

SCOMM

142:27

Representative Mike Hawker

Alaska State Legislature



Session:

State Capitol
Juneau, AK 99801
907 465-4949 direct
800 478-4950 toll free
907 465-4979 fax

Interim:

716 W 4th Avenue
Anchorage, AK 99501
907 269-0244 office
907 269-0248 fax

Member:

*House Finance Committee
Legislative Budget
& Audit Committee*

Representing

House District 32:

*Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Sunrise
Hope*

House Joint Resolution No. 2

Sponsor Statement

**"Proposing a constitutional amendment creating
a gas revenue endowment fund"**

HJR 2 answers the Alaskan prayer,

"Lord, please grant me another Prudhoe Bay;
I promise not to fritter this one away."

Representative Mike Hawker

Alaska State Legislature



Session:

State Capitol
Juneau, AK 99801
907 465-4949 direct
800 478-4950 toll free
907 465-4979 fax

Interim:

716 W 4th Avenue
Anchorage, AK 99501
907 269-0244 office
907 269-0248 fax

Member:

House Finance Committee
Legislative Budget
& Audit Committee

Representing

House District 32:

Eagle River
Anchorage
Rainbow
Indian
Bird
Girdwood
Portage
Whittier
Summit
Hope

Fact Sheet for House Joint Resolution No. 2

Short Title: CONST. AM: GAS REVENUE ENDOWMENT FUND

Current Version: SS HJR 2

Contact: Juli Lucky 465-4949

Summary:

- Section 1 amends Article IX, Section 7 of the Alaska Constitution to allow dedication of future North Slope gas revenues to a "Gas Revenue Endowment Fund", similar to the Alaska Permanent Fund.
- Section 2 adds a new Section 18(a) to Article IX of the Alaska Constitution creating the Gas Revenue Endowment Fund where all revenues received by the state from natural gas produced on the North Slope are deposited. Other than described below, money in the fund may only be used for income-producing investments designated by law.
- Section 2 also adds a new Section 18(b) Article IX of the Alaska Constitution limiting appropriations from the Gas Revenue Endowment Fund to a 5% Percent Of Market Value (POMV) calculation and allows that appropriation to be made for any public purpose except the payment of dividends or other payments to all State residents.
- Section 3 places this constitutional amendment proposal before the voters in the next general election.

Background:

This constitutional amendment assures that as Alaska sells our non-renewable natural gas resource, the value of that resource is permanently preserved and converted to a renewable financial resource benefiting Alaska forever. Further, this amendment provides stable and predictable cash contributions to future state budgets mitigating the extraordinary price volatility inherent in monetizing Alaska's North Slope gas resources.

Pro-forma Operating Model (in millions unless noted)

Assumptions (production and tax estimates provided by DOR with full disclaimer)

Chicago gas price (\$/mmBtu)	varies
Sale volume (bcf)	4.5
Lease volume (bcf)	4.712
Royalty	12.5%
Severance	10.0%

First production
Full production
POMV
GREF Earnings
ELF

2012
2013
5.0% 5 year average
8.0%
80% - 90%

[illegible]

Representative Mike Hawker

Alaska State Legislature



Session:

State Capitol
Juneau, AK 99801
907 465-4949 direct
800 478-4950 toll free
907 465-4979 fax

Interim:

716 W 4th Avenue
Anchorage, AK 99501
907 269-0244 office
907 269-0248 fax

Members:

House Finance Committee
Legislative Budget
& Audit Committee

House District 32:

Eagle River
Anchorage
Rainbow
Indian
Bird
Cordwood
Portage
Whittier
Sunrise
Hope

To: Representative Bruce Weyhrauch
Chairman, House Ways and Means Committee

From: Representative Mike Hawker

A handwritten signature in cursive script, appearing to read "Mike".

Date: April 13, 2005

Re: Sponsor Substitute for House Joint Resolution 2

I request that the Sponsor Substitute for House Joint Resolution 2, proposing a constitutional amendment establishing a gas revenue endowment fund, be scheduled for a hearing in the House Ways and Means Committee at your earliest convenience.

With approval of a contract for construction of a natural gas pipeline on the horizon, this proposal assures that revenue from non-renewable natural resources becomes a perpetually sustainable financial resource. This proposal creates a fund similar to the Permanent Fund to preserve all future income from development of our natural gas, with one important difference: the income would be made available under a POMV concept for any public purpose except dividends.

I would appreciate your scheduling SS HJR 2 and providing the opportunity to bring this discussion into the public process. I am considering bringing forward two amendments. One making clear that "natural gas" includes products other than methane and another to clarify that this constitutional amendment applies only to product delivered through a dedicated gas pipeline, excluding incidental natural gas shipped through TAPS. We will get the proposals to you soon for your contemplation.

Please feel free to contact my policy aide, Juli Lucky, or me if you need any additional information.