

HCR

39



# Alaska State Legislature

## House of Representatives



Official Business

### COMMITTEE ON RULES Representative Norman Rokeberg, Chairman

State Capitol, Rm. 214  
Juneau, Ak 99801-1182  
(907) 465-3764

#### MEMORANDUM

TO: LAA Legal

FROM: Janet Seitz, House Rules

DATE: May 6, 2004

RE: HCR 39

Fax: 2029

*URGENT*

The House Rules Committee has adopted the following changes to 23-LS1971U:

✓ Amendment #1 Page 2, line 10: Change "nine" to "seven"

✓ Amendment #2 Page 2, lines 12-15: DELETE  
Insert: 7 members of the legislature, three appointed by the Speaker and three appointed by the Senate President, to include one minority member from each body; and the Chair of the Legislative Budget and Audit Committee

✓ Amendment #3: Page 2, lines 16-17 DELETE

✓ Amendment #4: Title and other places as needed: Change "Commission" to "Committee"

✓ Amendment #5: Page 1, line 7, INSERT new Whereas clause as follows:  
"WHEREAS the legislature has a constitutional obligation to develop the state's resources for the maximum benefit of Alaskans; and"

✓ Amendment #6: INSERT a resolved clause that indicates that the Committee has the authority to request and receive confidential information (similar to the one that was contained in the BP/ARCO merger committee resolution). This was a conceptual amendment so the language is open but the point is to allow the committee to receive such confidential information. Rep. Kerttula mentioned that she thought the merger committee had to sign for the information.

LAA Legal  
May 6, 2004  
Page Two  
RE: HCR 39

Amendment #7: Page 3, lines 6-10 DELETE

✓ Amendment #8: Page 3, line 11: change so that the report is due no later than March 1, 2005 (to the LB&A Committee)

**Please send over a new final. This resolution is on the House floor calendar for later tonight.**

23-LS1971VH  
Chenoweth  
4/29/04

**HOUSE CONCURRENT RESOLUTION NO.**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY**

**Introduced:  
Referred:**

**A RESOLUTION**

1 **Establishing the Alaska Royalty and Revenue Task Force.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **WHEREAS** the oil and gas industry operates in a diverse, competitive, and global  
4 landscape; and

5 **WHEREAS** the state receives more than 70 percent of its unrestricted general fund  
6 revenue from taxes and royalties on the production of its oil and gas resources; and

7 **WHEREAS** the legislature has a constitutional obligation to develop the state's  
8 resources for the maximum benefit of Alaskans; and

9 **WHEREAS** Alaska's major oil and gas taxes are the oil and gas property production  
10 (severance) tax (AS 43.55), which was last significantly revised in 1989, the oil and gas  
11 corporate income tax (AS 43.20.072), which was last significantly revised in 1981, and the oil  
12 and gas exploration, production, and pipeline transportation property tax (AS 43.56), which  
13 was enacted in 1973 and has had only relatively minor changes since then; and

14 **WHEREAS** it is appropriate to reevaluate the state's present system of oil and gas  
15 taxes at this time because the scope and cost of oil and gas production operations have  
16 significantly changed since the various pieces of the system were last put in place; and

*Am # 5  
reinsert  
in HRS  
no objection*

1           **WHEREAS** a tax structure that retains an inadequate value of those resources for  
2 Alaskans violates that constitutional obligation; and

3           **WHEREAS** the maximization of the benefits from the production of its oil and gas is  
4 in the best interest of the state; and

5           **WHEREAS** maximizing oil and gas production is in the best interest of the state; and

6           **WHEREAS** the tax and royalty structures that the state uses to maximize the benefits  
7 of oil and gas production in the state can affect the production of oil and gas in the state; and

8           **WHEREAS** the tax and royalty structures in place in the state's oil and gas sector are  
9 a portion of the cost of production; and

10           **WHEREAS**, in examining the oil and gas tax system, it would be imprudent to  
11 evaluate any portion of the tax system in isolation; and

12           **WHEREAS** the decisions to invest in new exploration and production are made by  
13 multinational corporations; and

14           **WHEREAS** these decisions are made based on global portfolios of production assets;  
15 and

16           **WHEREAS** the global competitiveness of the state's oil and gas sector directly  
17 influences investment in the state's oil and gas sector;

18           **BE IT RESOLVED** that the Alaska State Legislature establishes the Alaska Royalty  
19 and Revenue Task Force to review and analyze the state's current oil and gas royalty and tax  
20 structures; and be it

21           **FURTHER RESOLVED** that the task force shall be composed of nine members to  
22 include

23                   (1) seven members of the legislature chosen jointly by the presiding officers of  
24 the House of Representatives and the Senate, three of whom shall be chosen from a list  
25 provided jointly by the minority leaders of the House of Representatives and the Senate; and

26                   (2) two members, not members of the legislature, chosen jointly by the  
27 presiding officers of the House of Representatives and Senate; and be it

28           **FURTHER RESOLVED** that the Speaker of the House of Representatives shall  
29 appoint the task force chair; and be it

30           **FURTHER RESOLVED** that the task force craft policies for recommendation to the  
31 Twenty-Fourth Alaska State Legislature that would maximize the long-term benefits of the

1 state's oil and gas resources to the state; and be it

2 **FURTHER RESOLVED** that, in crafting policies that would maximize the long-term  
3 benefits to the state, the task force consider the state's competitiveness globally in attracting  
4 capital to its oil and gas sector; and be it

5 **FURTHER RESOLVED** that the task force address the factors affecting the state's  
6 competitiveness; and be it

7 **FURTHER RESOLVED** that, in crafting policies that maximize the long-term  
8 benefit to the state, the task force evaluate all of the mechanisms the state and its  
9 municipalities use to recover revenue from oil and gas production; and be it

10 **FURTHER RESOLVED** that the task force may retain expert consultants for the  
11 purposes of assisting the task force in its mission; and be it

12 **FURTHER RESOLVED** that the task force begin work on June 1, 2004, or as soon  
13 after that date as possible; and be it

14 **FURTHER RESOLVED** that the task force may meet during the interim; and be it

15 **FURTHER RESOLVED** that the members of the task force shall serve without  
16 compensation but are entitled to transportation expenses, and the members who are legislators  
17 may claim per diem under the per diem allowance policy adopted under AS 24.10.130 and the  
18 members who are not legislators are entitled to per diem as authorized for members of boards  
19 and commissions under AS 39.20.180; and be it

20 **FURTHER RESOLVED** that the task force shall submit a report and proposed  
21 legislation to the Twenty-Fourth Alaska State Legislature on the date of commencing of the  
22 First Regular Session; and be it

23 **FURTHER RESOLVED** that the task force is terminated not later than the  
24 adjournment of the First Regular Session of the Twenty-Fourth Alaska State Legislature.

5/6/04

*Kott moved to adopt McQuire objected removed objection*

23-LS1971\U

**CS FOR HOUSE CONCURRENT RESOLUTION NO. 39(RLS)**

**IN THE LEGISLATURE OF THE STATE OF ALASKA**

**TWENTY-THIRD LEGISLATURE - SECOND SESSION**

**BY THE HOUSE RULES COMMITTEE**

**Offered:  
Referred:**

**Sponsor(s): HOUSE RULES COMMITTEE BY REQUEST OF THE HOUSE SPECIAL COMMITTEE ON ECONOMIC DEVELOPMENT, INTERNATIONAL TRADE, AND TOURISM**

**A RESOLUTION** *AMR*

*Jan #4 Committee or joint comm as appropriate no objection*

1 **Establishing the Alaska Royalty and Revenue Commission.**

2 **BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

3 **WHEREAS** the oil and gas industry operates in a diverse, competitive, and global  
4 market; and

5 **WHEREAS** the state receives more than 70 percent of its unrestricted general fund  
6 revenue from taxes and royalties on the production of its oil and gas resources; and

7 **WHEREAS** Alaska's major oil and gas taxes are the oil and gas property production  
8 (severance) tax (AS 43.55), which was last significantly revised in 1989, the oil and gas  
9 corporate income tax (AS 43.20.072), which was last significantly revised in 1981, and the oil  
10 and gas exploration, production, and pipeline transportation property tax (AS 43.56), which  
11 was enacted in 1973 and has had only relatively minor changes since then: and

12 **WHEREAS** a tax structure that retains an inadequate value of those resources for  
13 Alaskans violates the constitutional obligation to develop the state's resources for the  
14 maximum benefit of Alaskans; and

15 **WHEREAS** maximizing oil and gas production and the benefits from the production  
16 of oil and gas is in the best interests of the state; and

1 WHEREAS the tax and royalty structures in place in the state's oil and gas sector are  
2 a portion of the cost of production and affect the competitive ability of Alaska to maintain and  
3 attract new capital investments; and

4 WHEREAS it is appropriate to reevaluate periodically the state's system of oil and  
5 gas taxes as the scope and cost of oil and gas exploration and production operations change  
6 over time;

7 BE IT RESOLVED that the Alaska State Legislature establishes the Alaska Royalty  
8 and Revenue Commission to review and analyze the state's current oil and gas royalty and tax  
9 structures; and be it

10 FURTHER RESOLVED that the commission shall be composed of <sup>7</sup> ~~nine~~ members to  
11 include

*Am #1 no objection  
Am #2 no objection  
Kott*

12 (1) seven members of the legislature, to include the speaker, the majority  
13 leader, and the minority leader of the House of Representatives, the president, majority leader,  
14 and minority leader of the Senate, and the chair of the Legislative Budget and Audit  
15 Committee; and

*3 by SP 3 by P of Senate*

16 (2) two experts chosen jointly by the presiding officers of the House of  
17 Representatives and Senate; and be it

*Am #8  
Kott*

18 FURTHER RESOLVED that the Speaker of the House of Representatives shall  
19 appoint the commission chair; and be it

20 FURTHER RESOLVED that the commission retain consultants with expertise in  
21 global oil and gas fiscal structures to perform a comprehensive study and prepare a report on  
22 the state's oil and gas tax and royalty regime; and be it

23 FURTHER RESOLVED that the study identify alternative state revenue and  
24 industry incentive structures that maximize the state's oil and gas revenue, promote  
25 development of known oil and gas resources, and encourage additional exploration and  
26 development with consideration of the widest possible range of world oil prices; and be it

27 FURTHER RESOLVED that the study analyze the consequences of existing and  
28 alternative tax structures on Alaska's competitiveness in maintaining existing and attracting  
29 new industry investment; and be it

30 FURTHER RESOLVED that the results shall be documented in a final report of  
31 findings made to the commission; and be it

1 **FURTHER RESOLVED** that the commission shall assist and facilitate the contractor  
2 or contractors in the performance of the study; and be it

3 **FURTHER RESOLVED** that the commission begin work on June 1, 2004, or as  
4 soon after that date as possible; and be it

5 **FURTHER RESOLVED** that the commission may meet during the interim; and be it

6 **FURTHER RESOLVED** that the members of the commission shall serve without  
7 compensation but are entitled to transportation expenses, and the members who are legislators  
8 may claim per diem under the per diem allowance policy adopted under AS 24.10.130 and the  
9 members who are not legislators are entitled to per diem as authorized for members of boards  
10 and commissions under AS 39.20.180; and be it

11 **FURTHER RESOLVED** that the commission shall submit the report of findings to  
12 the Legislative Budget and Audit Committee, who shall present the report to the Twenty-  
13 Fourth Alaska State Legislature; and be it

14 **FURTHER RESOLVED** that the commission is terminated not later than the  
15 adjournment of the First Regular Session of the Twenty-Fourth Alaska State Legislature.

*am #7  
Kass  
Delete  
no objection*

*am  
#8  
no later  
Mar 1, 2005  
HVR object  
mm  
1*

*am #6  
Kerrula  
no objection*

*Resolved  
[ confidential info receive authority info ]  
has at to request & receive conf*

*5/6/04  
McGuire out with  
new recs & HVR note  
out*

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version:           HCR 39            
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected:           Legislature            
 Title           Establishing the Alaska Royalty and BRU           Legislative Council            
                     Revenue Commission           Component:           Council and Subcommittees            
 Sponsor           House Resources by Request of EDT            
 Requestor           House Rules Committee           Component No.           783          

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	75.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	500.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>575.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	575.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>575.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: \_\_\_\_\_

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time	1	0	0	0	0	0
Temporary						

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

HCR 39 establishes a nine member Alaska Royalty and Revenue Task Force to review and analyze the State's current oil and gas royalty and tax structures. The Task Force will craft policies for recommendation to the 24th Legislature that would maximize the long-term benefits of oil and gas resources to the State. The Task Force will begin work on June 1, 2004, may meet during the interim, and will submit a report and proposed legislation to the Twenty-Fourth Legislature on the date of commencing of the First Regular Session. The Commission will terminate not later than the adjournment of the First Regular Session of the Twenty-Fourth Alaska State Legislature.

Prepared by:           Karla Schofield, Deputy Director           Phone           465-6626            
 Division           Administrative Services           Date/Time           5/6/04 1.20 PM            
 Approved by:           Pamela Varni, Executive Director           Date           5/6/2004            
 Agency           Legislative Affairs Agency

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

FISCAL NOTE

ANALYSIS CONTINUATION  
2004 Legislative Session

BILL NO. HCR 39

**FY04**

Any FY04 costs for the Alaska Royalty and Revenue Task Force will be absorbed within existing budgets.

**FY05**

Personal Services

The Task Force will be staffed by an 11 month Legislative Assistant Range 21

**Personal Services        \$ 75.0**

Travel

Travel costs for members of the Task Force will be absorbed within existing budgets.

Contractual

The Task Force may retain expert consultants for the purposes of assisting the Task Force in its mission of maximizing the long-term benefits of the State's oil and gas resources to the State, considering the State's competitiveness globally in attracting capital to its oil and gas sector, and addressing factors affecting the State's competitiveness, and evaluating all of the mechanisms the State and its municipalities use to recover revenue from oil and gas production.

Costs for teleconferencing meetings and printing the Task Force report will be absorbed within existing budgets.

**Contractual                \$ 500.0**

Supplies

Supplies for the Task Force will be absorbed within existing budgets.

Equipment

Equipment for the Legislative Assistant will be absorbed within existing budgets.

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: CS HCR 39 (RLS)  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Legislature  
 Title Establishing the Alaska Royalty and BRU Legislative Council  
Revenue Commission Component: Council and Subcommittees  
 Sponsor House Resources by Request of EDT  
 Requestor House Rules Committee Component No. 783

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	75.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	500.0	0.0	0.0	0.0	0.0	0.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>575.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	575.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>575.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2004) cost: \_\_\_\_\_  
 Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

Full-time						
Part-time	1	0	0	0	0	0
Temporary						

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

CS HCR 39 (RLS) establishes a nine member Alaska Royalty and Revenue Commission to review and analyze the State's current oil and gas royalty and tax structures. The Commission will craft policies for recommendation to the 24th Legislature that would maximize the long-term benefits of oil and gas resources to the State. The Commission will begin work on June 1, 2004, may meet during the interim, and will submit a report and proposed legislation to the Legislative Budget and Audit Committee who will present the report to the Twenty-Fourth Legislature. The Commission will terminate not later than the adjournment of the First Regular Session of the Twenty-Fourth Alaska State Legislature.

Prepared by: Karla Schofield, Deputy Director Phone 465-6626  
 Division: Administrative Services Date/Time 5/6/04 3:32 PM  
 Approved by: Pamela Varni, Executive Director Date 5/6/2004  
 Agency: Legislative Affairs Agency

FISCAL NOTE

ANALYSIS CONTINUATION  
2004 Legislative Session

BILL NO. HCR 39 (RLS)

FY04

Any FY04 costs for the Alaska Royalty and Revenue Commission will be absorbed within existing budgets.

FY05

Personal Services

The Commission will be staffed by an 11 month Legislative Assistant Range 21

Personal Services        \$ 75.0

Travel

Travel costs for members of the Commission will be absorbed within existing budgets.

Contractual

The Commission will retain consultants with expertise in global oil and gas fiscal structures to perform a comprehensive study and report on the State's oil and gas tax and royalty regime. The study shall identify alternate State revenue and industry incentive structures that maximize the State's oil and gas revenue, promote development of known oil and gas resources, and encourage additional exploration and development with consideration of the widest possible range of world oil prices. The study shall analyze the consequences of existing and alternate tax structures on Alaska's competitiveness in maintaining existing and attracting new industry investment.

The Commission shall submit the consultants report of findings to the Legislative Budget and Audit Committee who shall present the report to the 24th Alaska Legislature.

Costs for teleconferencing meetings and printing additional copies of the Commission report will be absorbed within existing budgets.

Contractual                \$ 500.0

Supplies

Supplies for the Task Force will be absorbed within existing budgets.

Equipment

Equipment for the Legislative Assistant will be absorbed within existing budgets.

SESSION

State Capitol, Room 416  
Juneau, Alaska 99801-1182  
(907) 465-4930 Tel  
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Alaska State Legislature  
REPRESENTATIVE CHERYLL BOREN HEINZE  
Chair: Economic Development; International Trade & Tourism

INTERIM

716 W. Fourth Ave.  
Anchorage, Alaska 99501-2133  
Tel (907) 269-0174  
Fax (907) 269-0177

## Sponsor Statement for HCR

The State of Alaska is in the oil business. The strength of the oil and gas sector is critical to Alaska's economy, and the revenue the State receives from oil and gas development is crucial to the State's budget.

Alaska's major oil and gas taxes are the:

- The oil and gas property production (severance) tax (AS 43.55), which was last significantly revised in 1989.
- The oil and gas corporate income tax (AS 43.20.072), which was last significantly revised in 1981.
- The oil and gas exploration, production, and pipeline property tax (AS 43.56), which was last revised in 1973.

Revenue from oil and gas development contributed 84% of the State's unrestricted general fund revenue in FY 2003. Royalties from the production provided half of the unrestricted revenue the state received from oil and gas production in FY 2003.

Since the state has a vested interest in both the taxation and in the production of oil and gas, it would be imprudent of the State to consider any one revenue mechanism in isolation.

HCR \_\_\_ would establish the Alaska Royalty and Revenue Commission to examine the entirety of the state's oil and gas revenue system and the competitiveness of that system in a global context.

The commission would hire global experts to analyze the state's oil and gas revenue system for the commission.

HCR\_\_\_ will establish a forum for the complete and concrete analysis of Alaska's oil and gas royalty and revenue system.

## Amendments to HCR

### **Amendment 1:**

Intent: Changing *Task Force* to *Commission*

To page 1, line 1: delete [Task Force] insert Commission

To page 2, line 19: delete [Task Force] insert Commission

To page 2, line 21: delete [task force] insert Commission

To page 2, line 29: delete [task force] insert Commission

To page 2, line 30: delete [task force] insert Commission

To page 3, line 3: delete [task force] insert Commission

To page 3, line 5: delete [task force] insert Commission

To page 3, line 8: delete [task force] insert Commission

To page 3, line 10: delete [task force] insert Commission

To page 3, line 11: delete [task force] insert Commission

To page 3, line 12: delete [task force] insert Commission

To page 3, line 14: delete [task force] insert Commission

To page 3, line 15: delete [task force] insert Commission

To page 3, line 20: delete [task force] insert Commission

To page 3, line 23: delete [task force] insert Commission

**Amendment 2:**

Intent: To revise the membership of the Commission

To page 2, line 26: delete [members] and insert experts

To page 2, line 26: delete [, not members of the legislature,]

**Amendment 3:**

Intent: To streamline the language in HCR \_\_\_\_\_

To page 1, lines 7 - 8: Delete lines 7 and 8

To page 2, lines 1 - 9: Delete lines 1 through 9

To page 2, line 12 - 17: Delete lines 12 through 17

**Amendment 4:**

Intent: To clarify the role of experts in the Commission

To page 3, line 10: Delete [expert]

To page 3, line 10: Insert with expertise in global oil and gas fiscal structures after "consultants"

## B. Unrestricted General Purpose Revenue

Unrestricted General Purpose Revenue is the amount generally used for budget planning purposes and is designated in budget documents as general fund revenue. The table on the next two pages sets out actual FY 2003 Unrestricted General Purpose Revenue and our revised projections for FY 2004 and 2005.

We forecast Unrestricted General Purpose Revenue by first estimating General Fund Unrestricted Revenue, which includes all unrestricted revenue items in the Alaska State Accounting System (AKSAS), as well as certain program receipts. After consulting with the Governor's Office of Management and Budget and the Legislature, we adjust our forecast of General Fund Unrestricted Revenue to derive a forecast of total Unrestricted General Purpose Revenue. Reductions include: (1) earmarking revenue for specific programs, (2) pass-through revenue for qualified regional aquaculture and dive fishery associations, and (3) revenue shared with local governments and organizations (e.g., fisheries taxes.) Additions include transfers from the unclaimed property trust.

Table 2-4. Unrestricted General Purpose Revenue  
\$ Million

	Actual FY 2003	FY 2004	FY 2005
<b>OIL REVENUE</b>			
<u>Property Tax</u>	48.7	48.5	45.6
<u>Corporate Income Tax</u>	151.1	240.0	200.0
<u>Production Tax</u>			
Oil and Gas Production	589.8	628.2	499.9
Oil and Gas Hazardous Release	<u>9.2</u>	<u>9.2</u>	<u>9.3</u>
Subtotal Production Tax	599.0	637.4	509.2
<u>Royalties</u>			
Mineral Bonuses and Rents	9.6	10.4	16.1
Oil and Gas Royalties	825.7	1,010.1	880.6
Interest Paid	<u>5.0</u>	<u>2.1</u>	<u>2.1</u>
Subtotal Royalties	840.3	1,022.6	898.8
Subtotal Oil Revenue	1,639.1	1,948.5	1,653.6
<b>OTHER REVENUE (EXCEPT FEDERAL &amp; INVESTMENT)</b>			
<u>Other Tax</u>			
Sales and Use			
Alcoholic Beverage	14.1	15.7	15.7
Cigarette	9.6	9.5	9.5
Other Tobacco Product	6.7	6.8	7.2
Insurance Premium	39.0	42.6	44.7
Electric and Telephone Cooperative	0.2	0.2	0.2
Motor Fuel Tax	37.2	39.0	39.0
Rental Vehicle Tax	0.0	1.0	6.0
Tire Fee	<u>0.0</u>	<u>0.8</u>	<u>2.6</u>
Subtotal	106.8	115.6	124.9
Corporate Income Tax	47.7	45.0	50.0
Fish Tax			
Fisheries Business	13.8	11.6	11.3
Fishery Resource Landing	<u>6.9</u>	<u>1.7</u>	<u>2.7</u>
Subtotal	20.7	13.3	14.0
Other			
Mining	0.4	0.7	3.0
Estate	1.2	2.1	0.6
Charitable Gaming	<u>2.6</u>	<u>2.5</u>	<u>2.5</u>
Subtotal	4.2	5.3	6.1
Subtotal Other Tax	179.4	179.2	195.0

(continued on next page)

Table 2-4. Unrestricted General Purpose Revenue, cont.  
\$ Million

	Actual FY 2003	FY 2004	FY 2005
<b>OTHER REVENUE (EXCEPT FEDERAL &amp; INVESTMENT)</b>			
<u>Charges for Services</u>			
General Government	10.3	11.3	13.3
Natural Resources	1.7	1.7	1.7
Other	<u>1.9</u>	<u>1.9</u>	<u>1.9</u>
<b>Subtotal Charges for Services</b>	<b>13.9</b>	<b>14.9</b>	<b>16.9</b>
<u>Licenses and Permits</u>			
Motor Vehicle	30.3	42.9	45.3
Other	<u>3.3</u>	<u>3.3</u>	<u>3.3</u>
<b>Subtotal Licenses and Permits</b>	<b>33.6</b>	<b>46.2</b>	<b>48.6</b>
<u>Fines and Forfeitures</u>	7.0	13.0	13.0
<u>Rents and Royalties</u>			
Land Leasing, Rental and Sales	5.4	6.0	6.2
Coal Royalties	0.6	0.8	0.8
Cabin Rentals	<u>0.2</u>	<u>0.2</u>	<u>0.2</u>
<b>Subtotal Rents and Royalties</b>	<b>6.2</b>	<b>7.0</b>	<b>7.2</b>
<u>Other</u>			
Miscellaneous	9.4	10.0	10.0
Unclaimed Property	<u>0.0</u>	<u>11.5</u>	<u>4.0</u>
<b>Subtotal Other</b>	<b>9.4</b>	<b>21.5</b>	<b>14.0</b>
<b>Subtotal Other Revenue (Except Federal &amp; Investment)</b>	<b>249.5</b>	<b>281.8</b>	<b>294.7</b>
<b>INVESTMENT REVENUE</b>			
<u>Investments</u>	28.2	11.0	10.5
<u>Interest Paid by Others</u>	<u>30.8</u>	<u>4.0</u>	<u>2.3</u>
<b>Subtotal Investment Revenue</b>	<b>59.0</b>	<b>15.0</b>	<b>12.8</b>
<b>TOTAL UNRESTRICTED REVENUE</b>	<b>1,947.6</b>	<b>2,245.3</b>	<b>1,961.1</b>

# ***Alaska Benchmarking Study 2002***

## ***Alaska's Global Ranking***

*Alaska Oil & Gas Association  
March 2004*

## **ALASKA BENCHMARKING STUDY**

The Alaska Benchmarking Study: Global Oil & Gas Risks & Rewards covers 61 areas within 50 countries. It is a multi-client study completed by Wood Mackenzie in September 2002.

### **PURPOSE**

- 1. To provide a global comparison of relative attractiveness for future E&P investment based upon**
  - Risked exploration values
  - Value of remaining production from existing developments
  
- 2. To evaluate the impact of Government Take in each area**
  - Based on actual data, not standardized model fields

### **ABOUT WOOD MACKENZIE**

Wood Mackenzie is an international consulting firm with offices in Edinburgh, Scotland, London, Houston, Boston, Moscow, Sydney, Tokyo and Beijing.

The firm has been providing consultancy services and research products to the energy and life sciences industries for over 25 years. Energy sector clients include:

- Major multinationals such as BP, ChevronTexaco, ExxonMobil, Shell, TOTAL
- Independent exploration and production companies such as BHP Billiton, Burlington, Marathon, Norsk Hydro, UNOCAL
- Regional and national oil companies such as EGPC, Gazprom, NIOC, PDVS, Pemex, Petronas, Sonatrach
- Governments and regulators worldwide

## Coverage: 61 areas within 50 countries

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### Americas

Alaska  
Argentina  
Bolivia  
Brazil - shelf  
Brazil - deep water  
Canada - East Coast  
Colombia  
Ecuador  
Peru  
Trinidad & Tobago - offshore  
USA GoM - deep water  
Venezuela

### Europe

Denmark  
Ireland  
Italy  
Netherlands - onshore  
Netherlands - offshore  
Norway - shelf  
  
UK - shelf  
  
UK - Southern Gas Basin

### West Africa

Angola - shelf  
Angola - deep water  
Cameroon  
Congo (Brazzaville)  
Cote d'Ivoire  
Equatorial Guinea  
Gabon - onshore  
Gabon - offshore  
Nigeria - onshore  
Nigeria - shelf  
Nigeria - deep water  
Sudan

### Middle East/Caspian

Azerbaijan  
Iran  
Kazakhstan  
Oman  
Qatar  
Turkmenistan  
Yemen

### North Africa

Algeria  
Egypt - onshore  
Egypt - offshore  
Libya  
Tunisia

### Indian

Sub-Continent  
Bangladesh  
India  
Pakistan

### Asia Pacific

Brunei  
  
China - offshore  
Indonesia - onshore  
Indonesia - shelf  
  
Malaysia  
Malaysia-Thai JDA  
Myanmar  
Philippines  
Thailand  
Vietnam

### Australasia

Australia - offshore  
New Zealand  
Papua New Guinea  
Timor Gap

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## **Total Government Take**

**Alaska ranks 36 out of 61**

Total Government Take (federal and state) is calculated to be 64%. State share is approximately 47% and includes royalties, production tax, corporate income tax, property tax and net profit shares. The actual and projected ELF, based on field size, is used in these calculations.

Economic assumptions: Brent marker price=US\$19.50 bbl (2002) increasing 2.5% per annum.

*Note: From December 1990 to February 2003, the median price of ANS West Coast spot was \$17.77 per/bbl. The State of Alaska Department of Revenue forecast to FY 2010 is \$22 per/bbl.*

*(Spring 2003 Revenue Sources Book, State of Alaska Department of Revenue).*

## ***Weighted Average Total Costs***

**Alaska ranks 60 out of 60**

This ranking is the weighted average of all North Slope fields starting production since 1995. (Earlier studies have confirmed that the per/bbl costs for Prudhoe and Kuparuk are among the highest in the world.) Costs include operating, cost of capital, all transportation including pipeline and marine.

*\* Nigeria (onshore) excluded from this portion of the study.*

## ***Average Post-Take Value***

**Alaska ranks 55 out of 61**

Aggregating the Government Take, which is higher than average, with the weighted average total costs, which are the highest of the 60 worldwide oil and gas provinces studied, the average post-take value of remaining production on the North Slope ranks 55 out of 61.

## ALASKA'S GLOBAL RANKING

### Alaska Benchmarking Study: Global Oil & Gas Risk & Rewards

	Total Government Take	Weighted Average Total Costs	Average Post-Take Value (US\$/boe)			
1	Cameroon	10.86%	Qatar	1.38	Cameroon	7.83
2	Ireland	19.92%	Iran	1.61	Ireland	5.76
3	Canada (East Coast)	35.17%	Egypt (offshore)	1.73	UK (shelf)	5.50
4	New Zealand	37.51%	Malaysia-Thailand JDA	1.97	Philippines	5.40
5	UK (shelf)	40.77%	Bangladesh	2.31	USA (GoM deep water)	5.33
6	Netherlands (offshore)	41.92%	Oman	2.40	Papua New Guinea	5.21
7	USA (GoM deep water)	42.10%	Indonesia (offshore)	2.56	Netherlands (offshore)	4.48
8	Italy	42.62%	Australia (offshore)	2.59	Italy	4.43
9	China (offshore)	42.81%	Malaysia	2.73	Denmark	4.35
10	UK (S. Gas Basin)	43.54%	Pakistan	2.77	Congo (Brazzaville)	4.26
11	Pakistan	45.46%	Egypt (onshore)	3.41	UK (S. Gas Basin)	4.12
12	Australia (offshore)	45.51%	Myanmar	3.47	Canada (East Coast)	4.10
13	Philippines	46.12%	India	3.54	China (offshore)	4.04
14	Argentina	46.93%	Venezuela	3.76	New Zealand	3.40
15	Denmark	47.20%	Brunei	3.82	Brazil (shelf)	3.25
16	Brazil (shelf)	47.88%	Algeria	3.93	Yemen	3.21
17	Venezuela	49.56%	Timor Gap	4.01	Australia (offshore)	2.97
18	Congo (Brazzaville)	50.57%	Libya	4.07	Egypt (onshore)	2.87
19	Thailand	50.65%	Bolivia	4.70	Equatorial Guinea	2.75
20	Kazakhstan	51.88%	Nigeria (shelf)	4.72	India	2.74
21	Papua New Guinea	52.27%	Netherlands (onshore)	4.78	Venezuela	2.73
22	Myanmar	54.00%	Argentina	4.79	Myanmar	2.70
23	Cote d'Ivoire	55.34%	Nigeria (deep water)	5.25	Pakistan	2.65
24	Bolivia	55.71%	New Zealand	5.32	Angola (shelf)	2.56
25	Malaysia-Thailand JDA	56.21%	Trinidad & Tobago (offshore)	5.39	Gabon (onshore)	2.54
26	Colombia	57.12%	Philippines	5.46	Tunisia	2.52
27	Ecuador	57.75%	Yemen	5.52	Netherlands (onshore)	2.50
28	Equatorial Guinea	58.69%	Peru	5.67	Gabon (offshore)	2.44
29	Angola (deep water)	59.93%	Indonesia (onshore)	5.72	Thailand	2.36
30	Brazil (deep water)	60.19%	USA (GoM deep water)	5.84	Nigeria (deep water)	2.33
31	Bangladesh	61.18%	Thailand	5.85	Brazil (deep water)	2.27
32	Azerbaijan	61.54%	Brazil (shelf)	5.96	Egypt (offshore)	2.26
33	Netherlands (onshore)	61.67%	Kazakhstan	6.15	Argentina	2.24
34	Tunisia	63.07%	Angola (deep water)	6.22	Cote d'Ivoire	2.23
35	Timor Gap	63.94%	Tunisia	6.27	Ecuador	2.18
36	USA (Alaska)	64.24%	Netherlands (offshore)	6.28	Colombia	2.12
37	Nigeria (deep water)	64.62%	Sudan	6.41	Angola (deep water)	2.10
38	India	66.82%	Colombia	6.50	Vietnam	2.05
39	Turkmenistan	68.06%	Brazil (deep water)	6.67	Algeria	1.92
40	Vietnam	68.55%	Vietnam	6.73	Sudan	1.90
41	Trinidad & Tobago (offshore)	69.00%	Italy	6.74	Malaysia-Thailand JDA	1.87
42	Indonesia (offshore)	71.01%	Cameroon	6.79	Turkmenistan	1.77
43	Algeria	71.72%	Cote d'Ivoire	6.94	Indonesia (offshore)	1.58
44	Gabon (offshore)	71.81%	Equatorial Guinea	6.96	Kazakhstan	1.55
45	Egypt (offshore)	73.04%	Gabon (onshore)	7.03	Oman	1.54
46	Gabon (onshore)	73.38%	Azerbaijan	7.12	Brunei	1.52
47	Brunei	73.90%	Ireland	7.19	Libya	1.51
48	Angola (shelf)	74.11%	Ecuador	7.43	Azerbaijan	1.49
49	Egypt (onshore)	74.27%	Denmark	7.45	Indonesia (onshore)	1.41
50	Norway	74.74%	UK (S. Gas Basin)	7.51	Norway	1.39
51	Peru	75.04%	Turkmenistan	7.54	Bangladesh	1.37
52	Yemen	75.36%	Gabon (offshore)	7.93	Timor Gap	1.35
53	Sudan	76.96%	Congo (Brazzaville)	8.05	Nigeria (shelf)	1.06
54	Libya	78.73%	China (offshore)	8.21	Malaysia	0.99
55	Qatar	79.09%	Papua New Guinea	8.64	USA (Alaska)	0.90
56	Indonesia (onshore)	80.13%	Angola (shelf)	8.65	Nigeria (onshore)	0.85
57	Malaysia	81.24%	Norway	8.76	Qatar	0.76
58	Oman	83.19%	UK (shelf)	8.79	Trinidad & Tobago (offshore)	0.69
59	Nigeria (onshore)	87.21%	Canada (East Coast)	10.58	Peru	0.58
60	Nigeria (shelf)	87.44%	USA (Alaska)	12.52	Bolivia	0.56
61	Iran	93.26%	*Excludes Nigeria (onshore)		Iran	0.20

Source: Wood Mackenzie Study - September 2002  
Alaska Oil & Gas Association - March 2004