

SJR

17

FISCAL NOTE

STATE OF ALASKA
2008 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: SJR 17
 (S) Publish Date: 3/17/08

Identifier (file name): _____ Dept. Affected: _____
 Title SJR 17 OFFSHORE OIL & GAS REVENUE RDU _____
 Component _____
 Sponsor Senator Wielechowski Component Number _____
 Requester (S) Resources Committee _____

Expenditures/Revenues (Thousands of Dollars)

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

	Appropriation Required	Information					
		FY 2009	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
OPERATING EXPENDITURES							
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	0.0

CAPITAL EXPENDITURES							
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CHANGE IN REVENUES ()							
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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 Interagency Receipts							
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2008) cost: _____

POSITIONS

Full-time							
Part-time							
Temporary							

ANALYSIS: (Attach a separate page if necessary)

Prepared by: SENATE RESOURCES COMMITTEE
 Division: _____
 Approved by: /s/ Senator Huggins, Chair

Phone 465-4907
 Date/Time 3/14/2008 4:00 p.m.
 Date 3/14/2008

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Transportation Committee

SENATOR BILL WIELECHOWSKI

SJR 17:

Securing a Fair Share for Alaska of Offshore Oil Revenues

SJR 17 urges Congress to provide Alaska with a share of federal revenue from oil and gas leasing and development off Alaska's coast.

Under current law, Alaska receives virtually no revenue from oil and gas leasing and development that occurs more than six miles off our coast. This contrasts with how other states, including Louisiana, Mississippi, Alabama and Texas, are treated. Under the 2006 Gulf of Mexico Energy Security Act, these states receive 37.5 percent of revenues from newly leased federal waters off their coasts. This new law is expected to direct more than \$13 billion to Louisiana alone over the next three decades.

Alaska deserves to be treated in the same way as other states that contribute to our nation's energy security. Like other energy-producing states, Alaska bears the costs of infrastructure in support of offshore development, and our coastal resources and residents bear the impacts of offshore development. Alaskans deserves to share in the benefits of production, just as we do its costs.

The federal Minerals Management Service estimates that there could be as much as 55 billion barrels of technically recoverable oil and 280 trillion cubic feet of technically recoverable gas off Alaska's coast.

Recently companies bid \$2.6 billion for access to tracts in the Chukchi Sea. More than 1.4 million acres off Alaska's coast have already been leased by the federal government. The Chukchi Sea sale could result in the leasing of an additional 2.7 million acres.

As more lands off Alaska's coast are leased for offshore oil production, we need to ensure that Alaska gets its fair share of the benefits of that leasing and production. It's time Congress treated all coastal states equally and fairly. Please join me in supporting SJR 17.

Ted Stevens: Time to divvy up OCS

Alaska's senior U.S. senator, governor want state to get share of outer continental shelf oil and gas royalties

By ERISTEN NELSON

Petroleum News

The State of Alaska should share in royalties from outer continental shelf production on its borders, says U.S. Sen. Ted Stevens, R-Alaska, predicting that such sharing will take place as a condition of OCS production off Alaska.

The senator, in Juneau to give his annual update to the Legislature, told members of the press Feb. 19 that the bill passed in 2006 which allocated OCS monies to Gulf of Mexico states originally included Alaska.

"We had a provision in the bill as it went through and it was the people opposed to ANWR who took that out of there. They thought it was an incentive to drill in Alaska and would not let us enact it."

Stevens said North Slope residents oppose drilling "until they get a percentage of it — that's what we're facing right now."

Both the state and federal governments "have to wake up," Stevens said.

People on the North Slope are not going to put up with oil and gas drilling and the risk to their resources from a spill. "I don't think it's a great risk," Stevens said, but calling it a "potential risk to their resources."

Alaska is not included in OCS offshore royalty sharing, he said, "because of the opposition of the extreme environmental people."

Alaska has two-thirds of the outer continental shelf "and we don't get any money from any production that comes from the outer continental shelf."

"I predict there's not going to be any production until we get it. Both the state and the Native people oppose any real production until we get the same kind of share that others get from production off our shore," Stevens said.

Governor: time Alaska starts promoting OCS share

Alaska Gov. Sarah Palin agreed with

Stevens on OCS royalty share.

"It's going to become much brighter on everyone's radar screen, I think, once Alaskans realize that these other coastal states do receive OCS revenue shares. Alaska doesn't; we're exempt from that," the governor told reporters Feb. 21.

She said she would like to see that changed and thinks it's time Alaska started pushing for that change, and anticipates that the state's congressional delegation would support that move.

Stevens helped the Gulf of Mexico states get a share of OCS royalties, Palin said, adding that she hopes delegations



SEN. TED STEVENS

GOV. SARAH PALIN

from those states would, in return, assist Alaska in getting royalties off its shores.

Alaska's share \$21.7 million

Alaska does earn royalties from production from federal lands onshore and

from offshore lands adjacent to state waters.

Alaska was one of 34 states which earned a share of almost \$2 billion during fiscal year 2007 as part of federal revenues collected by the Department of the Interior's Minerals Management Service, MMS said late last year.

Alaska's share, \$21.7 million, represents its share of revenues collected from oil, gas and coal production.

MMS said for the majority of onshore federal lands, states receive 50 percent of the revenues while the other 50 percent goes to various funds of the U.S.

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SHARE

Treasury, including the Reclamation Fund for water projects. Alaska receives a 90 percent share of revenues from onshore production as prescribed in the Alaska Statehood Act.

"In addition, Texas, Alabama, Louisiana and Mississippi with producing federal offshore tracts adjacent to state waters receive 27 percent of those mineral royalties," while remaining offshore revenues MMS collects go into various accounts of the U.S. Treasury, the majority into the general fund.

U.S. coastal waters are divided into three zones: from zero to three miles is state waters; in federal waters from three

On the Web

See previous Petroleum News coverage:

See previous Petroleum News coverage: "GOM energy act passes" in Dec. 17, 2006, issue at www.petroleumnews.com/pnads/501450772.shtml

"OCS impact assistance program moves ahead" in March 11, 2007, issue at www.petroleumnews.com/pnads/829616050.shtml

to six miles from shore, states get a 27 percent cut of royalties from production; there is no state cut beyond six miles, except for those Gulf Coast states receiving OCS royalties as a result of the 2006 federal legislation. ●

Alaska Reported Revenue 1982 to 2007

Year	Bonus	Alaska Revenues Reported by MMS 8(g) and Non 8(g)			Year Subtotal	State Disbursement	Comments
		Rent	Royalty	Other			
1982	\$2,055,832,336	\$1,965,516	None	\$0	\$2,057,597,852	N/A	Sale RS-2 and Sale 71
1983	\$744,332,202	\$4,248,241	\$0	\$0	\$748,580,443	N/A	Sale 57 and 70
1984	\$1,388,281,658	\$4,601,574	\$39,934	\$0	\$1,392,923,166	N/A	Sale 83 and 87
1985	\$0	\$11,603,554	\$112,088	\$0	\$11,715,642	N/A	
1986	\$0	\$7,581,960	\$56,792	\$0	\$7,638,752	\$51,438,090	Disbursement included Section 8(g) Escrow
1987	\$0	\$7,677,314	\$71,320	\$0	\$7,748,634	\$4,420,730	
1988	\$C88,733,767	\$18,915,379	\$130,696	\$0	\$705,779,842	\$329,000,638	Disbursement included Section 8(g) Escrow - Sale 97, 109, and 92
1989	\$0	\$16,708,334	\$102,480	\$0	\$16,810,814	\$4,467,427	
1990	\$0	\$15,255,133	\$84,048	\$0	\$15,339,181	\$4,402,935	
1991	\$23,924,239	\$15,243,423	\$67,568	\$0	\$39,235,230	\$4,678,515	Sale 124 and 126
1992	\$0	\$7,374,282	\$67,568	\$0	\$7,441,830	\$9,876,943	
1993	\$0	\$4,392,274	\$67,568	\$0	\$4,459,842	\$9,550,625	
Total by CY	\$4,900,904,202	\$115,546,964	\$800,082	\$0	\$5,017,251,228	\$417,635,903	

New report format introduced - Published by Fiscal Year

Year	Bonus	Rent	Royalty	Other	Year Subtotal	State Disbursement	Comments
1994	\$0	\$1,515,389	\$0	\$66,000	\$1,601,389	\$9,518,125	New report format introduced - Fiscal Year Disbursement included 9,380,000 settlement payment
1995	\$0	\$546,752	\$0	\$104,432	\$651,184	\$9,444,493	Disbursement included 9,380,000 settlement payment
1996	\$14,429,363	\$1,922,292	\$0	\$87,568	\$15,679,223	\$9,528,054	Sale 144 - Disbursement included 9,380,000 settlement payment
1997	\$253,965	\$1,676,999	\$3,981	\$98,945	\$1,624,590	\$17,330,950	Sale 149 - Disbursement included 13,400,000 settlement payment
1998	\$5,327,093	\$1,497,668	\$0	\$86,000	\$6,962,661	\$13,560,186	Sale 170 - Disbursement included 13,400,000 settlement payment
1999	\$0	\$1,460,324	\$0	\$75,746	\$1,436,070	\$14,714,847	Disbursement included 13,400,000 settlement payment
2000	\$0	\$1,119,235	\$0	\$49,405	\$1,368,640	\$13,669,265	Disbursement included 13,400,000 settlement payment
Total	\$20,010,421	\$11,414,599	\$3,981	\$568,096	\$29,323,857	\$87,765,920	

New report format introduced breakout of 8(g) Reported Revenues

Year	Bonus	Offshore 8(g)			Year Subtotal	State Disbursement	Year	Alaska Offshore Non 8(g)				Year Subtotal
		Rent	Royalty	Other				Bonus	Rent	Royalty	Other	
2001	\$0	\$1,068,331	None	\$49,136	\$1,117,467	\$13,613,543	2001					
2002	\$0	\$457,948	\$4,296,269	\$32,160	\$4,786,377	\$1,068,091	2002		\$179,101			\$179,101
2003	\$0	\$575,721	\$14,926,886	\$0	\$15,502,607	\$3,732,698	2003		\$180,013			\$180,013
2004	\$5,653,912	\$572,022	\$24,727,482	\$0	\$30,953,396	\$7,245,906	2004	\$3,249,626	\$337,180			\$3,586,806
2005	\$12,441,435	\$992,687	\$33,029,581	\$0	\$46,463,703	\$10,871,901	2005	\$34,068,294	\$766,028			\$34,834,322
2006	\$0	\$880,218	\$41,994,748	\$0	\$42,874,965	\$11,294,551	2006		\$1,169,300			\$1,169,300
2007	\$107,556	\$983,963	\$26,385,860	\$0	\$27,477,379	\$7,767,182	2007	\$41,872,577	\$1,699,032			\$43,571,609
Total	\$18,202,903	\$5,530,889	\$145,360,806	\$81,296	\$169,175,894	\$55,593,871		\$79,190,497	\$4,330,653			\$83,521,150

Total Offshore Non 8(g) since 2001

Year	Gulf		Pacific		Alaska		Total OCS Non 8(g)	
	Bonus	Rent	Bonus	Rent	Bonus	Rent	Bonus	Rent
2001	6,690,023,792.43	170,426,086.89					6,860,449,879.32	
2002	3,869,331,822.58	77,314,828.83	179,101.00				3,946,825,552.41	
2003	5,413,897,337.79	117,820,719.16	180,013.00				5,531,898,069.95	
2004	4,789,694,250.28	143,169,899.96	3,586,806.00				4,936,450,956.24	
2005	5,705,953,872.28	155,396,266.58	34,834,321.50				5,896,184,460.34	
2006	6,928,423,150.25	216,086,449.67	1,169,300.00				7,145,678,899.92	
2007	6,416,806,350.22	193,319,031.38	43,571,608.50				6,653,496,990.10	
Total	39,813,930,575.81	1,073,533,082.47	83,521,150.00				40,970,984,808.28	

Total Reported Revenue for Alaska offshore 8(g) and Non 8(g) \$5,299,272,229

Prepared by Jim Witkop, MRM COS and Stacey Browne, MRM/DAD/PMO

Source: MRM Accounting Year Statistical Reports, FY94-FY07 and Mineral Revenue Report for Calendar Year 1993

Actual dollars shown

Royalties pre 2001 were for oil

Royalties post 2001 were for oil and gas only for Alaska 8(g) revenues

Pre 2001, published statistics were not broken out by 8(g) vs. Non (g)

Pre 2001, published statistics were reported on a CY not Fiscal Year

Royalties, Rents and Bonuses prior to 1994: http://www.mrm.mms.gov/Stats/pdfdocs/Alas_off.pdf

Royalties, Rents and Bonuses from 1994 through 2000: <http://www.mrm.mms.gov/Stats/tycolloff.htm>

Disbursements prior to 2001: <http://www.mrm.mms.gov/Stats/pdfdocs/disboff.pdf>

All Data from 2001 forward: <http://www.mrm.mms.gov/MRMWebStats/home.aspx>



Shell Oil in the United States
President John Hofmeister
(Rich Jordan/KTUU-TV)



North Slope Borough Mayor
Ed Itta (Rich Jordan/KTUU-
TV)



University of Alaska
Anchorage Chancellor Fran
Ulmer (Rich Jordan/KTUU-
TV)



Alaska AFL-CIO President
Vince Beltrami (Rich
Jordan/KTUU-TV)

by Steve Mac Donald
Tuesday, Feb. 19, 2008

ANCHORAGE, Alaska -- A unique conversation between 32 people took place Tuesday. Representatives from big oil, environmental groups, government and labor tied to the Alaska's oil industry gathered around a table to discuss the state's future.

The U.S. uses 10,000 gallons of oil a second every day and Shell Oil in the United States, which sponsored the summit, made that point very clear.

The company's president, John Hofmeister, is on a kind of goodwill tour around Alaska. He faced his fair share of questions from participants, many of which questioned him about finances.

North Slope Borough Mayor Ed Itta says the federal government isn't sharing revenues from off-shore lease sales with coastal communities like his.

"We believe it's reasonable and fair. While monetary gains is not the issue, of course, it's always nice to have revenues and continue to fund our government," he said. "We as a people are being asked to take a whole bunch of risk without any reward."

Perhaps the most compelling question posed at the roundtable had to do with jobs. Who, exactly, is going to retrieve all that oil and gas in the Beaufort and Chukchi Seas and on the North Slope?

"We've got about a 20,000 workers shortage so we have our work cut out for us just to even meet current demands," said Alaska Vocational Technical Centers director Fred Esposito.

With the possibility of a natural gas pipeline in Alaska's future, along

ALASKA STATE LEGISLATURE

Co-chair, Joint Armed Services
Committee

•
Resources Committee

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Judiciary Committee

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Transportation Committee



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SENATOR BILL WIELECHOWSKI

March 19, 2008

Representative Carl Gatto, Co-Chair
Representative Craig Johnson, Co-Chair
House Resources Committee
Room 108 & 126, State Capitol
Juneau, Alaska 99801

I respectfully request a hearing on SJR 17, a resolution urging the Congress to provide Alaska with a fair share of revenue from oil and gas leasing and development in the outer continental shelf off our coast. This resolution was passed unanimously by the Senate and has 11 cosponsors.

Under current law, Alaska receives virtually no revenue from oil and gas leasing and development that occurs more than six miles off our coast. This contrasts with how other states, including Louisiana, Mississippi, Alabama and Texas, are treated. Under the 2006 Gulf of Mexico Energy Security Act, these states receive 37.5 percent of revenues from newly leased federal waters off their coasts. This new law is expected to direct more than \$60 billion to those four states over the next 25 years.

Alaska deserves to be treated in the same way as other states that contribute to our nation's energy security. Like other energy-producing states, Alaska bears the costs of infrastructure in support of offshore development, and our coastal resources and residents bear the risks of impacts from offshore development. Alaskans deserve to share in the benefits of production, just as we do its costs.

Thank you for your speedy consideration of this request,

A handwritten signature in black ink, appearing to read "Bill Wielechowski".

Senator Bill Wielechowski