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January 8, 2001

The Honorable Brian Porter
Speaker of the House
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear Speaker Porter:

Alaska must ensure that our fiscal regime is an incentive to the commercialization of our natural gas, not an impediment. To provide the State with the appropriate tools to achieve this goal I am transmitting this bill to amend the Alaska Stranded Gas Development Act to allow any potentially successful natural gas project to take advantage of the provisions of that Act.

The Alaska Stranded Gas Development Act (Act) allows the commissioner of the Department of Revenue to negotiate a contract for payments in lieu of taxes for a certain type of project that will develop the enormous natural gas resources of Alaska's North Slope.

The potential benefits of the current program are limited to liquefied natural gas ("LNG") projects. Developments in the international natural gas marketplace — particularly the recent energy price increases in North America — suggest that other projects may be viable in advance of the type of LNG project the Act was initially designed to support. This bill would expand the scope of the Act to cover other forms of gas development, such as a natural gas pipeline through Canada along the Alaska Highway or an in-state gas-to-liquids facility.

Although this Act, with the amendments I propose, grants certain authorities to executive agencies, any proposed changes to tax policy would require legislative ratification.

The only other change proposed by this bill is to extend the application deadline for this program for a limited time.

I urge your prompt and favorable action on this measure.

Sincerely,


Tony Knowles
Governor

FISCAL NOTE

STATE OF ALASKA 2001 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: HB 38
 (H) Publish Date: 01/08/01
 Dept Affect: Natural Resources
 BRU: Oil & Gas Development
 Component: Oil & Gas Development
 Component No. #439

Revision Date/Time:

Title: Stranded Gas Development Act
Gasline or GTL

Sponsor: Rules Committee

Requestor: Governor

Expenditures/Revenues (Thousands of Dollars)
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2002	FY2003	FY2004	FY2005	FY2006	FY2007
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	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES (fund)	0.0	0.0	0.0	0.0	0.0	0.0
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FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) co 0.0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS:

(Attach a separate page if necessary)

There is no anticipated fiscal impact associated with implementation of this legislation.

Prepared by: Ken Boyd, Director Phone: 907-269-8800
 Division: Oil & Gas Date: 15-Nov-00
 Approved by Commissioner: Pat Pourchot Date: 15-Nov-00
 Agency: Natural Resources

For distribution information, call the Governor's Legislative Office

FISCAL NOTE

**STATE OF ALASKA
2001 LEGISLATIVE SESSION**

Fiscal Note Number: _____

Bill Version: HB 38

() Publish Date: _____

Revision Date/Time (Note if correction): Jan. 27, 2001, 2 p.m.

Title: Alaska Stranded Gas Development

Dept. Affected: Revenue

BRU: Administration/Support

Component: Commissioner's Office

Sponsor: Rules Committee

Requester: Governor

Component Number: 123

Expenditures/Revenues

(Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Personal Services	89.0	89.0				
Travel	20.0	25.0				
Contractual	150.0	200.0				
Supplies						
Equipment	2.5					
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	261.5	314.0	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	111.5	114.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Statutorily Designated Receipts	150.0	200.0				
TOTAL	261.5	314.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY2001) cost: 0.0

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

This legislation would amend the Stranded Gas Development Act (HB393 Finance of the 1998 session) to eliminate the provision limiting the Act to only liquefied natural gas projects. This would allow natural gas and gas-to-liquid projects to be included under the Act. This legislation also would extend the project application deadline under the act (AS 43.82.170) from June 30, 2001, to Dec. 31, 2001.

The Act allows the Department of Revenue under AS 43.82.240 to recover the costs of contracting with an independent consultant to assist the state in evaluating applications submitted under the Act. Those statutorily designated program receipts are shown above. However, the Act does not allow the state to seek reimbursement from a project applicant for any other costs. The department would hire a project manager for the estimated two years of negotiations, and the personnel services, travel and equipment expenses for that position and other commissioner's office expenses are shown in the fiscal note as general fund money.

Prepared by: Larry Persily, Deputy Commissioner

Division: Department of Revenue

Approved by: Wilson Condon, Commissioner

Agency: Department of Revenue

Phone 465-5469

Date/Time 1 p.m., Jan. 27, 2001

Date Jan. 28, 2001

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