HB

11

ALASKA STATE LEGISLATURE
House of Representatives

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website: http://www.akrepublicans.org/rokeberg/

INTERIM:
716 WEST 4TH AVENUE SUITE 300
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

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

SPONSOR STATEMENT FOR HB 11
BY: Representative Norman Rokeberg

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 11 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 $43.3 million (average) per year over the next seven years, and $54.1 million in FY 2004 at an estimate $23.25 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 tc 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 11 is a small step in the right direction.

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

Subject: **Re: HB 11-Deposits to the Permanent Fund**
Date: Thu, 23 Jan 2003 10:38:20 -0900
From: Charles Logsdon <charles_logsdon@revenue.state.ak.us>
Organization: State of Alaska - Department of Revenue
To: Heather Nobrega <Heather_Nobrega@legis.state.ak.us>
CC: Larry Persily <larry_persily@revenue.state.ak.us>

Heather,

I have updated the spreadsheet that contains the tables and charts for HB 3 using the Departments Fall 2002 production and price assumptions. The tables also include estimates for what the revenue effect would have been for FY 2002 and FY 2003. The higher prices in our latest forecast increase the revenue effect to the general fund from this legislation to over $50 million next year with an average increase through FY 2010 of over $40 million per year.

Chuck Logsdon

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hb 11 updated tables & charts-Jan22,2002.xls	**Name:** hb 11 updated tables & charts-Jan22,2002.xls **Type:** EXCEL File (application/msexcel) **Encoding:** base64 **Download Status:** Not downloaded with message

To: Representative Norm Rokeberg
From: Chuck Logsdon 269 1019
Date: January 22, 2003
Subject: HB 11

I have updated the charts that were prepared last April for HB 3 based on our Fall 2002 forecast
The higher current and projected oil prices have increased the estimate of the gain from HB 11 to over $40 million per year through FY 2010

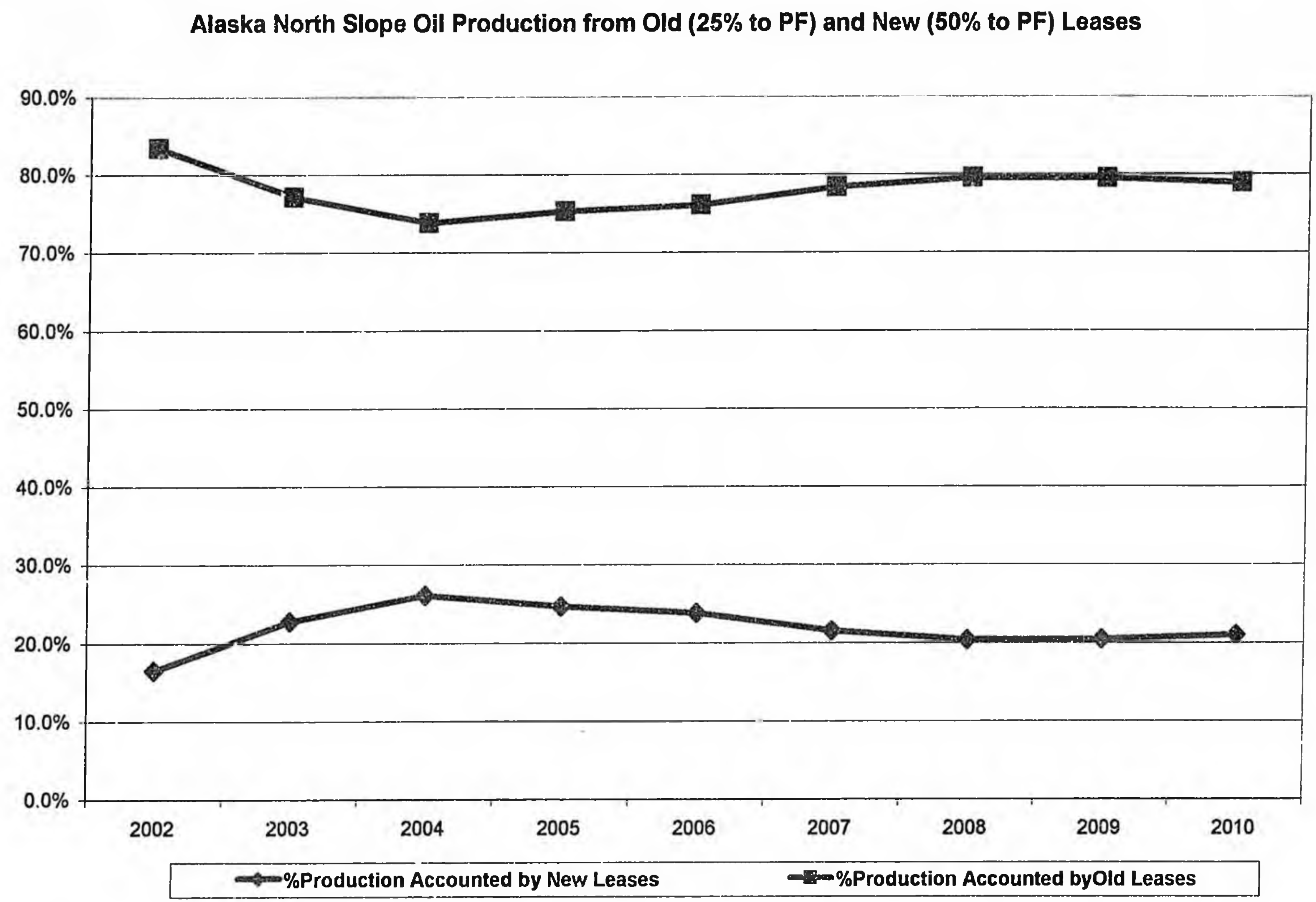
Basically I would summarize the information in the tables and charts in the different worksheets as follows:
1. Over the next 7 years, new leases will account for an average of over 22% of total production.
2. Over the next 7 years HB 11 will contribute on average just over $40 million per year to the general fund under our current forecast assumptions.
3. Over time as the smaller new fields deplete relative to our old fields like Prudhoe, the gain from HB11 will diminish.
4. Although production from new leases has grown with Alpine and Northstar coming on line a good chunk of other new production will come from satellite fields that are mostly old leases within existing unitized production.
5. Alpine and Northstar are now approaching peak production. Northstar is all new leases and Alpine is over half new leases. This is a period where the gain from HB 11 is very attractive since in a few years these fields will begin to deplete. Any other major new lease oil is probably 5 to 10 years off or longer.
6. Finally, with respect to ANWR, the federal royalty passthrough may be watered down from 90% to 50%. Assuming leasing in 2004 and a modestly rapid development schedule we would not expect production to commence until after 2010.

General Fund Gain to HB 11 Millions $

2004	54.1
2005	45.8
2006	45.3
2007	43.1
2008	37.6
2009	38.5
2010	38.8
Average	43.3

CURRENT PERMANENT FUND CONTRIBUTION RATES FOR NORTH SLOPE OIL FIELDS
ALASKA DEPT. OF REVENUE FALL 2002 FORECAST

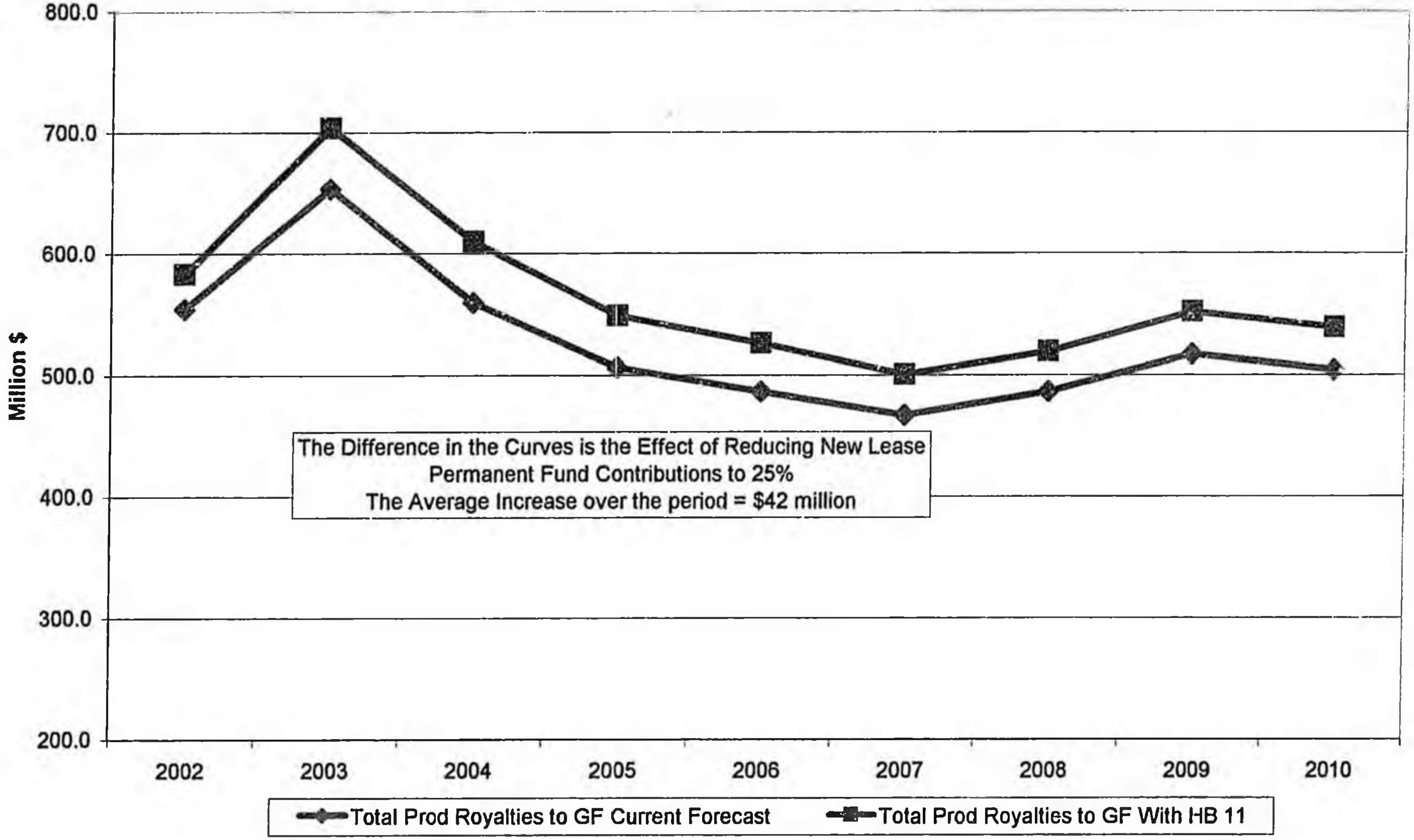
25% Contributing Oil Fields	FY 2002 Prod. Millions Bbl/Day	Permanent Fund Average Contribution	Greater than 25% Contributing Oil Fields	FY 2002 Prod. Millions Bbl/Day	Permanent Fund Average Contribution		25%*vol	Other*vol	
PRUDHOE	0.4873	0.25	KUPARUK	0.1754	0.2524		0.121824	0.044275	
TABASCO	0.0028	0.25	TARN	0.0273	0.4587		0.00071	0.012526	
PBU SATELLITES	0.0260	0.25	MELTWATER	0.00321	0.5000		0.006512	0.001605	
EIDER	0.0017	0.25	MILNE POINT	0.0397	0.3696		0.000428	0.014689	
WEST SAK	0.0060	0.25	SCHRADER BLUFF	0.0117	0.2901		0.001493	0.003407	
LISBURNE	0.0102	0.25	SAG RIVER	0.0007	0.5000		0.00255	0.000362	
NIAKUK	0.0191	0.25	ENDICOTT	0.0296	0.3169		0.004784	0.00938	
WEST BEACH/NORTH PRUDHOE	0.0000	0.25	BADAMI	0.0017	0.5000		5.19E-06	0.000866	
			PT MCINTYRE	0.0454	0.3308			0.015002	
			ALPINE	0.0956	0.3950			0.037782	
			NORTH STAR	0.0200	0.5000			0.009986	
			NPRA	0.0000	0.5000			0	
			ANWR	0.0000	0.5000			0	
						sum	0.138305	0.149879	0.287124
									0.707876 =wt avg contribution pf & sf
Total FY 2002 Production	0.5532			0.4505		1.0037			
Estimated Total Production (Million Bbl/day)	0.5532			0.4505		1.0037			



hb 11 updated tables & charts-Jan22,20021.xls

Percentages

Royalties to the General Fund with and without HB11 Based on the Department of Revenue Fall 2000 Forecast Assumptions



hb 11 updated tables & charts-Jan22,20021.xls   togeneralfundwith&without

llustration of the Impact of HB 11 on General Fund Cash Flow--Old Fields and New Fields

Fiscal Year	Perm Fund Factor = Fall 2002- cut)	New Field Extra % to PF	Old Lease Field %	Production	%Production Accounted by New Leases	%Production Accounted byOld Leases	NPRA	Forecast Market Price
2002	0.7079	0.0371	0.25	1.011	16.5%	83.5%		21.78
2003	0.6918	0.0532	0.25	0.994	22.8%	77.2%		25.94
2004	0.6833	0.0617	0.25	0.997	26.1%	73.9%		23.25
2005	0.6870	0.0580	0.25	0.992	24.7%	75.3%		22.00
2006	0.6892	0.0558	0.25	0.971	23.8%	76.2%		22.00
2007	0.6950	0.0500	0.25	0.956	21.6%	78.4%		22.00
2008	0.6980	0.0470	0.25	1.010	20.4%	79.6%	0.030	22.00
2009	0.6978	0.0472	0.25	1.091	20.5%	79.5%	0.065	22.00
2010	0.6964	0.0486	0.25	1.074	21.0%	79.0%	0.090	22.00
2011	0.6972	0.0478	0.25	1.036	20.7%	79.3%	0.095	22.00
2012	0.6996	0.0454	0.25	0.970	19.8%	80.2%	0.088	22.00
2013	0.7017	0.0433	0.25	0.904	18.9%	81.1%	0.079	22.00
2014	0.7036	0.0414	0.25	0.846	18.2%	81.8%	0.071	22.00
2015	0.7058	0.0392	0.25	0.806	17.3%	82.7%	0.064	22.00
2016	0.7065	0.0385	0.25	0.756	17.1%	82.9%	0.058	22.00
2017	0.7078	0.0372	0.25	0.713	16.5%	83.5%	0.052	22.00
2018	0.7089	0.0361	0.25	0.673	16.1%	83.9%	0.047	22.00
2019	0.7100	0.0350	0.25	0.635	15.7%	84.3%	0.042	22.00
2020	0.7112	0.0338	0.25	0.604	15.2%	84.8%	0.038	22.00
Average 2002--2010					21.9%			
Average 2003--2010					22.6%			

llustration of the Impa

Fiscal Year	Forecast Price Wellhead	Total Prod Royalties to GF Current Forecast	Total Prod Royalties to GF With HB 11	Total Bonus to GF	**GF Gain from HB 3**
2002	16.80	554.3	583.4		**29.1**
2003	20.53	653.5	703.8	5.5	**53.0**
2004	17.88	559.5	609.9	7.2	**54.1**
2005	16.56	506.2	548.9	6.2	**45.8**
2006	16.41	486.6	526.0	11.8	**45.3**
2007	16.30	467.0	500.7	18.8	**43.1**
2008	16.26	486.4	519.2	9.6	**37.6**
2009	16.28	517.1	552.1	7.0	**38.5**
2010	16.17	503.9	539.0	7.3	**38.8**
2011	16.00	482.9	516.0	6.1	**36.1**
2012	15.98	455.1	484.6	5.4	**32.3**
2013	15.78	421.5	447.5	6.0	**29.0**
2014	15.57	391.5	414.6	6.0	**26.1**
2015	15.39	371.0	391.6	6.0	**23.6**
2016	15.17	344.9	363.7	6.0	**21.8**
2017	14.94	322.2	339.1	6.0	**19.9**
2018	14.72	301.4	316.8	6.0	**18.3**
2019	14.48	281.1	295.0	6.0	**16.9**
2020	14.25	264.3	276.9	6.0	**15.6**
Average 2002--2010					**42.8**
Average 2003--2010					

Alaska Permanent Fund Corporation
P.O. Box 25500 Juneau, AK 99802-5500
Telephone (907) 465-2047
Facsimile (907) 586-2057

MEMORANDUM

DATE: January 28, 2003

TO: Representative Norman Rokeberg

FROM: Bob Bartholomew, Chief Operating Officer

SUBJECT: **Effect of HB 11 on Oil Contributions**

You have asked about the effect of House Bill 11 on future oil contributions. Based on our financial analysis (see attached), the reduction in oil contributions will total $372 million from fiscal year 2004 through 2012. The reduction in the amount available for distribution from the fund (calculated under AS 37.13.140 & 145) is $43 million over the 9 years.

Officials from the Department of Revenue are calculating the effect on the per capita dividend. Please let me know if you have any additional questions.

c: APFC Executive Director
Governor's Legislative Liaison
DOR Deputy Commissioner

Analysis of HB 11
Alaska Permanent Fund Corporation

Based on December 2002 financial projections ($ in millions)

	FY03	FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	Totals
Dedicated mineral revenue status quo	$322	$291	$261	$256	$251	$246	$248	$237	$221	$206	$2,539
Dedicated mineral revenue HB 11	$322	$237	$215	$211	$208	$208	$209	$198	$185	$174	$2,167
Difference (Status Quo - HB 11)	$0	$54	$46	$45	$43	$38	$39	$39	$36	$32	$372
Lump sum distribution to dividend fund per status quo	$715	$545	$455	$494	$665	$820	$954	$1,058	$1,155	$1,235	$8,097
Lump sum distribution to dividend fund per HB 11	$715	$545	$455	$493	$663	$816	$949	$1,050	$1,145	$1,223	$8,054
Difference (Status quo - HB 11)	$0	$0	$0	$1	$2	$4	$6	$8	$10	$12	$43

Note: These projections represent only our best estimate of the median case rate of return; actual annual performance will vary with market volatility. Distributions shown for the Dividend are calculated and booked as payables at fiscal year end and actually paid out the following fiscal year. There may be slight differences due to rounding.

Subject: Re: HB 11
Date: Wed, 29 Jan 2003 16:57:05 -0900
From: Larry Persily <Larry_Persily@revenue.state.ak.us>
Organization: Department of Revenue
To: Janet Seitz <Janet_Seitz@legis.state.ak.us>
CC: Heather Nobrega <Heather_Nobrega@legis.state.ak.us>, Bill Corbus <bill_corbus@revenue.state.ak.us>, charles_logsdon@revenue.state.ak.us, Dan Dickinson <dan_dickinson@revenue.state.ak.us>

In answer to your questions:

What tax rate would be needed to raise $43.3 million a year in new revenue?

1) Sales tax: A statewide sales tax of 0.4% on all goods and services would raise approximately $44 million per year.

2) Income tax: A personal income tax of 0.33% on adjusted gross income (no deductions) or 0.44% on taxable income (after deductions) would raise about $45 million per year.

3) Motor fuel tax: A tax increase of 15 cents per gallon would raise about $45 million per year.

How much oil would have to be discovered or pumped in order to generate $54.1 million this year and/or average $43.3 million over the years?

This is not an easy question to answer definitively because of the ELF. Individual well production rate, in addition to field size, will determine the production tax rate. For instance, another Northstar-sized field producing around 60,000 barrels per day with the most productive wells currently on the slope (around 12,000 barrels per day) would generate revenue to the general fund equivalent to the $43 million average of HB11. On the other hand, if a field produced from wells averaging 2,000 barrels per day you would need a field that produced 70,000 barrels per day total to raise the same amount of revenue (because of the ELF multiplier in the tax rate). If you were talking about a bunch of satellite fields that would pay zero production tax because of ELF, you would need to fire up six fields of 20,000 barrels per day each, with average well production of 1,000 barrels per day, to generate the equivalent revenue from royalties alone (because there would be no production tax revenue).

Bottom line, you would need between 50,000 and 120,000 barrels of sustained daily production under current law to generate
general fund revenues equivalent to HB11. Reserve wise this is probably something on the order of a field holding 150 million to 200 million barrels of oil.

Let me know if you need anything more.

Larry

ALASKA STATE LEGISLATURE
House of Representatives

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INTERIM:
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FAX: (907) 465-2040

THE SEAL OF THE STATE OF ALASKA

Representative Norman Rokeberg
e-mail: Representative_Norman_Rokeberg@legis.state.ak.us

March 6, 2003

Dear Colleague:

HB 11 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 11 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 $43 million average per year, plus bonus revenues, over the next seven years.

Governor Murkowski had emphasized resource development as way to solve Alaska's fiscal future. The deposits received from passage of HB 11 would be the equivalent of finding another Northstar-sized field producing approximately 60,000 barrels per day.

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 Alpine to ensure continued return to the corpus of the Permanent Fund.

- This plan is only a first step of any plan to fill the fiscal gap.
- Alaska cannot save its way to prosperity.
- Repealing the 1980 legislative action is a <u>TAX</u> avoidance measure.

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 11 can help us succeed on both fronts and I would appreciate your support on this legislation.

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

Thank you for your consideration,

Norm Rokeberg

Norman Rokeberg
State Representative
House District 27

PS: Look at the attached revenue impacts.

Attachments

Sectional

LEGISLATIVE RESEARCH REPORT

FEBRUARY 12, 2003 REPORT NUMBER 03.101

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

PREPARED FOR REPRESENTATIVE NORMAN ROKEBERG

BY PATRICIA YOUNG, 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, the 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. You asked for an update of material sent to you previously.

Table 1 shows 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 2002 forecast. As you can see from Table 1, the department's fall 2002 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.

Impacts of GF & PFD Contributions

permanent fund were at 25 percent of income, additional deposits to the general fund would average about $41 million annually over the next 11 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 approximately $26 per barrel for FY 2003, 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 shows actual contributions to the permanent fund from mineral royalties for the years 1990 through 2002. 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 2003 through 2013.

I hope you find this information to be 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 2003 - FY 2013

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
									Current			If Permanent Fund Contributions @ 25%			
Fiscal Year	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	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)
2003	$25.94	$5.41	$20.53	0.994	$7,444.9	13%	$944.6	30%	$286.4	$658.3	$4.0	$236.2	$708.5	$50.2	$53.0
2004	$23.25	$5.37	$17.88	0.997	$6,526.1	13%	$821.0	31%	$255.9	$565.1	$4.0	$205.2	$615.7	$50.6	$54.2
2005	$22.00	$5.44	$16.56	0.992	$5,996.3	12%	$736.8	31%	$226.9	$509.9	$4.0	$184.2	$552.6	$42.7	$45.8
2006	$22.00	$5.59	$16.41	0.971	$5,816.9	12%	$706.1	31%	$215.9	$490.1	$4.0	$176.5	$529.5	$39.4	$45.3
2007	$22.00	$5.70	$16.30	0.956	$5,685.1	12%	$672.0	30%	$201.6	$470.4	$4.0	$168.0	$504.0	$33.6	$43.1
2008	$22.00	$5.74	$16.26	1.010	$6,011.6	12%	$698.8	30%	$207.6	$491.2	$4.0	$174.7	$524.1	$32.9	$37.7
2009	$22.00	$5.72	$16.28	1.091	$6,479.3	11%	$741.1	30%	$220.3	$520.8	$4.0	$185.3	$555.8	$35.0	$38.5
2010	$22.00	$5.83	$16.17	1.074	$6,340.8	11%	$723.5	30%	$216.0	$507.5	$4.0	$180.9	$542.7	$35.1	$38.8
2011	$22.00	$6.00	$16.00	1.036	$6,050.5	11%	$692.6	30%	$206.2	$486.3	$4.0	$173.1	$519.4	$33.1	$36.1
2012	$22.00	$6.02	$15.98	0.970	$5,659.1	11%	$650.5	30%	$192.2	$458.3	$4.0	$162.6	$487.9	$29.6	$32.3
2013	$22.00	$6.22	$15.78	0.904	$5,207.1	12%	$600.6	29%	$176.1	$424.5	$4.0	$150.2	$450.5	$26.0	$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 2002 revenue forecast. Figures include oil and gas royalties and bonuses but the relatively small amount of rent from mineral leases is not included.

SOURCE: Alaska Department of Revenue, Tax 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)	$261.8	$8.4	$270.2	$266.0	$4.2
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	$320.6	$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 (a)	$295.9	$55.0	$351.0	$323.5	$27.5
2002 (a)	$187.7	$63.3	$251.0	$219.3	$31.7
2003 (b)			$286.4	$236.2	$50.2
2004 (b)			$255.9	$205.2	$50.6
2005 (b)			$226.9	$184.2	$42.7
2006 (b)			$215.9	$176.5	$39.4
2007 (b)			$201.6	$168.0	$33.6
2008 (b)			$207.6	$174.7	$32.9
2009 (b)			$220.3	$185.3	$35.0
2010 (b)			$216.0	$180.9	$35.1
2011 (b)			$206.2	$173.1	$33.1
2012 (b)			$192.2	$162.6	$29.6
2013 (b)			$176.1	$150.2	$26.0

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 2002 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).

Subject: HB11 dividend projections
Date: Wed, 29 Jan 2003 07:45:31 -0900
From: Larry Persily <Larry_Persily@revenue.state.ak.us>
Organization: Department of Revenue
To: Heather M Nobrega <heather_nobrega@legis.state.ak.us>
CC: bob Bartholomew <bbartholomew@alaskapermfund.com>, Chris Phillips <cphillips@alaskapermfund.com>

Heather,

We have calculated the projected Permanent Fund dividend through 2012 under the existing royalty deposit percentage in statute and the amended percentage as proposed in Rep. Rokeberg's HB11.

These calculations are based on financial data from the Permanent Fund Corporation as of Dec. 31, 2002, and the Department of Revenue's estimates for the number of future dividend applicants.

These are rounded off to the nearest $10, so there may be a difference of a few dollars each year that doesn't show up on this chart. However, projecting future dividends down to a single dollar would mistakenly represent a level of precision that does not exist. That's why we round up (or down) to the nearest $10. The $10 difference doesn't start to show until the October 2010 dividend.

Please let me know if you need any additional information. We will put this in a formal fiscal note for the first hearing on the bill.

Larry

Status quo dividends	HB11
October 2003 - $1,170	$1,170
October 2004 - $880	$880
October 2005 - $720	$720
October 2006 - $780	$780
October 2007 - $1,060	$1,060
October 2008 - $1,310	$1,310
October 2009 - $1,530	$1,530
October 2010 - $1,690	$1,680
October 2011 - $1,840	$1,820
October 2012 - $1,960	$1,940

DIVIDEND PROJECTIONS

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 11
() Publish Date:

Revision Date/Time (Note if correction):
Dept. Affected: Revenue
Title: Deposits to the Permanent Fund
BRU: Revenue Operations
Component: Tax Division
Sponsor: Representative Rokeberg
Requester: House Resources Committee
Component No. 2476

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 ( )	54,232.9	45,828.8	45,291.9	43,050.5	37,682.8	38,520.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0
Mark this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

This bill would set all royalty contributions to the Permanent Fund at the constitutionally mandated 25%. This would reduce the contribution rate to the Permanent Fund on royalties from leases issued on or before February 15, 1980 from 50% to 25%.

Based on the Department of Revenue Fall 2002 production and price assumptions, this would increase deposits to the General Fund by approximately $40 million to $55 million annually. This legislation would reduce royalty deposits to the Permanent Fund by the same amount.

Prepared by: Chuck Logsdon, Chief Petroleum Economist
Phone 269-1019
Division: Tax Division
Date/Time 3/11/03 9:10 AM
Approved by: Larry Persily, Deputy Commissioner
Date 3/11/2003
Agency: Department of Revenue

(Revised 9/2002 OMB)

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

Fiscal Note Number:
Bill Version: HB 11
() Publish Date:

Revision Date/Time (Note if correction):
Dept. Affected: Revenue
Title: Deposits to the Permanent Fund
BRU: Permanent Fund Corp.
Component: Permanent Fund Corp.
Sponsor: Representative Rokeberg
Requester: House Resources Committee
Component No. 109

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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 ( )	(54,232.9)	(45,828.8)	(45,291.9)	(43,050.5)	(37,682.8)	(38,520.0)

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal: [ ]

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

The legislation would reduce oil royalty contributions to the Permanent Fund principal.

The bill would have no effect on the operating budget of the Alaska Permanent Fund Corporation.

Prepared by: Robert D. Storer, Executive Director
Phone (907)465-2047
Division: Alaska Permanent Fund Corporation
Date/Time 3/10/2003 1:00: PM
Approved by: Larry Persily, Deputy Commissioner
Date 3/11/2003
Agency: Department of Revnue

(Revised 9/2002 OMB)

FISCAL NOTE

STATE OF ALASKA	Fiscal Note Number:
2003 LEGISLATIVE SESSION	Bill Version: HB 11
	() Publish Date:

Revision Date/Time (Note if correction):		Dept. Affected:	Revenue
Title	Deposits to the Permanent Fund	BRU	Revenue Operations
		Component	Permanent Fund Dividend
Sponsor	Representative Rokeberg		
Requester	House Resources Committee	Component No.	981

Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
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--Do not abbreviate)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2003) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal: [ ]

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: *(Attach a separate page if necessary)*

See Page 2 for analysis.

Prepared by:	Larry Persily, Deputy Commissioner	Phone	465-5469
Division	Department of Revenue	Date/Time	3/11/03 10:35 AM
Approved by:	Larry Persily, Deputy Commissioner	Date	3/11/2003
Agency	Department of Revenue		

(Revised 9/2002 OMB)

FISCAL NOTE

STATE OF ALASKA
2003 LEGISLATIVE SESSION

BILL NO. HB11

ANALYSIS CONTINUATION

This legislation would, over time, result in slightly reduced Permanent Fund dividends as less money is deposited into the fund from royalty payments. With the reduced royalty deposits into the fund, there would be less money to invest and fewer investment earnings to distribute through the dividend program.

Based on the Permanent Fund Corporation's December 2002 earnings projections, and the Department of Revenue's Fall 2002 Forecast, we project the following change in dividends under this legislation:

	October 2005	2006	2007	2008	2009	2010	2011	2012
Status Quo	$719	$780	$1,062	$1,314	$1,529	$1,691	$1,841	$1,962
HB11	$718	$778	$1,058	$1,307	$1,519	$1,677	$1,824	$1,942