *
STINSON	Oil	North Slope, Canning R., offshore	8/20/90 Arco	undeveloped
STUMP LAKE	Gas	Cook Inlet, west side, onshore	5/14/78 Unocal	prod. began 1990
SUNFISH = TYONEK DEEP	Oil & Gas	Cook Inlet, mid channel, offshore	11/5/91 Phillips	undeveloped *
SWANSON RIVER	Oil & Gas	Cook Inlet, east side, onshore	7/19/57 Unocal	prod. began 1958
TABASCO	Oil	North Slope, central, onshore	1/1/82 Arco	proposed
TARN	Oil	North Slope, central, onshore	2/3/91 Arco	underway 50%+/-
TERN ISLAND = LIBERTY	Oil	OCS, Beaufort Sea, offshore	3/3/83 BP	undeveloped
THETIS ISLAND	Oil	North Slope, central, offshore	4/28/93 Anadarko	undeveloped
TRADING BAY	Oil & Gas	Cook Inlet, west side, offshore	6/17/65 Unocal	prod. began 1967
TYONEK DEEP = SUNFISH	Oil & Gas	Cook Inlet, mid channel, offshore	11/5/91 Phillips	undeveloped
UGNU	Oil	North Slope, central, onshore	8/8/89 Arco	undeveloped
UMIAT	Oil	North Slope, foothills, onshore	7/29/50 U.S. Dept Interior	undeveloped
WALAKPA	Gas	North Slope, western, onshore	2/7/80 NS Barough	prod. began 1992
WEST BEACH	Oil & Gas	North Slope, central, onshore	7/22/78 Arco	prod. began 1994
WEST FORELAND	Gas	Cook Inlet, west side, onshore	3/29/82 Phillips	shut-in 1962
WEST FORK	Gas	Cook Inlet, east side, onshore	9/26/80 CIRI	prod. began 1978
WEST MCARTHUR RIVER	Oil & Gas	Cook Inlet, west side, onshore	12/2/81 Forcenergy	prod. began 1984 100%
WEST SAK	Oil	North Slope, central, onshore	8/9/69 Arco	undeveloped
WOLF CREEK	Gas	North Slope, NPRA, onshore	6/4/51	undeveloped

Revised 3/10/98

* Small portions of these fields would be included.

**STATE OF ALASKA
FIVE-YEAR OIL AND GAS LEASING PROGRAM
1999 TO 2003**

1999 Sales

North Slope Areawide 1999	February
*Cook Inlet Areawide 1999	April
*Beaufort Sea Areawide 1999	October

2000 Sales

North Slope Areawide 2000	February
Beaufort Sea Areawide 2000	May
Cook Inlet Areawide 2000	August

2001 Sales

North Slope Areawide 2001	February
*NS Foothills Areawide 2001	April
Beaufort Sea Areawide 2001	May
Cook Inlet Areawide 2001	August

2002 Sales

North Slope Areawide 2002	February
Beaufort Sea Areawide 2002	May
Cook Inlet Areawide 2002	August

2003 Sales

North Slope Areawide 2003	February
Beaufort Sea Areawide 2003	May
Cook Inlet Areawide 2003	August

* Requires a Best Interest Finding

The sales scheduled for 2002 and 2003 are new to the Five-Year Oil and Gas Leasing Program. All other sales were proposed in the 1997 Five-Year Program. DNR has announced its decision to proceed with two sales – North Slope Areawide 1999 and Cook Inlet Areawide 1999. As for the rest of the schedule, if the decision is to proceed with a sale, a Sale Announcement, including the sale terms, bidding method, tract map, and mitigation measures will be issued 90 days prior to that sale. If a best interest finding or a supplement to a previous finding is required, it will be released at the same time as the Sale Announcement.

Summary

Prepared by C. Poulos; DNR, SSD, FSS-Anchorage
2/18/99

Calculation of the amount the PF would have received if all distributions were 25%.

	Transfers to PF		Additional Due Transactions	=	25% distribution to PF
FY90	\$270,236,651.14	-	\$4,217,045.54	=	\$266,019,605.60
FY91	447,694,592.87	-	8,368,975.31	=	439,325,617.6
FY92	318,971,140.31	-	7,390,570.50	=	311,580,569.8
FY93	282,799,605.82	-	6,608,482.69	=	276,191,123.1
FY94	211,324,505.64	-	4,531,341.61	=	206,793,164.0
FY95	278,367,321.07	-	5,287,842.48	=	273,079,478.6
FY96	254,298,653.60	-	9,086,004.67	=	245,212,648.9
FY97	320,648,410.01	-	19,712,887.29	=	300,935,522.7
FY98	248,017,152.43	-	15,396,645.13	=	232,620,507.3
	<u>\$2,632,358,032.89</u>	-	<u>\$80,599,795.22</u>	=	<u>\$2,551,758,237.67</u>

Transfers to PF = all revenues transferred to the Permanent Fund

Additional Due = the additional 25% due the Permanent Fund on 50% distribution revenues

hello.....

Subject: hello.....

Date: Thu, 18 Feb 1999 13:04:51 -0500

From: john <jgensel@alaska.net>

To: Representative_Norman_Rokeberg@Legis.state.ak.us

I agree with your HB 96..... good idea.

Also please make sure the personal income tax bill 91 gets stopped.
Its a totally unfair bill taxing the hard working citizens of Alaska.

At the very least a cap should be put on State Income tax (no one
pays more than annual Perm fund dividend).... and everyone should pay
something.

My ideas.... #1. Use perm fund to help operate State

#2. Use perm fund to help operate State.....

thanks..... john

John Gensel
125 East Redoubt Avenue
Soldotna, Alaska 99669

Rokeberg bill would boost state take of money from new oil leases

By SVEND HOLST

THE JUNEAU EMPIRE

Another plan is on the table to fill part of the gap between state spending and revenue.

Rep. Norman Rokeberg, an Anchorage Republican, introduced a bill Wednesday that would add some funds to state coffers by reducing the amount of oil lease money that flows into the Alaska Permanent Fund from new developments.

Juneau 2/18/97
Today, under a statute enacted in 1980, 50 percent of the state's mineral income - including leases, royalties, royalty sale proceeds and other such income - is funneled into the permanent fund.

Rokeberg's bill would lower that to 25 percent for any royalty money coming from new leases and the like initiated after July of this year. That's the level mandated by the Alaska constitution.

The change wouldn't raise

enough cash to fill the fiscal gap, Rokeberg said, but it's something worth talking about because it would increase state revenue.

If the Legislature's estimates of oil price and production are accurate, the changes House Bill 96 would make would add \$9.5 million to the state's general fund for the 2000 budget year, he said. Over 15 years, he said, the average would be about \$16 million per year.

"It's a relatively small amount,

but every dollar helps," Rokeberg said. "Any dollar we get by this method, we don't have to raise with taxes."

Bob King, press secretary for Democratic Gov. Tony Knowles, said today that the governor's staff hadn't had time to review the measure.

The bill is slated for review by two House committees - State Affairs and Finance.

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT &
TOURISM, MEMBER



e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

INTERIM:
716 WEST 4TH AVENUE, SUITE 640
ANCHORAGE, AK 99501
PHONE: (907) 269-0117
FAX: (907) 269-0119

SESSION:
ALASKA STATE CAPITOL
JUNEAU, AK 99801-1182
PHONE: (907) 465-4968
FAX: (907) 465-2040

Representative Norman Rokeberg

MEMORANDUM

TO: Representative Jeannette James, Chair
House State Affairs Committee

FROM: Representative Norman Rokeberg

DATE: March 12, 1999

RE: Hearing Request

A handwritten signature in black ink, appearing to read "Norman Rokeberg".

I am requesting that Sponsor Substitute for House Bill 96 (an act relating to deposits to the Alaska permanent fund; and providing for an effective date) be heard before the State Affairs Committee.

I am submitting the following:

1. Copy of SSHB 96
2. Sponsor statement
3. Sectional analysis

Bill packet information, including a list of witnesses, is forthcoming. I am requesting that the hearing be teleconferenced at a minimum, to Anchorage.

If you have any questions, please contact me or Tracey Zahradka in my office.



Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 465-2047

MEMORANDUM

DATE: March 22, 1999
TO: Representative Norman Rokeberg
FROM: Jim Kelly, ^{JK} Director of Communications
SUBJECT: **Impact of HB 96 on Per Capita Dividends**

You have asked about the impact of your proposed bill, House Bill 96, on per capita dividends over the next five years, both compared to the status quo and assuming passage of a one-time \$4 billion transfer from the Fund's earnings reserve account to the CBRF per the Governor's proposal. Based on our financial analysis, the impact would be less than \$10 difference over the five years in either case.

cc: Executive Director
Board of Trustees
Governor's Legislative Liaison

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS

LABOR & COMMERCE COMMITTEE, CHAIRMAN
JUDICIARY COMMITTEE, MEMBER
LEGISLATIVE COUNCIL, MEMBER
SPECIAL COMMITTEE ON UTILITY RESTRUCTURING, MEMBER
SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT & TOURISM, MEMBER



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e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

Representative Norman Rokeberg

PRELIMINARY RESULTS FROM THE ROKEBERG LEGISLATIVE QUESTIONNAIRE
1999 - 4,157 mailed; 253 returned or 6.08%. Questions 15 and 19.

15. In addition to the items in #9 above, please let me know if you generally favor or oppose the following as ways to address the fiscal gap:
- | | |
|---|------------------------------|
| a. Establish a state sales tax | Yes <u>114</u> No <u>123</u> |
| b. Re-establish a school tax | Yes <u>83</u> No <u>140</u> |
| c. Increase alcohol taxes | Yes <u>156</u> No <u>88</u> |
| d. Raise user fees and index fees to inflation | Yes <u>138</u> No <u>89</u> |
| e. Increase fishery, timber and mining taxes | Yes <u>102</u> No <u>129</u> |
| f. Establish new taxes on the tourism industry | Yes <u>144</u> No <u>91</u> |
| g. Increase oil and gas taxes | Yes <u>97</u> No <u>140</u> |
| h. Establish a seasonal sales tax | Yes <u>106</u> No <u>128</u> |
| i. Use a portion of the Permanent Fund earnings reserve to fund government operations | Yes <u>110</u> No <u>130</u> |
19. Alaska's Constitution mandates that 25% of oil and mineral leases, royalties and bonuses are deposited into the principal of the Permanent Fund. In 1980, the Legislature increased that to 50% of all new leases. If we repealed this law and went back to the original 25%, an extra \$12 million a year would be generated to help close the fiscal gap. Do you support changing the law back to the Constitution's 25%? Yes 164 No 72

FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SSHB96

Revision Date: 25-Mar-99 Dept Affected: Natural Resources
 Title: An Act relating to deposits to the Alaska permanent fund. BRU: Management & Administration
 Component: Commissioner's Office
 Sponsor: Rep. Rokeberg
 Requestor: (H) STA Component Serial No. #423

Expenditures/Revenues (Inflation not included unless otherwise noted below) (Thousands of Dollars)

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
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) * see analysis section for estimate of revenue changes.

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) 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)

The intent of the Bill is to reduce all existing lease bonus, rent and royalty payments to the permanent fund currently being paid at the 50% level to 25% after July 1, 1999. In addition, payments to the permanent fund from any future oil and gas leases would be set at the 25% level instead of the 50% level. In FY 99, from existing leases DNR expects to allocate to the permanent fund approximately \$9,900.0 in royalty revenues, \$1,200.0 in rental revenues, and \$375.0 from 6(i) mining leases that are attributable to the extra 25% payment requirement in current law (total \$11,475.0). One time lease bonus payments of \$10,000.0 attributable to the extra 25% payment requirement also were allocated to the permanent fund in FY 99. Depending on the effective date of the legislation, there could be some FY 99 revenue switched from the Permanent Fund to the General Fund. DNR has not projected that amount. Nor has DNR tried to estimate the future bonus, rent and royalty revenue from yet to be issued leases that would be effected by this Bill. For the fiscal note we have assumed constant future royalty and rental income just from existing leases and have excluded all possible future payments from yet to be issued leases.

Prepared by: Ken Boyd, Director Phone: 269-8800
 Division: Oil & Gas Date: 25-Mar-99
 Approved by Commissioner: [Signature] Date: 3-25-99
 Agency: Natural Resources

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SSHB96

Revision Date: _____ Dept Affected: Natural Resources
 Title: An Act relating to deposits to the Alaska BRU: Oil & Gas Development
 permanent fund. Component: Oil & Gas Development
 Sponsor: Rep. Rokeberg
 Requestor: (H) STA Component Serial No. #439

Expenditures/Revenues (Inflation not included unless otherwise noted below) (Thousands of Dollars)

OPERATING EXPENDITURES	FY2000	FY2001	FY2002	FY2003	FY2004	FY2005
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) * see analysis section for estimate of revenue changes.

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY99) 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)
 The intent of the Bill is to reduce all existing lease bonus, rent and royalty payments to the permanent fund currently being paid at the 50% level to 25% after July 1, 1999. In addition, payments to the permanent fund from any future oil and gas leases would be set at the 25% level instead of the 50% level. In FY 99, from existing leases DNR expects to allocate to the permanent fund approximately \$9,900.0 in royalty revenues and 1,200.0 in rental revenues that are attributable to the extra 25% payment requirement in current law. One time lease bonus payments of \$10,000.0 attributable to the extra 25% payment requirement also were allocated to the permanent fund in FY 99. Depending on the effective date of the legislation, there could be some FY 99 revenue switched from the Permanent Fund to the General Fund. DNR has not projected that amount. Nor has DNR tried to estimate the future bonus, rent and royalty revenue from yet to be issued leases that would be effected by this Bill. For the fiscal note we have assumed constant future royalty and rental income just from existing leases and have excluded all possible future payments from yet to be issued leases.

Prepared by: Ken Boyd, Director *[Signature]* Phone: 269-8800
 Division: Oil & Gas Date: 24-Mar-99
 Approved by Commissioner: *[Signature]* Date: 3-24-99
 Agency: Natural Resources

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FISCAL NOTE

STATE OF ALASKA
1999 LEGISLATIVE SESSION

BILL NO. SS HB 96

Revision Date/Time (Note if correction) 3/22/99 Dept. Affected Revenue
 Title Deposits to the Permanent Fund BRU Revenue Operations
 Component _____
 Sponsor Rokeberg
 Requester House State Affairs Component Serial No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2000	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
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						
-----------------------------	--	--	--	--	--	--

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

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 current year (FY99) cost: 0.0

POSITIONS

Full-time	0	0	0	0	0	0
Part-time						
Temporary						

ANALYSIS: *No fiscal impact.*

Prepared by Peter A. Bushre
 Division Alaska Permanent Fund Corporation
 Approved by Wilson L. Condon
 Commissioner
 Agency Department of Revenue

Phone 465-2301
 Date/Time 03/22/99
 Date 3/20/99

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Re: fiscal notes

Subject: Re: fiscal notes
Date: Thu, 18 Mar 1999 13:42:10 -0900
From: Shari Kochman <shari_kochman@gov.state.ak.us>
Organization: Alaska Office of the Governor
To: Barbara Cotting <Barbara_Cotting@legis.state.ak.us>

requests are in
thanks.

Barbara Cotting wrote:

- >
- > *I have scheduled the following bills for hearing in House State Affairs*
- > *on March 23 and need fiscal notes:*
- >
- > *HB 96, Deposits to the Permanent Fund (Revenue)*
- > *HB 132, Permanent Fund Allowable Absences (Revenue)*