

HB

3

ALASKA STATE LEGISLATURE

House of Representatives

COMMITTEE ASSIGNMENTS:

JUDICIARY COMMITTEE, CHAIRMAN
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Representative Norman Rokeberg

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SPONSOR STATEMENT House Bill 3 DEPOSITS TO THE PERMANENT FUND

Title: An Act relating to deposits to the Alaska permanent fund from mineral lease rentals, royalties, royalty sale proceeds, net profit shares under AS 38.05.180(f) and (g), federal mineral revenue sharing payments received by the state from mineral leases, and bonuses received by the state from mineral leases, and limiting deposits from those sources to the 25 percent required under art IX, sec. 15, Constitution of the State of Alaska; and providing for an effective date.

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

HB 3 proposes changes to a statute -- not the Constitution. Article IX, Section 15 of Alaska's 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 recognized excess revenues existed (GF revenues for FY 81 totaled \$4.07 billion) and wisely decided to raise the amount of royalties and bonuses deposited into the Permanent Fund to 50 percent. This surplus situation with state revenues no longer exists today.

It is time for the State to redirect the extra 25% to the General Fund. Passage of this bill would generate an estimated \$29 million (average) per year over the next thirteen years, and \$35.9 million in FY 2002 at an estimate \$24.28 per barrel average.

As the Prudhoe Bay and Kuparuk fields - which currently contribute to the General Fund at a 25 percent rate - diminish, we need to replace that production with the new, smaller satellite fields (for example, Alpine, and North Star) contributing at the same 25 percent rate not at a larger 50 percent rate.

While we can and should continue to make budget reductions, we would be foolish to ignore this source of General Fund revenue in solving our budget problem, as well as planning for the future development of Alaska's resources. Prudent fiscal management requires this statutory change. HB 3 is a small step in the right direction.

I strongly urge you to support this much needed, fiscally-prudent legislation.

ED1:02/12/01

FISCAL NOTE

STATE OF ALASKA
2001 LEGISLATIVE SESSION

Fiscal Note Number: _____
Bill Version: HB 3
() Publish Date: _____

Revision Date/Time (Note if correction): _____ Dept. Affected: Revenue
Title: Deposit to the Permanent Fund BRU: Revenue Operations
Component: Tax Division

Sponsor: Representative Rokeberg
Requester: House State Affairs Component Number: 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
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 ()	40,000.0	43,700.0	40,200.0	38,600.0	27,200.0	24,900.0
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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 (FY2001) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2002 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would amend AS 37.13.010(1) and (2) to reduce deposits to the Permanent Fund from 50% to 25% from all state mineral lease royalties, rentals and bonuses (including the state's share of such revenues from federal leases) from leases issued after Dec. 1, 1979.

The estimates in this fiscal note are based on oil price and production assumptions used in the Department of Revenue Fall 2000 forecast. The actual revenue effect to the general fund will be sensitive to future oil prices and production. Estimates of the effect of this statutory change suggest that the revenue increase to the state general fund will range between \$25 million and \$45 million per year assuming oil prices average \$15 to \$25 per barrel.

The increase in revenue to the general fund under this bill will mean an equal decrease in deposits to the Permanent Fund.

Prepared by: Charles Logson, Chief Economist Phone 907 269 1019
Division: Tax Division Date/Time 3/3/01 11:00 AM
Approved by: Larry Persily, Deputy Commissioner Date 03/05/2001
Agency: Department of Revenue

For distribution information, call the Governor's Legislative Office

LEGISLATIVE RESEARCH REPORT

JANUARY 18, 2001



REPORT NUMBER 01.066

ESTIMATED IMPACT ON THE GENERAL AND PERMANENT FUNDS IF PERMANENT FUND CONTRIBUTIONS WERE AT 25% OF MINERAL INCOME

PREPARED FOR REPRESENTATIVE NORMAN ROKEBERG

BY MARIA GLADZISZEWSKI, MANAGER

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

Over the past few years, we have sent you several tables showing actual contributions to the permanent fund from mineral revenues in past years as well as projected revenues from oil and gas royalties for future years. Again this year you asked for an update of material sent to you previously.

Table 1 provides projected future contributions and includes assumptions regarding oil prices and production. Charles Logsdon, petroleum economist at the Alaska Department of Revenue, provided the predictions using data from the department's fall 2000 forecast. As you can see from Table 1, the department's fall 2000 forecasting model predicts that if all deposits to the

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 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.

permanent fund were at 25 percent of income, additional deposits to the General Fund would average about \$29 million annually over the next 13 years.

The Department of Revenue estimates contributions based on production forecasts on a field-by-field basis. As the table indicates, the model predicts oil prices at over \$30 per barrel for FY2001 with decreases thereafter. The oil prices assumed on the spreadsheet can be changed to roughly estimate the revenue impact on the Permanent and General Funds as oil prices vary.³

It should be noted that the small amount of mineral rent deposited into the state treasury, primarily from coal leases, is not 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 and revenues from as yet undiscovered fields are not included in the figures.**

Table 2 presents actual contributions to the Permanent Fund from mineral royalties for the years 1990 through 2000. To enable you to look in one place for both past actual deposits and future predictions, Table 2 also repeats (from Table 1) the projected estimated gains to the General Fund for the years 2001 through 2013.

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

³ Although possible, the Department of Revenue notes that the daily production numbers on the spreadsheet cannot be as easily changed. Changes to production figures depend on what fields are assumed to change from the baseline and would have to be re-estimated by the Department.

TABLE 1
Projected Contributions to the Permanent and General Funds
If All Oil & Gas Leases Contributed to the Permanent Fund at 25 Percent of Income, FY 2001 - FY 2013

Fiscal Year	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
	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 Royalties	Contribution to the General Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Bonuses	Contribution to the Permanent Fund from North Slope Oil Royalties	Contribution to the General Fund from North Slope Oil Royalties	Estimated Gain to the General Fund from Oil Royalties	Estimated Gain to the General Fund from Royalties & Bonuses
	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-L	M-J	N+(.5*K)				
2001	\$30.17	\$5.39	\$24.78	1.001	\$9,051.3	13%	\$1,143.5	27%	\$312.6	\$830.9	\$2.2	\$285.9	\$857.6	\$26.7	\$30.2
2002	\$24.28	\$5.59	\$18.68	1.047	\$7,136.6	13%	\$897.2	29%	\$260.2	\$636.9	\$7.1	\$224.3	\$672.9	\$35.9	\$39.5
2003	\$22.06	\$5.46	\$16.60	1.061	\$6,424.6	13%	\$817.6	30%	\$244.6	\$573.1	\$4.0	\$204.4	\$613.2	\$40.2	\$43.8
2004	\$21.06	\$5.57	\$15.50	1.048	\$5,944.1	13%	\$751.5	30%	\$224.5	\$527.1	\$4.0	\$187.9	\$563.7	\$36.6	\$40.3
2005	\$20.38	\$5.66	\$14.72	1.065	\$5,722.4	12%	\$705.3	30%	\$211.5	\$493.8	\$4.0	\$176.3	\$529.0	\$35.1	\$38.9
2006	\$17.25	\$5.80	\$11.45	1.045	\$4,364.7	12%	\$526.4	30%	\$156.3	\$370.0	\$4.0	\$131.6	\$394.8	\$24.7	\$28.6
2007	\$17.25	\$5.93	\$11.32	1.015	\$4,194.2	12%	\$506.4	29%	\$149.3	\$357.1	\$4.0	\$126.6	\$379.8	\$22.7	\$26.7
2008	\$17.25	\$6.18	\$11.07	0.982	\$3,981.7	12%	\$483.0	29%	\$141.1	\$341.9	\$4.0	\$120.8	\$362.3	\$20.4	\$24.4
2009	\$17.25	\$6.41	\$10.84	0.949	\$3,757.6	12%	\$456.9	29%	\$131.6	\$325.3	\$4.0	\$114.2	\$342.7	\$17.3	\$21.4
2010	\$17.25	\$6.63	\$10.62	0.905	\$3,508.8	12%	\$427.7	29%	\$122.3	\$305.5	\$4.0	\$106.9	\$320.8	\$15.3	\$19.5
2011	\$17.25	\$7.09	\$10.16	0.841	\$3,120.5	12%	\$380.4	28%	\$107.7	\$272.6	\$4.0	\$95.1	\$285.3	\$12.6	\$16.8
2012	\$17.25	\$6.98	\$10.27	0.788	\$2,952.3	12%	\$360.2	28%	\$101.4	\$258.8	\$4.0	\$90.0	\$270.1	\$11.3	\$15.6
2013	\$17.25	\$7.29	\$9.96	0.741	\$2,694.2	12%	\$328.9	28%	\$92.1	\$236.8	\$4.0	\$82.2	\$246.7	\$9.9	\$14.2

\$29.0

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 to the Permanent and General 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 fall 2000 revenue forecast. Figures include oil and gas royalties and bonuses but the relatively small amount of rent from minerals is not included.

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

TABLE 2
Contributions to the Permanent and General Funds
from Mineral Lease Income
(millions of dollars)

FISCAL YEAR	Current Deposits to the Permanent Fund From Mineral Leases			If PF Contributions @ 25%	
	Contributing at 25%	Contributing at 50%	TOTAL	Contributions to the Permanent Fund	Gain to the General Fund
1990 (a)	\$259.0	\$11.2	\$270.2	\$264.6	\$5.6
1991 (a)	\$431.0	\$16.7	\$447.7	\$439.3	\$8.4
1992 (a)	\$304.2	\$14.8	\$319.0	\$311.6	\$7.4
1993 (a)	\$269.6	\$13.2	\$282.8	\$276.2	\$6.6
1994 (a)	\$202.3	\$9.1	\$211.3	\$206.8	\$4.5
1995 (a)	\$267.8	\$10.6	\$278.4	\$273.1	\$5.3
1996 (a)	\$236.1	\$18.2	\$254.3	\$245.2	\$9.1
1997 (a)	\$281.2	\$39.4	\$320.7	\$300.9	\$19.7
1998 (a)	\$217.2	\$30.8	\$248.0	\$232.6	\$15.4
1999 (a)	\$136.6	\$21.4	\$158.0	\$147.3	\$10.7
2000 (a)	\$227.9	\$45.2	\$273.1	\$250.5	\$22.6
2001 (b)			\$312.6	\$285.9	\$26.7
2002 (b)			\$260.2	\$224.3	\$35.9
2003 (b)			\$244.6	\$204.4	\$40.2
2004 (b)			\$224.5	\$187.9	\$36.6
2005 (b)			\$211.5	\$176.3	\$35.1
2006 (b)			\$156.3	\$131.6	\$24.7
2007 (b)			\$149.3	\$126.6	\$22.7
2008 (b)			\$141.1	\$120.8	\$20.4
2009 (b)			\$131.6	\$114.2	\$17.3
2010 (b)			\$122.3	\$106.9	\$15.3
2011 (b)			\$107.7	\$95.1	\$12.6
2012 (b)			\$101.4	\$90.0	\$11.3
2013 (b)			\$92.1	\$82.2	\$9.9

NOTES:

(a) Actual deposits--data compiled from actual transfers to the Permanent Fund that were listed in the state's accounting system (AKSAS) and in the "Additional Due the Permanent Fund for Post Chapter 13 Leases" reports. **Included are all mineral royalties, rents, interest, and bonus bids.**

(b) Projected deposits--based on the Alaska Department of Revenue's fall 2000 revenue forecast (same data as presented in Table 1). **Included are oil and gas royalties and bonuses.**

SOURCES:

(a) Alaska Department of Natural Resources, SSD/FSS (Cathy Poulos).

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

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Representative Norman Rokeberg

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

February 12, 2001

Dear Colleague

HB 3 returns the percentage of all mineral lease royalties and bonuses deposited into the Permanent Fund to the constitutionally mandated 25 percent (please see the attached bill packet).

HB 3 would provide Alaska with a source of General Fund revenue while staying true to the purposes of the Permanent Fund and the intent of our constitution. As the table in your bill packet indicates, passing this bill would generate an extra \$29 million average per year, plus bonus revenues, over the next thirteen years.

This plan will not only help our present economic situation, it will also allow for prudent management of potential future mineral royalties. As the wealth of older fields such as Prudhoe and Kuparuk diminish, we must look at replacing them with newer fields such as Alpiro to ensure continued return to the corpus of the Permanent Fund. ["String of Pearls" replaces lift in Prudhoe.]

- This plan is only a tile in the mosaic of any plan to fill the fiscal gap.
- Alaska cannot save its way to prosperity.

It is time for the legislature to begin taking steps to help solve our budget problem, and to plan for the potential future development of Alaska's resources. HB 3 can help us succeed on both fronts and I would appreciate your support on this legislation. However, I do not want to move this legislation without sufficient votes for passage.

Some members have voiced concerns that this bill could be construed as a raid on the Permanent Fund. **It Is Not!** It is a statutory change that recognizes the fiscal reality of our state without raising taxes. Therefore, please get back to me if you need additional information or if I have your support.

Thanks for your consideration,

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

Norman Rokeberg
State Representative
House District 11

Attachments

PS: Look at the attached revenue impacts.



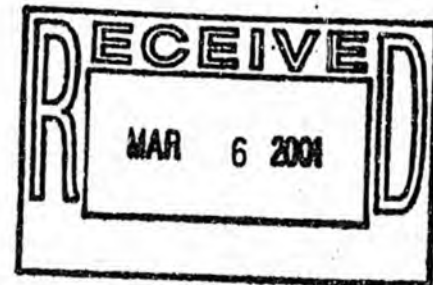
Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, Alaska 99802-5500
(907) 485-2047

MEMORANDUM

DATE: March 6, 2001
TO: Representative Norman Rokeberg
FROM: Jim Kelly, Director of Communications *JK*
SUBJECT: Impact of HB 3 on Oil Contributions and Per Capita Dividends (REVISED)

You have asked about the impact of House Bill 3 on future oil contributions and per capita dividends. Based on our financial analysis (see attached), the impact on oil contributions will total \$333 million between 2001-2011. The impact on per capita dividends will total \$90 over the same 11 years. Please let me know if you have any additional questions.

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



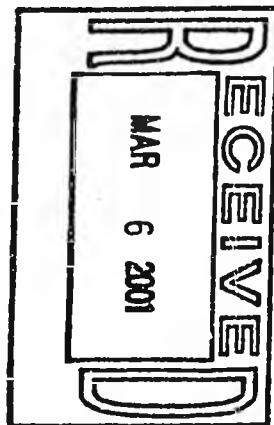
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Analysis of HB 3 Alaska Permanent Fund Corporation

Based on December 2000 APFC Financial Projections
(\$ in millions)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTALS
Oil contributions Status Quo	343	291	271	249	235	179	171	162	162	142	128	2,325
Oil Contributions (HB 3)	313	250	226	209	196	150	144	138	131	123	112	1,992
Difference (HB 3 - Status Quo)	30	42	44	41	39	29	27	24	21	19	16	333
Per Capita Dividends Status Quo	\$1,930	\$1,910	\$1,820	\$1,750	\$1,760	\$1,890	\$1,960	\$2,040	\$2,120	\$2,200	\$2,260	\$21,660
Per Capita Dividends (HB 3)	\$1,930	\$1,910	\$1,820	\$1,750	\$1,760	\$1,880	\$1,950	\$2,030	\$2,100	\$2,180	\$2,260	\$21,590
Difference (HB 3 - Status Quo)	\$0	\$0	\$0	\$0	\$0	\$10	\$10	\$10	\$20	\$20	\$20	\$90



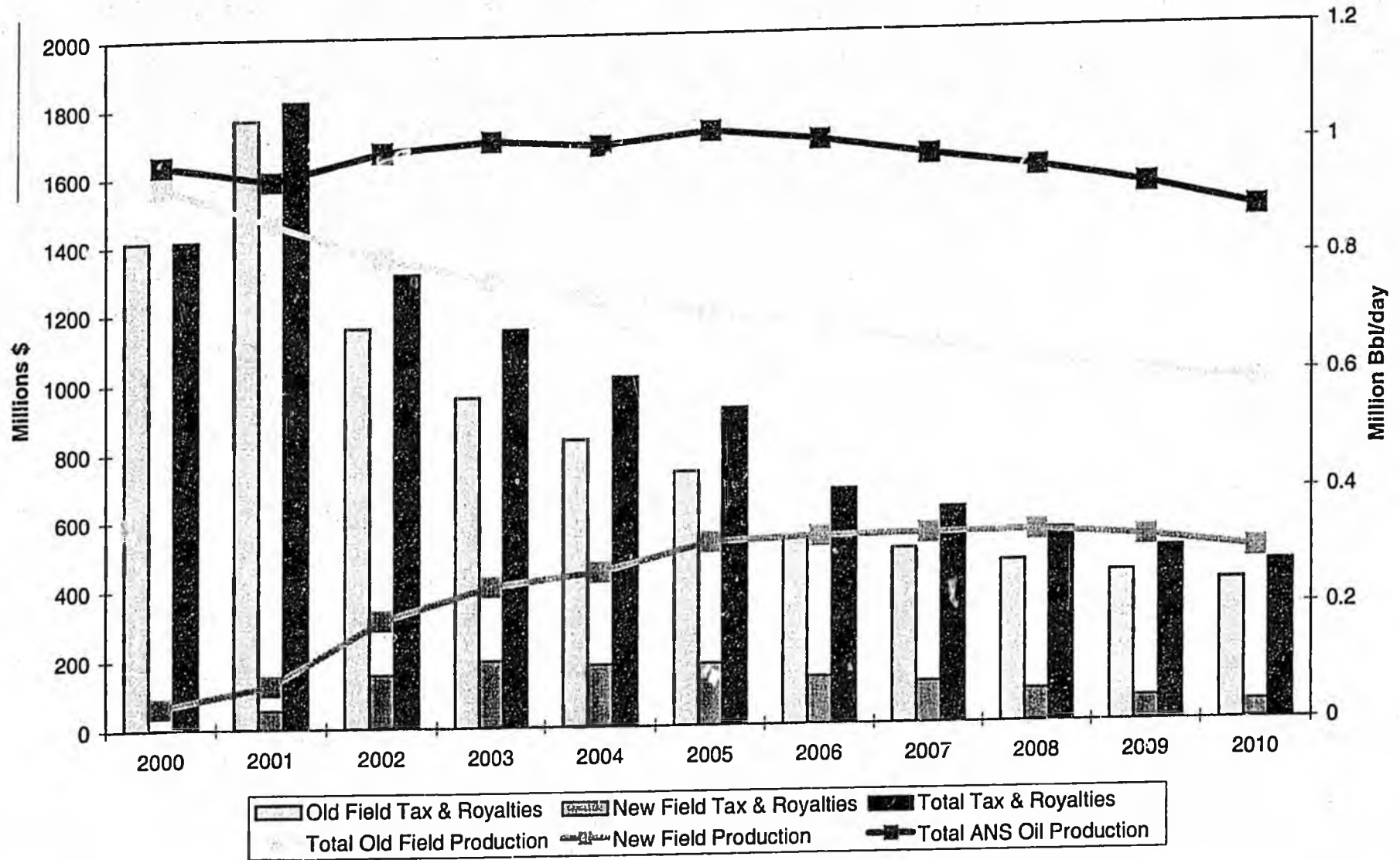
To: Representative Norm Rokeberg
From: Chuck Logsdon 269 1019
Date: March 8, 2001
Subject: HB 3

The charts in this workbook hopefully shed more light on the revenue impact of HB 3 on the General Fund

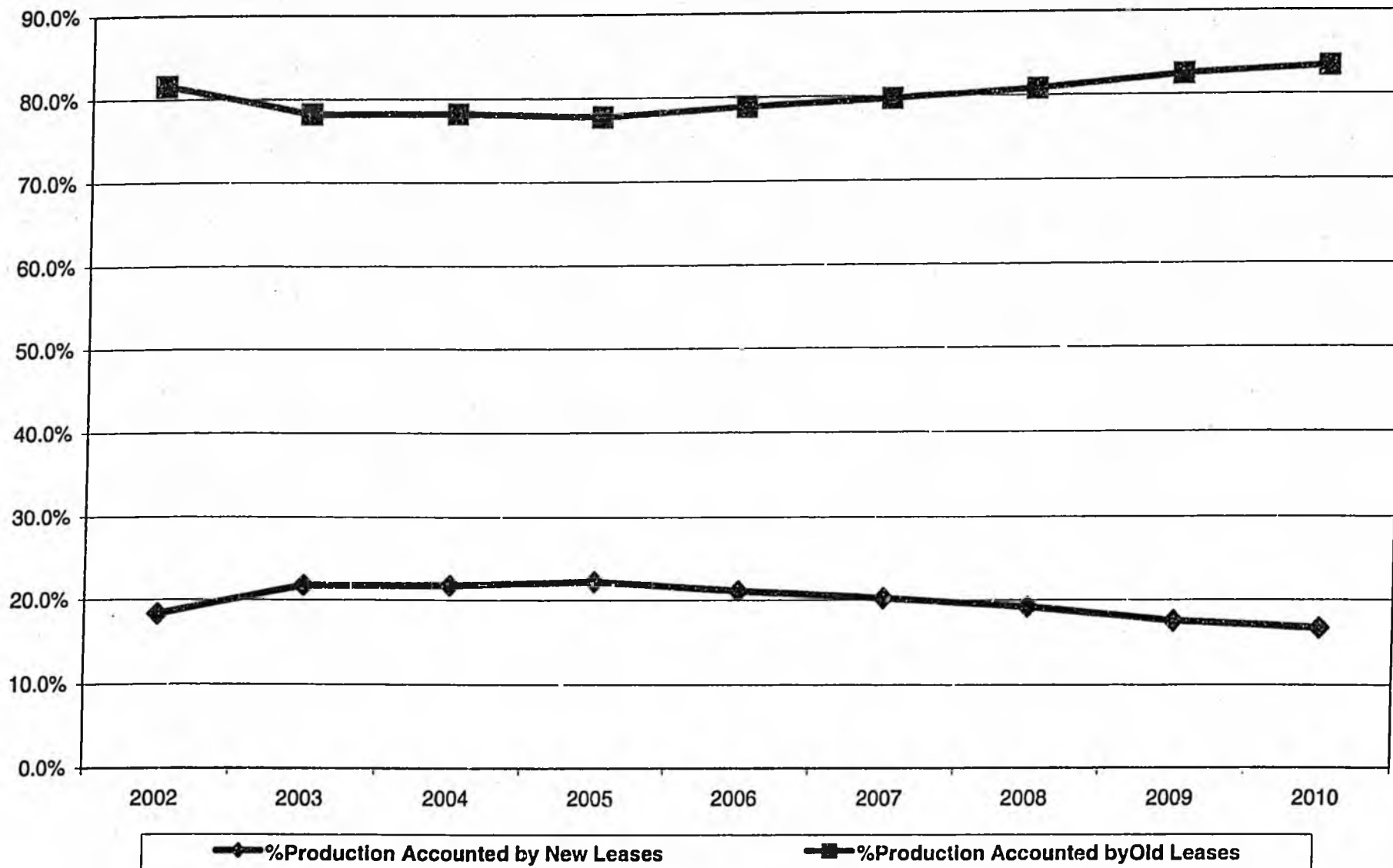
Basically I would summarize as follows:

1. Your percentage calculation method is right on, however, old leases still have most of the remaining reserves.
2. As the first chart in this workbook demonstrates, older fields will continue to dominate production and although some of these old fields contain new leases, the impact of HB 3 begins to decline after 2006 or so.
3. Another factor is that although production from new leases will grow as Alpine and Northstar come on line a good chunk of the new production will come from production in satellite fields that are mostly old leases within existing unitized production.
4. Also, as we discussed, current exploration activity that will lead to new production is focused in NPRA with a 50% passthrough and attendant spending issues.
5. Finally, with respect to ANWR, once again the passthrough may be watered down to 50%. And even with leasing in 2004 we would not expect production to commence until at least 2008 (recall that Alpine was discovered in late Fall 1995)
6. At this point the biggest impact of HB 3 is very much associated with Alpine and Northstar startup and eventually they will begin to deplete. Any other major new lease oil is probably 5 to 10 years off or longer.

ANS Oil Production, Severance Tax, and Gross Royalties by Old Field & New Field



Alaska North Slope Oil Production from Old (25% to PF) and New (50% to PF) Leases



**Royalties to the General Fund with and without HB3 Based on the Department of Revenue
Fall 2000 Forecast Assumptions**

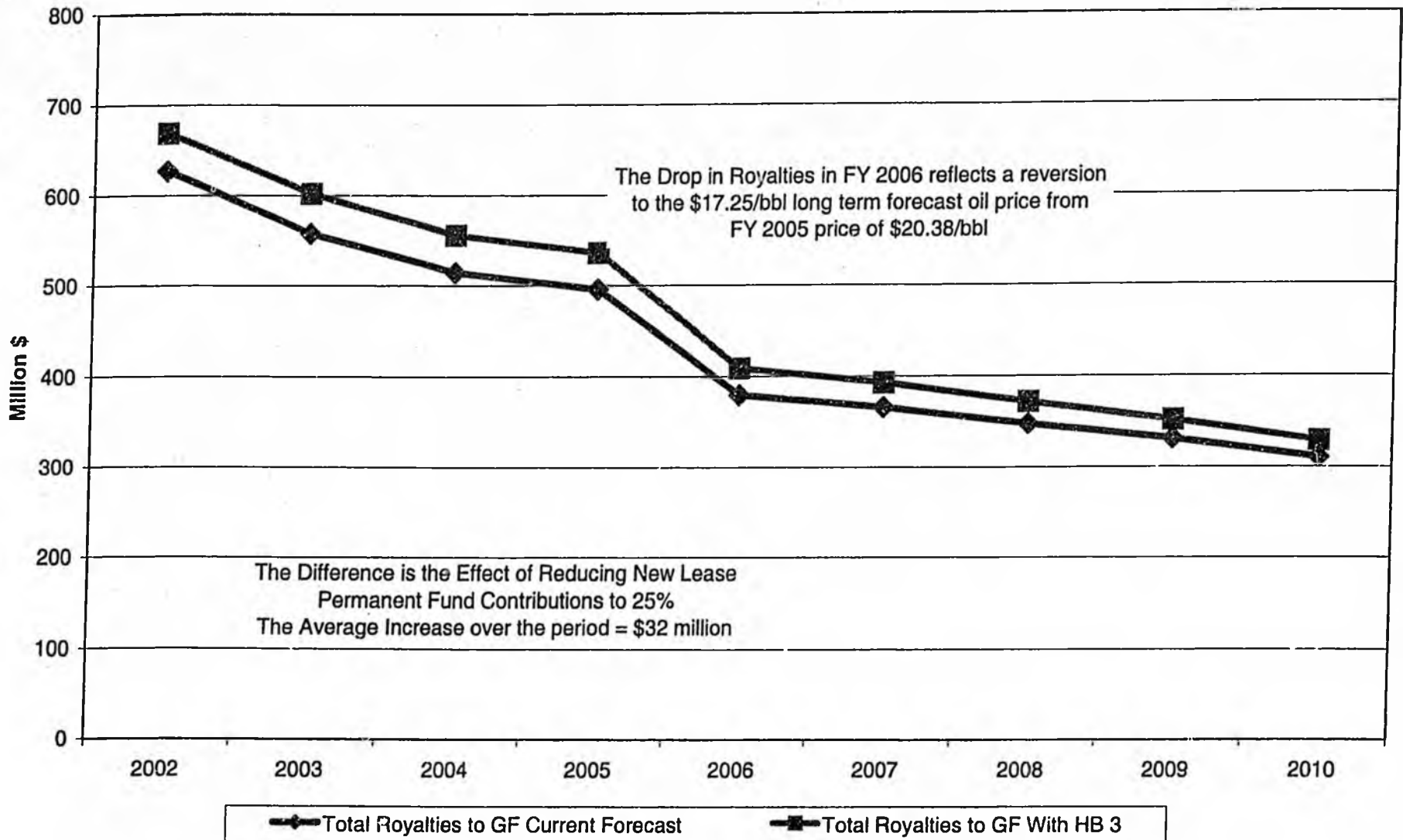


Illustration of the Impact of HB 3 on General Fund Cash Flow--Old Fields and New Fields

Fiscal Year	PF&School Contrib Factor	New Field added	Old Lease Field	Production	%Production Accounted by New Leases
2002	0.703103324	0.041896676	0.25	1.0465414	18.4%
2003	0.694508904	0.050491096	0.25	1.0606472	21.8%
2004	0.69450984	0.05049016	0.25	1.048123	21.8%
2005	0.693317175	0.051682825	0.25	1.0651355	22.2%
2006	0.696129383	0.048870617	0.25	1.044703	21.1%
2007	0.698334516	0.046665484	0.25	1.015462	20.3%
2008	0.701018528	0.043981472	0.25	0.9824487	19.2%
2009	0.705226978	0.039773022	0.25	0.9493457	17.6%
2010	0.707366276	0.037633724	0.25	0.9049174	16.7%
2011	0.709910131	0.035089869	0.25	0.8412912	15.7%
2012	0.711660382	0.033319618	0.25	0.7875885	15.0%
2013	0.713084528	0.031915472	0.25	0.7408647	14.5%
2014	0.714088504	0.030911496	0.25	0.6997715	14.1%
2015	0.715066902	0.029933098	0.25	0.6747432	13.7%
2016	0.715799615	0.029200385	0.25	0.6404166	13.4%
2017	0.716524084	0.028475916	0.25	0.6090952	13.1%
2018	0.717192771	0.027807229	0.25	0.5806707	12.9%
2019	0.717897908	0.027102092	0.25	0.553975	12.6%
2020	0.718606646	0.026393354	0.25	0.5289799	12.3%

2002
2003
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2012
2013
2014
2015
2016
2017
2018
2019
2020

%Production Accounted by Old Leases	NPRA	Forecast		Market Price		Market Price	
		Market Price	Forecast Price Wellhead	Market Price Scenario #1	Wellhead #1	Scenario #2	Wellhead #2
81.6%		24.28	18.68	25.00	19.41	18	12.41
78.2%		22.06	16.60	25.00	19.54	18	12.54
78.2%		21.06	15.50	25.00	19.43	18	12.43
77.8%		20.38	14.72	25.00	19.34	18	12.34
78.9%	0.035	17.25	11.45	25.00	19.20	18	12.20
79.7%	0.046	17.25	11.32	25.00	19.07	18	12.07
80.8%	0.081	17.25	11.07	25.00	18.82	18	11.82
82.4%	0.092	17.25	10.84	25.00	18.59	18	11.59
83.3%	0.127	17.25	10.62	25.00	18.37	18	11.37
84.3%	0.138	17.25	10.16	25.00	17.91	18	10.91
85.0%	0.133	17.25	10.27	25.00	18.02	18	11.02
85.5%	0.129	17.25	9.96	25.00	17.71	18	10.71
85.9%	0.12	17.25	9.65	25.00	17.40	18	10.40
86.3%	0.112	17.25	9.38	25.00	17.13	18	10.13
86.6%	0.99	17.25	9.05	25.00	16.80	18	9.80
86.9%	0.877	17.25	8.68	25.00	16.43	18	9.43
87.1%	0.767	17.25	8.31	25.00	16.06	18	9.06
87.4%	0.68	17.25	7.91	25.00	15.66	18	8.66
87.7%	0.59	17.25	7.50	25.00	15.25	18	8.25

Total Royalties to GF Current Forecast	Total Royalties to GF With HB 3	NPRA Effect Current GF	NPRA Effect Current GF
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627.21852	669.0537141	41.83519	
557.743411	602.3069772	44.56357	
514.618511	555.7356579	41.11715	
495.92648	536.4714357	40.54496	
379.802223	409.1935697	29.39135	
366.117736	393.2045401	27.0868	
347.950819	372.2627917	24.31197	
331.244095	352.2739192	21.02982	
310.253886	328.9532204	18.69933	
276.910393	292.5480078	15.63761	
262.639437	276.7809577	14.14152	
240.150245	252.5825156	12.43227	
220.035039	231.1005964	11.06556	
206.402113	216.4854571	10.08334	
189.182331	198.2213251	9.038994	
172.830216	180.9048226	8.074606	
157.823082	165.0425324	7.219451	
143.508648	149.9258948	6.417246	
130.064921	135.7469918	5.682071	

Avg 2002-2010 32.06446

PERMANENT FUND CONTRIBUTION RATES FOR NORTH SLOPE OIL FIELDS
ALASKA DEPT. OF REVENUE FALL 1999 FORECAST

25% Contributing Oil Fields	FY 2000 est. Prod. Millions Bbl/Day	Permanent Fund Average Contribution	Greater than 25% Contributing Oil Fields	FY 2000 est. Prod. Millions Bbl/Day	Permanent Fund Average Contribution
PRUDHOE	0.5640	0.25	SAMBUCA	0.0000	0.3125
PBU SATELLITE	0.0008	0.25	MIDNIGHT SUN	0.0048	0.3125
WEST SAK	0.0038	0.25	PBU SCHRADER	0.0000	0.5000
KUP SATELLITE	0.0000	0.25	KUPARUK	0.2220	0.2514
SCHRADER BLUFF	0.0059	0.25	TABASCO	0.0105	0.3125
LISBURNE	0.0070	0.25	TARN	0.0216	0.4065
NIAKUK	0.0270	0.25	MILNE POINT	0.0477	0.3088
EST BEACH/NORTH PRUDHOE	0.0020	0.25	SAG RIVER	0.0001	0.3890
KNOWN ONSHORE	0.0000	0.25	ENDICOTT/SAGDELTA	0.0470	0.2895
CRU SATELLITE	0.0000	0.25	EIDER	0.0013	0.3125
			BADAMI	0.0013	0.5000
			PT MCINTYRE	0.0930	0.2982
			N PBAY STATE	0.0000	0.3125
			ALPINE	0.0000	0.3250
			NORTH STAR	0.0000	0.5000
			LIBERTY	0.0000	0.5000
			KNOWN OFFSHORE	0.0000	0.3890
			NPRA	0.0000	0.5000
			ANWR	0.0000	0.5000
Estimated Total Production (Million Bbl/day)	0.6106			0.4493	

permto25%

Rates by Field

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asecanch@ptialaska.net

March 26, 2001

Representative Norman Rokeberg
Alaska State Legislature
Juneau, Alaska

Re: HB 3 - Deposits to the Permanent Fund

Dear Representative Rokeberg:

The Alaska State Chamber of Commerce supports House Bill 3, reducing the percentage of state mineral lease rentals, royalties, and royalty sale proceeds to be deposited in the Alaska Permanent Fund from the 50% level set in statute by a previous legislature, to the constitutionally established level of 25%.

The statute requiring that 50% of the mineral lease and royalty income be deposited to the fund was enacted at a time when Alaska's oil revenues were greatly in excess of Alaska's annual budgetary needs. The Permanent Fund was in its infancy, and although the constitution required that 25% of such funds were to go to the Permanent Fund, the goal was to deposit as much excess annual revenue as possible into Alaska's savings account for a future time when oil revenues would be diminished.

Oil revenues are now significantly diminished from the time when the decision was made to double the constitutionally required amount of mineral lease and royalty revenues deposit. The State is now looking for new sources of revenue with which to maintain funding for the programs and services Alaskans have come to expect from state government. With passage of HB 3, 25% of the mineral lease and royalty revenues will become a revenue source, subject to legislative appropriation, for meeting Alaska's fiscal needs.

Sincerely,

A handwritten signature in cursive script that reads "Pamela La Bolle".

Pamela La Bolle
President