

SJR

5

<TARGET><BILL>SJR 5</BILL><SUBJECT>SJR
5</SUBJECT><COMM>SRES28</COMM></TARGET>

ALASKA STATE LEGISLATURE

Sen. Cathy Giessel, Chair
Sen. Fred Dyson, Vice Chair
Sen. Lesil McGuire
Sen. Anna Fairclough
Sen. Click Bishop
Sen. Peter Micciche
Sen. Hollis French



State Capitol, Room 427
Juneau AK 99801-1182
907-465-4843
Fax: 907-465-3871
800-465-4843

Senate Resources Committee

Butrovich Room 205
Friday, February 14, 2014
3:30-5:30 p.m.

AGENDA

➤ **SB 138 "Gas Pipeline: AGDC; Oil & Gas; Prod. Tax"**

- Janak Mayer Nikos Tsafos, Enalytica

Testimony: By Invitation

➤ **SJR 5 "Offshore Oil & Gas Revenue"**

Public Testimony

ALASKA STATE LEGISLATURE

Session

State Capitol, Rm. 419
Juneau, AK 99801
(907) 465-2435
Fax: (907) 465-6615

Interim

716 W. 4th Ave, Ste. 540
Anchorage, AK 99501
(907) 269-0120
Fax: (907) 269-0122



State Affairs Committee

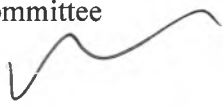
Judiciary Committee

In-State Energy Committee

Joint Armed Services
Committee

SENATOR BILL WIELECHOWSKI

To: Senator Cathy Giessel
Chair, Senate Resources Committee

From: Senator Bill Wielechowski 

Subject: Hearing request for SJR 5

Date: March 11, 2013

I am writing to respectfully request a hearing on SJR 5. This resolution urges the United States Congress to provide a means for consistently sharing with all coastal energy-producing states revenue generated from oil and gas development on the outer continental shelf. On-going revenue sharing will help ensure that those states support offshore oil development and build and maintain necessary on-shore infrastructure.

Michelle ?

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State Affairs Committee

Joint Armed Services Committee

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In-State Energy Committee

Senator.Bill.Wielechowski@akleg.gov

SENATOR BILL WIELECHOWSKI

Sponsor Statement: SJR 5

Sharing Revenue from Oil Development off Alaska's Coast

Senate Joint Resolution 5 calls on Congress to provide Alaska and other coastal states with a fair share of revenue from oil and gas leasing and development in the outer continental shelf, or OCS.

Under the Mineral Lands Leasing Act of 1920, the federal government shares with states 50 percent of revenue generated from mineral production on federal lands within each state's boundaries. The shared mineral revenue is distributed to the states automatically, outside of the budget process. Unfortunately, there is no comparable authority for the federal government to automatically share revenue from oil and gas activities occurring 6 miles or more offshore with adjacent coastal states.

For years coastal states have argued that they deserve a share of OCS revenues because they provide the infrastructure that supports offshore operations and bear the environmental risks of offshore development. On several occasions, Congress has recognized this vital contribution and has created revenue sharing programs, most of which have been temporary or extended to only a handful of states.

Under the most recent of these, the federal government agreed to give Alabama, Louisiana, Mississippi, and Texas 37.5 percent of revenue from oil and gas leasing and development in newly opened federal waters in the Gulf of Mexico. This Act is expected to distribute more than \$60 billion to those 4 states over the next 25 years. Alaska was excluded from this program despite the efforts of our congressional delegation.

This resolution supports the position that all coastal states with adjacent OCS development should receive, on a regular and ongoing basis, a fair share of revenue from OCS activities as compensation and reward for their contribution to the nation's energy security.

Since statehood, oil and gas activities from Alaska's OCS have generated billions for the federal government. If a revenue sharing program like that in the Gulf of Mexico had been in place in 2008 when the latest Chukchi Sea sale took place, Alaska would have received \$975 million from this sale alone.

And more leasing and development are likely to occur in the future as 2/3 of the nation's OCS is off our coast with as much as 55 billion barrels of technically recoverable oil and 280 trillion cubic feet of technically recoverable gas.

Revenue sharing as advocated by this resolution has the support of Alaska's congressional delegation, the Administration, and representatives of those coastal communities most affected by offshore oil and gas development. I urge you to give it your full support.

FISCAL NOTE

STATE OF ALASKA
2014 LEGISLATIVE SESSION

Bill Version SJR 5
 Fiscal Note Number 1
 () Publish Date 2/5/2014

Identifier (file name) _____ Dept. Affected _____
 Title SJR 5 OFFSHORE OIL & GAS REVENUE Appropriation _____
 Allocation _____
 Sponsor Senator Wielechowski
 Requester Senate Resource Committee OMB Component Number _____

Expenditures/Revenues (Thousands of Dollars)

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

	FY15 Appropriation Requested	Included in Governor's FY15 Request	Out-Year Cost Estimates					
			FY15	FY16	FY17	FY18	FY19	FY20
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants, Benefits								
Miscellaneous								
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE		(Thousands of Dollars)						
1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1007	I/A Rcpts (Other)							
1156	Rcpt Svcs (DGF)							
		0.0	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS								
Full-time								
Part-time								
Temporary								

CHANGE IN REVENUES								
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Estimated **SUPPLEMENTAL (FY14) operating costs** _____ (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated **CAPITAL (FY15) costs** _____ (separate capital appropriation required)
 (discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? _____
 If yes, by what date are the regulations to be adopted, amended, or repealed? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

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

Phone 465-4843
 Date/Time 2/5/14 12:00 AM
 Date 2/5/2014

July 21, 2011

Chairman Jeff Bingaman
Senate Committee on Energy
and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Ranking Member Lisa Murkowski
Senate Committee on Energy
and Natural Resources
304 Dirksen Senate Office Building
Washington, DC 20510

Dear Senators Bingaman and Murkowski:

As governors of coastal states, we write to express our strong support for legislation that would allow our states to receive a fair share of the revenues from energy generation and production in the Outer Continental Shelf (OCS). Revenue sharing may arise in the context of legislation considered this week by the Energy and Natural Resources Committee or legislation later considered on the Senate floor. We do not hold identical views on offshore energy, and we make no statement here on how such development should proceed. We are firmly united, however, in our position that any legislation to facilitate any form of energy production in the OCS must return a responsible portion of the attendant revenues to the appropriate coastal states.

There is more than sufficient cause to justify energy-related revenue sharing. Ocean energy development can place heightened demands on transportation services, the environment, ports, fuel supplies, pipeline and transmission corridors, public health and safety, and other infrastructural, social and natural resources. Last year's tragic offshore oil spill also showed that such development can carry real consequences – not for the inland states that ultimately use much of the energy being produced, but for the coastal states at water's edge.

If a responsible portion of the vast revenues from offshore generation and production are returned to our states, we would be far better prepared to mitigate the resulting risks and impacts. This is an equitable bargain, wherein the states that choose to pursue development receive a deserved portion of its rewards. In the absence of revenue sharing, it is possible that some coastal states could limit their offshore energy production, or even use their powers under existing federal laws to deny the rest of the nation access to the vast resources in the OCS. The American people could then lose out on substantial new energy production, government revenues, and employment opportunities at a time when all are desperately needed.

In addition to cause, there is also sufficient precedent to justify revenue sharing for offshore energy generation and production. Under the Mineral Leasing Act, landlocked states with energy production on federal lands are rightly entitled to roughly half of the associated revenues – and these revenues are derived from resources which belong to the entire nation, not any one state. In addition, 40 percent of these revenues are returned to western states through the Reclamation Fund. Those states are also rightly entitled to "Payments in Lieu of Taxes" (PILT), a federal-state partnership expressly designed to compensate for the impact that federal lands have on state tax bases.

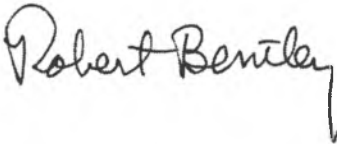
We appreciate that bipartisan leaders in recent Congresses have supported revenue sharing. Congress acknowledged its importance through the enactment of the Gulf of Mexico Energy Security Act of 2006, which directs 37.5 percent of federal revenues from a number of federal OCS leases to neighboring Gulf States. States received a total of less than \$866,000 for production in 2010 under this act for hosting offshore production. Comparatively, states shared in over \$2,000,000,000 for

production on federal lands within their states. Further, both law and the current administration's programs provide for a 27.5 percent state revenue sharing provision for federally-leased offshore wind power.

Should Congress consider legislation that facilitate greater energy development in the OCS, it is important – and entirely possible – to ensure that the benefits of such development accrue to both the nation as a whole and coastal states. The best mechanism to accomplish that goal is revenue sharing, which will ensure that coastal states are both incentivized and equipped to facilitate safer, more responsible, and more efficient development of all forms of offshore energy while recognizing the historic contribution of states that fueled this nation's economy.

We thank you for considering our perspective.

Sincerely,



Governor Robert J. Bentley
Alabama



Governor Haley Barbour
Mississippi



Governor Sean Parnell
Alaska



Governor Nikki Haley
South Carolina



Governor Bobby Jindal
Louisiana



Governor Robert F. McDonnell
Virginia

cc: Members of the Senate Energy and Natural Resources Committee

H.R.6111

Tax Relief and Health Care Act of 2006 (Enrolled as Agreed to or Passed by Both House and Senate)

Excerpt ...

SEC. 105. DISPOSITION OF QUALIFIED OUTER CONTINENTAL SHELF REVENUES FROM 181 AREA, 181 SOUTH AREA, AND 2002-2007 PLANNING AREAS OF GULF OF MEXICO.

(a) In General- Notwithstanding section 9 of the Outer Continental Shelf Lands Act (43 U.S.C. 1338) and subject to the other provisions of this section, for each applicable fiscal year, the Secretary of the Treasury shall deposit--

(1) 50 percent of qualified outer Continental Shelf revenues in the general fund of the Treasury; and

(2) 50 percent of qualified outer Continental Shelf revenues in a special account in the Treasury from which the Secretary shall disburse--

(A) 75 percent to Gulf producing States in accordance with subsection (b); and

(B) 25 percent to provide financial assistance to States in accordance with section 6 of the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460I-8), which shall be considered income to the Land and Water Conservation Fund for purposes of section 2 of that Act (16 U.S.C. 460I-5).

(b) Allocation Among Gulf Producing States and Coastal Political Subdivisions-

(1) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEARS 2007 THROUGH 2016-

(A) IN GENERAL- Subject to subparagraph (B), effective for each of fiscal years 2007 through 2016, the amount made available under subsection (a)(2)(A) shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract.

(B) MINIMUM ALLOCATION- The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(2) ALLOCATION AMONG GULF PRODUCING STATES FOR FISCAL YEAR 2017 AND THEREAFTER-

(A) IN GENERAL- Subject to subparagraphs (B) and (C), effective for fiscal year 2017 and each fiscal year thereafter--

- (i) the amount made available under subsection (a)(2)(A) from any lease entered into within the 181 Area or the 181 South Area shall be allocated to each Gulf producing State in amounts (based on a formula established by the Secretary by regulation) that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of the applicable leased tract and the geographic center of the leased tract; and
- (ii) the amount made available under subsection (a)(2)(A) from any lease entered into within the 2002-2007 planning area shall be allocated to each Gulf producing State in amounts that are inversely proportional to the respective distances between the point on the coastline of each Gulf producing State that is closest to the geographic center of each historical lease site and the geographic center of the historical lease site, as determined by the Secretary.

(B) MINIMUM ALLOCATION- The amount allocated to a Gulf producing State each fiscal year under subparagraph (A) shall be at least 10 percent of the amounts available under subsection (a)(2)(A).

(C) HISTORICAL LEASE SITES-

(i) IN GENERAL- Subject to clause (ii), for purposes of subparagraph (A)(ii), the historical lease sites in the 2002-2007 planning area shall include all leases entered into by the Secretary for an area in the Gulf of Mexico during the period beginning on October 1, 1982 (or an earlier date if practicable, as determined by the Secretary), and ending on December 31, 2015.

(ii) ADJUSTMENT- Effective January 1, 2022, and every 5 years thereafter, the ending date described in clause (i) shall be extended for an additional 5 calendar years.

(3) PAYMENTS TO COASTAL POLITICAL SUBDIVISIONS-

(A) IN GENERAL- The Secretary shall pay 20 percent of the allocable share of each Gulf producing State, as determined under paragraphs (1) and (2), to the coastal political subdivisions of the Gulf producing State.

(B) ALLOCATION- The amount paid by the Secretary to coastal political subdivisions shall be allocated to each coastal political subdivision in accordance with subparagraphs (B), (C), and (E) of section 31(b)(4) of the Outer Continental Shelf Lands Act (43 U.S.C. 1356a(b)(4)).

(c) Timing- The amounts required to be deposited under paragraph (2) of subsection (a) for the applicable fiscal year shall be made available in

accordance with that paragraph during the fiscal year immediately following the applicable fiscal year.

(d) Authorized Uses-

(1) IN GENERAL- Subject to paragraph (2), each Gulf producing State and coastal political subdivision shall use all amounts received under subsection (b) in accordance with all applicable Federal and State laws, only for 1 or more of the following purposes:

(A) Projects and activities for the purposes of coastal protection, including conservation, coastal restoration, hurricane protection, and infrastructure directly affected by coastal wetland losses.

(B) Mitigation of damage to fish, wildlife, or natural resources.

(C) Implementation of a federally-approved marine, coastal, or comprehensive conservation management plan.

(D) Mitigation of the impact of outer Continental Shelf activities through the funding of onshore infrastructure projects.

(E) Planning assistance and the administrative costs of complying with this section.

(2) LIMITATION- Not more than 3 percent of amounts received by a Gulf producing State or coastal political subdivision under subsection (b) may be used for the purposes described in paragraph (1)(E).

(e) Administration- Amounts made available under subsection (a)(2) shall--

(1) be made available, without further appropriation, in accordance with this section;

(2) remain available until expended; and

(3) be in addition to any amounts appropriated under--

(A) the Outer Continental Shelf Lands Act (43 U.S.C. 1331 et seq.);

(B) the Land and Water Conservation Fund Act of 1965 (16 U.S.C. 460l-4 et seq.); or

(C) any other provision of law.

(f) Limitations on Amount of Distributed Qualified Outer Continental Shelf Revenues-

(1) IN GENERAL- Subject to paragraph (2), the total amount of qualified outer Continental Shelf revenues made available under subsection (a)(2) shall not exceed \$500,000,000 for each of fiscal years 2016 through 2055.

(2) EXPENDITURES- For the purpose of paragraph (1), for each of fiscal years 2016 through 2055, expenditures under subsection (a)(2) shall be net of receipts from that fiscal year from any area in the 181 Area in the Eastern Planning Area and the 181 South Area.

(3) PRO RATA REDUCTIONS- If paragraph (1) limits the amount of qualified outer Continental Shelf revenue that would be paid under subparagraphs (A) and (B) of subsection (a)(2)--

(A) the Secretary shall reduce the amount of qualified outer Continental Shelf revenue provided to each recipient on a pro rata basis; and

(B) any remainder of the qualified outer Continental Shelf revenues shall revert to the general fund of the Treasury.

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 KRISTEN 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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continued from page 13

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. ●