

ALASKA LEGISLATURE SPECIAL COMMITTEE/SUBJECT FILE 8672
1629 SCOMM 62: SENATE SPEC. COMM. ON OIL & GAS, 1989-1990

ELF DEJA VU

Some oil companies argue the existing ELF should not be changed. Ten years ago oil companies were also talking about the ELF, which was then being considered by the legislature. Here is a sample of what was being said then.

The ELF is "too complex, unrealistic, and fails to allow reasonable operating costs."

Larry Vavra, spokesman for Union Oil Co.

Fairbanks News-Miner, April 22, 1977

If it adopts the ELF, "Alaska will ... tip the scales against future development."

Monte Taylor, Exxon, USA

Anchorage Times, March 19, 1977

The proposed ELF legislation "would wipe out any remaining incentives for future development in Alaska."

Richard Donaldson, Standard Oil Co. of Ohio

Fairbanks News-Miner, March 25, 1977

The severance tax bill [with the ELF] will "result in significant losses in state income and fewer jobs...."

Monte Taylor, Exxon USA

Fairbanks News-Miner, March 26, 1977

"The [ELF] bill would increase state oil and gas severance tax revenues from the North Slope by \$7.2 billion over the 20 year life of the field...[T]he magnitude of the increase will cause a congressional backlash"

Ken Showalter, Standard Oil Co. of Ohio

Anchorage Times, April 22, 1977

The tax bills could make "subsidiary fields at Prudhoe Bay impossible to produce."

Richard Donaldson, Standard Oil Co. of Ohio

Alaska Advocate, April 21, 1977

"The only bitterness of the hearings came during an effort by Union Oil Co. spokesman Larry Wilson to read a lengthy and complex analysis of Alaska's tax structure. After about 40 minutes on the stand [House finance chairman Steve] Cowper cut him off with the observation that his testimony was going on too long.

"'You said your testimony was going to take 30 minutes,' Cowper said. 'Its been 40 minutes and now you say it will take another hour.'"

"'There are a couple of sides to this question you know,' Wilson shot back. 'We've got a lot of money at stake.'"

Anchorage Daily News, April 22, 1977

SB 97
Modifying the ELF

Briefing materials prepared for:

Senator Al Adams

Office of the Governor
Division of Policy
March 13, 1989

**TAX RATES UNDER PROPOSED LEGISLATION
SHOWING CHANGES FROM CURRENT LAW**

	HB 118		SB 97	
	<u>Tax Rates</u>	<u>Change From Current Law</u>	<u>Tax Rates</u>	<u>Change From Current Law</u>
Existing fields				
Prudhoe Bay	14.91%	29%	14.71%	27%
Kuparuk	13.18%	58%	12.03%	44%
Lisburne	0.36%	-93%	1.58%	-70%
Endicott	8.68%	-29%	9.45%	-23%
Cook Inlet Fields	0.00%	<i>no change</i>	0.00%	<i>no change</i>
Prospective Fields				
Milne Point	0.00%	-100%	0.01%	-100%
West Sak	0.00%	<i>no change</i>	0.00%	<i>no change</i>
Pt. Thompson	2.43%	-68%	4.02%	-47%
Seal Island	5.75%	-12%	5.81%	-12%
Niakuk	0.01%	-100%	1.61%	-87%

Division of Policy, 3/14/89

"The session of the 15th Territorial Legislature just concluded brings out more clearly than ever the basic issue that confronts the people of Alaska. That issue is whether Alaska shall be built up for Alaskans..., or whether it shall continue to be governed for and by outside interests whose sole concern is to take out of Alaska as much as they can, as fast as they can, and leave as little as possible."

*Governor Ernest Gruening
Message to the people of Alaska
March 28, 1941*

"We must have stable tax policies in order to make the risks associated with marginal fields worth taking."

Mr. George Nelson
Sohio Alaska Petroleum Company
as quoted in the Alaska Journal of Commerce and Pacific Rim Reporter
March 11, 1985

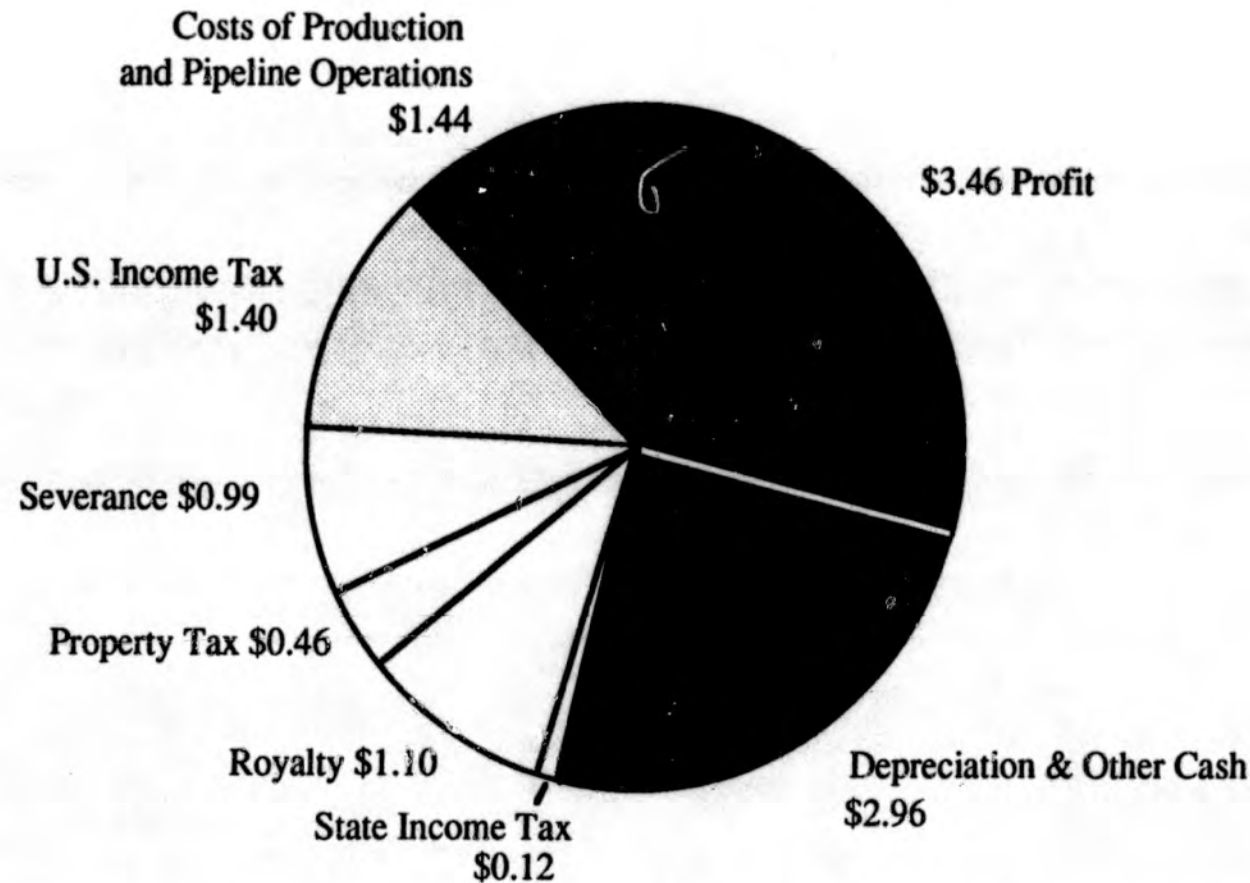
"The state must provide an investment climate that will encourage oil companies and other businesses to develop new ventures....[S]maller fields already have been discovered on the North Slope. But they are marginal fields...."

ARCO Alaska Inc.
newspaper advertisement
Alaska Journal of Commerce and Pacific Rim Reporter
October 14, 1985

Chart 1

In February 1988, A Barrel of Oil at Valdez Was Worth \$11.93.

This is how the \$11.93 Was Divided:



Costs of Operations To the Feds To the State To the Oil Companies

"[A]s my profit decreases I have less money to invest....But what is a reality and what you need to understand is that the amount of money I have to spend affects the pace at which things happen. And the pace at which things happen, in terms of employment, means the Alaskan economy. If we slow down our investment pattern because of a lack of funds, because of discouragement of investment in Alaska...that has an effect on the economy of Alaska."

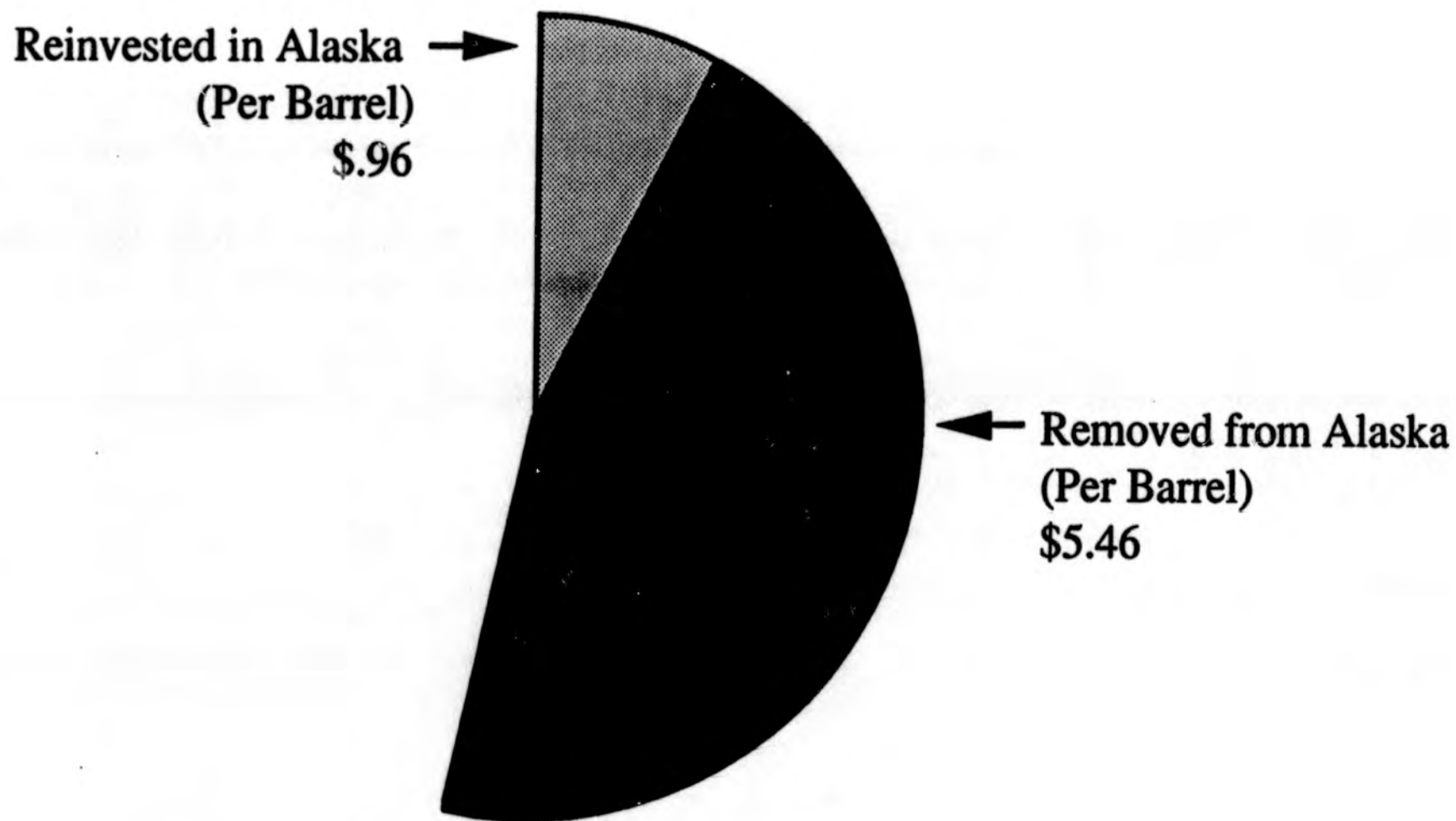
*Mr. Harold Heinze
ARCO Alaska Inc.
Testimony to the House finance Committee
April 12, 1985*

"If the state government increases our taxes we will have less cash to develop new fields."

*ARCO Alaska Inc.
newspaper advertisement
Alaska Journal of Commerce and Pacific Rim Reporter
October 7, 1985*

Chart 3

How Much Money Do The Oil Companies Reinvest in Alaska?



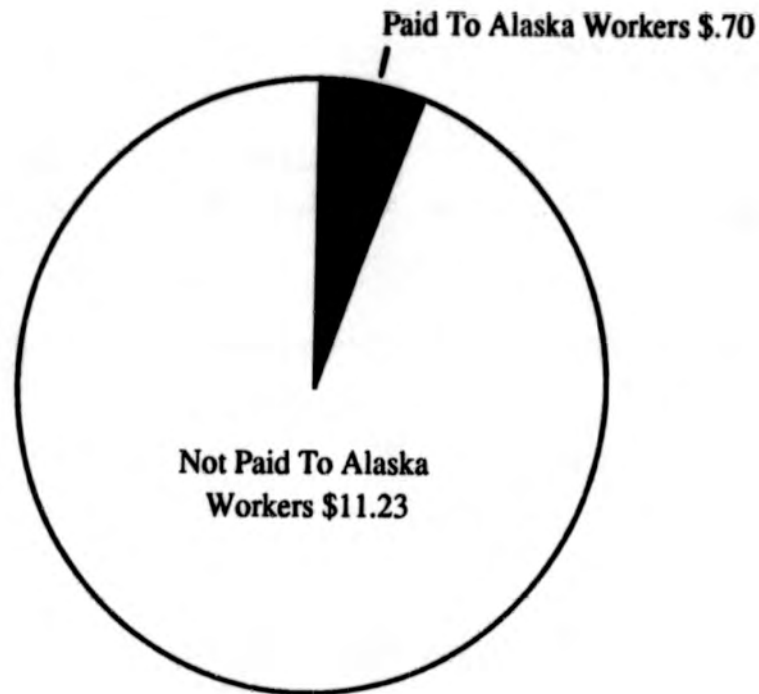
Division of Policy, 9/9/88

U.S. oil companies are in the process of liquidating. U.S. oil reserves are the leftovers of an enormous feast. Faced with a relentlessly declining reserves base, a good management is one that can intelligently liquidate its asset base.

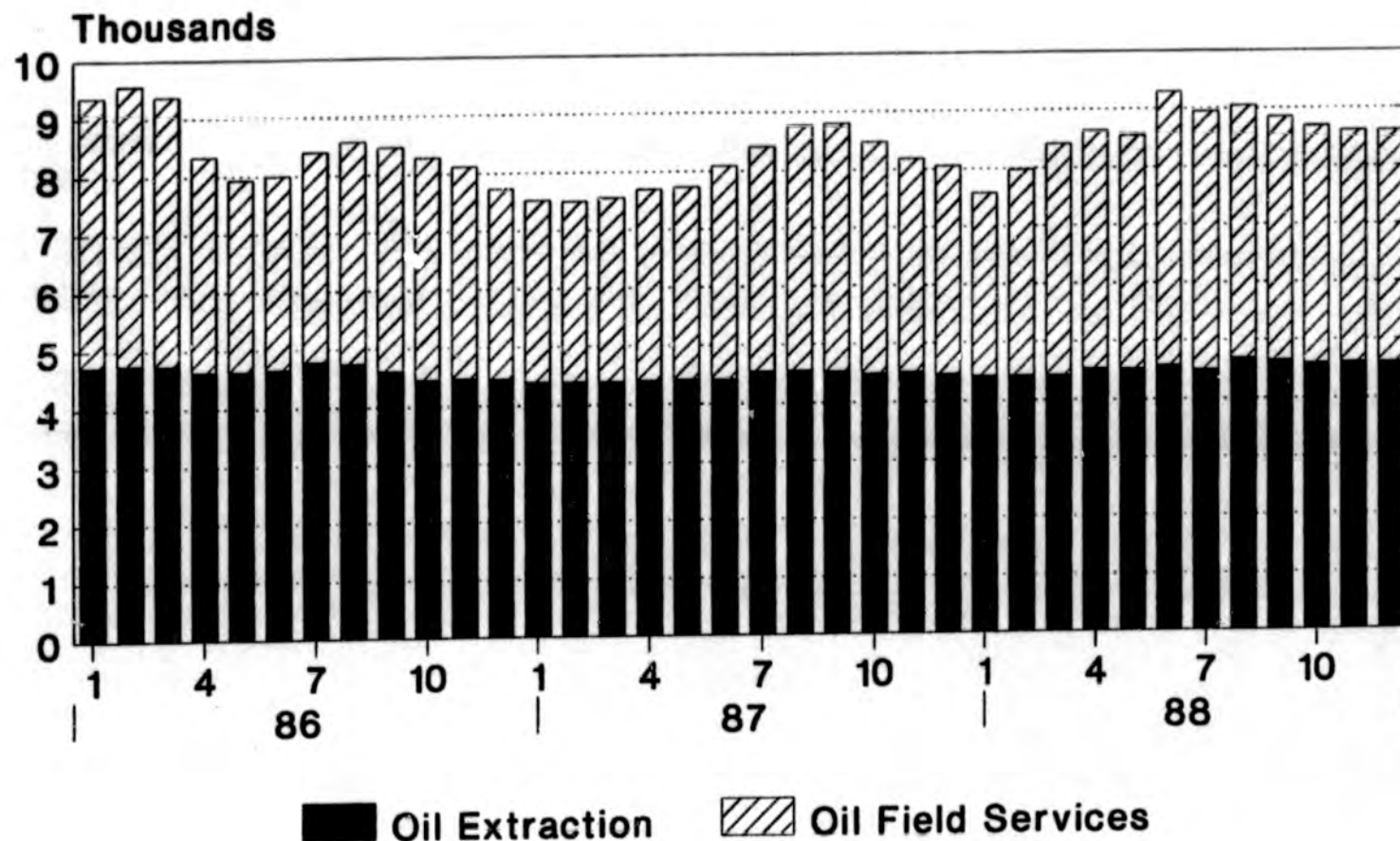
*Robert O. Anderson
former chairman and CEO
Atlantic-Richfield Co.
January 14, 1988*

Chart 4

How Much of The \$11.93 Revenue Per Barrel Gets Paid To Alaska Workers?
(\$/Barrel)



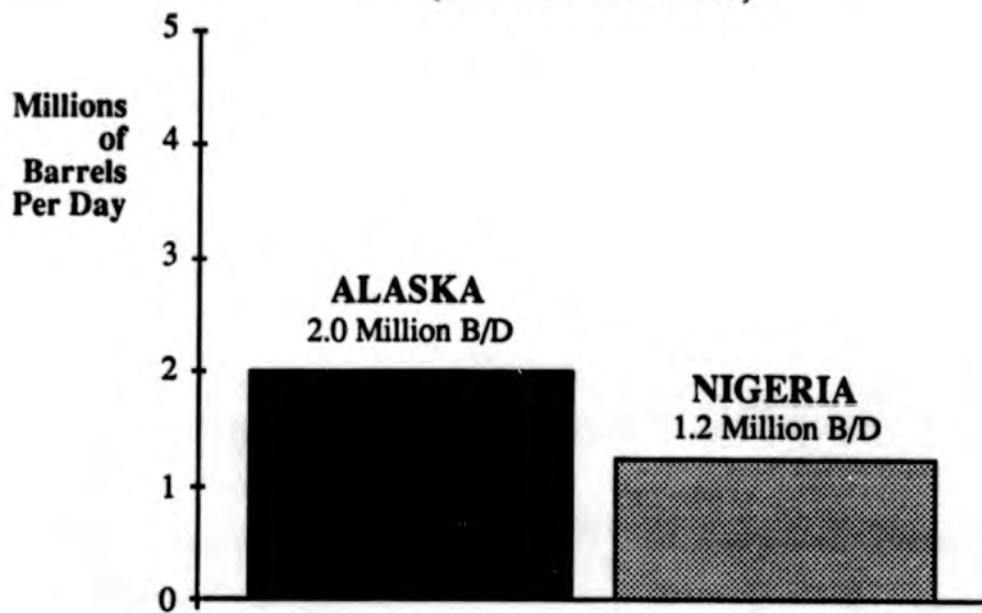
Alaska Oil Industry Employment 1986-1988



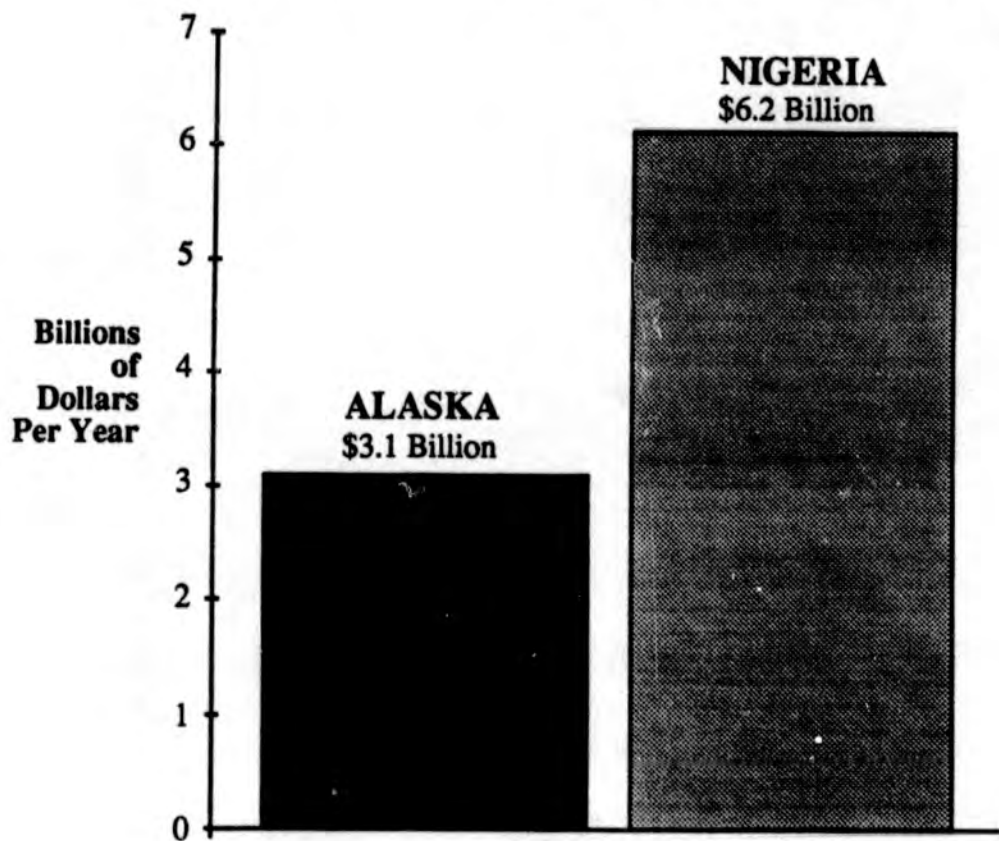
Source: Alaska Dept. of Labor
BLS 790 Survey

PRODUCTION

(Calendar Year 1987)

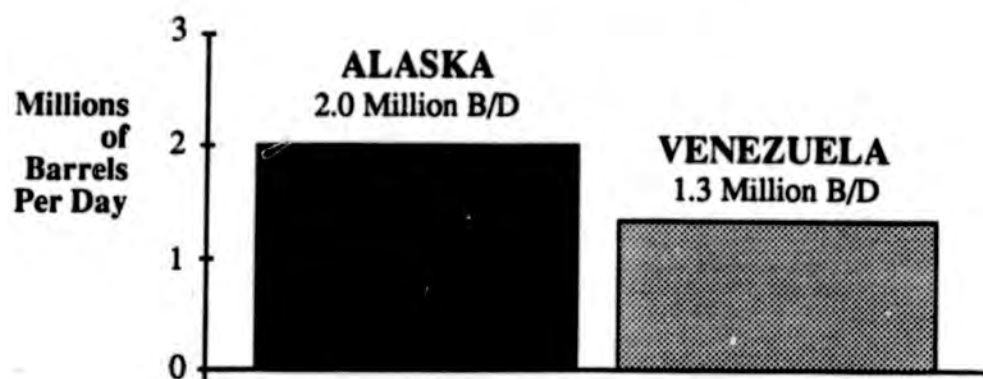


GOVERNMENT REVENUE

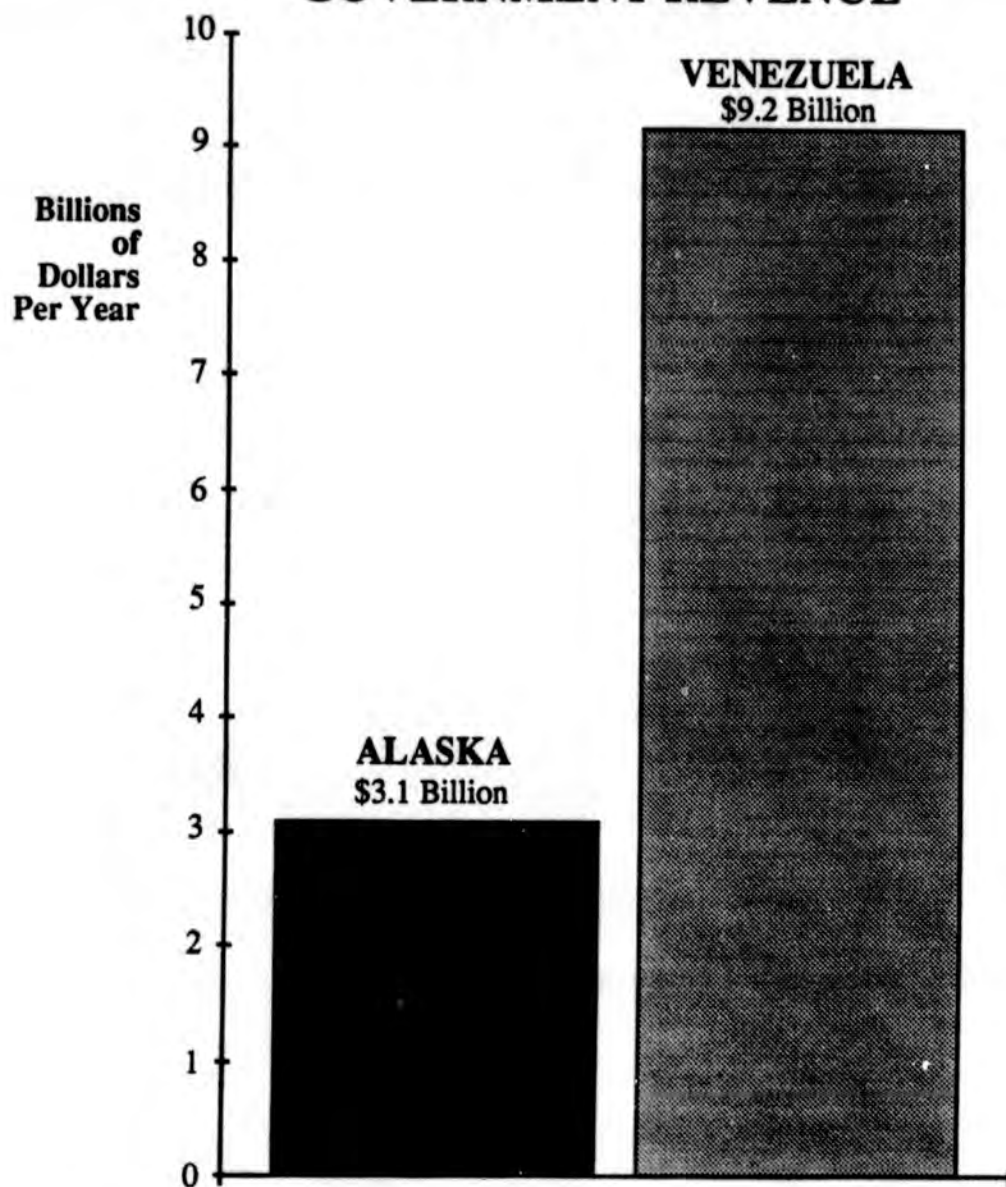


PRODUCTION

(Calendar Year 1987)

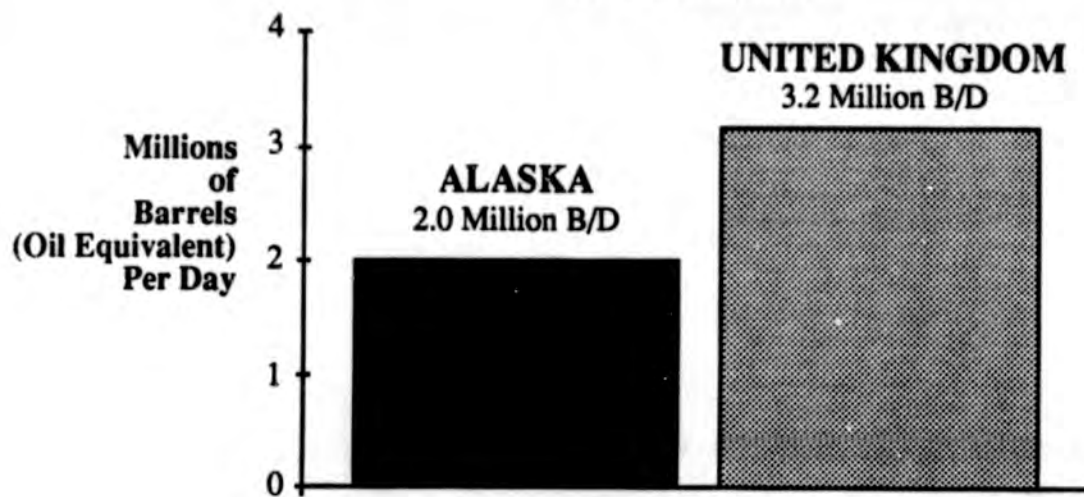


GOVERNMENT REVENUE

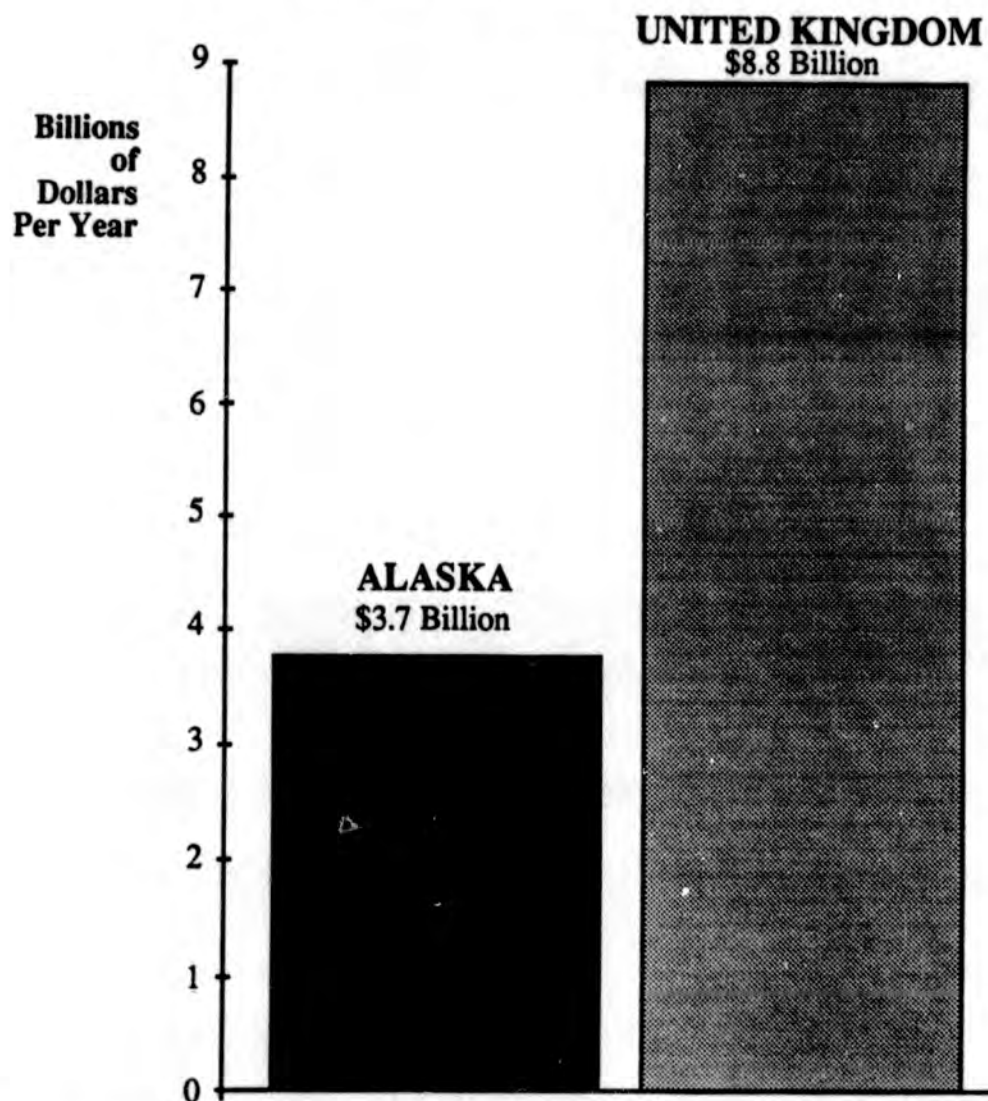


PRODUCTION

(Fiscal Year 1987)

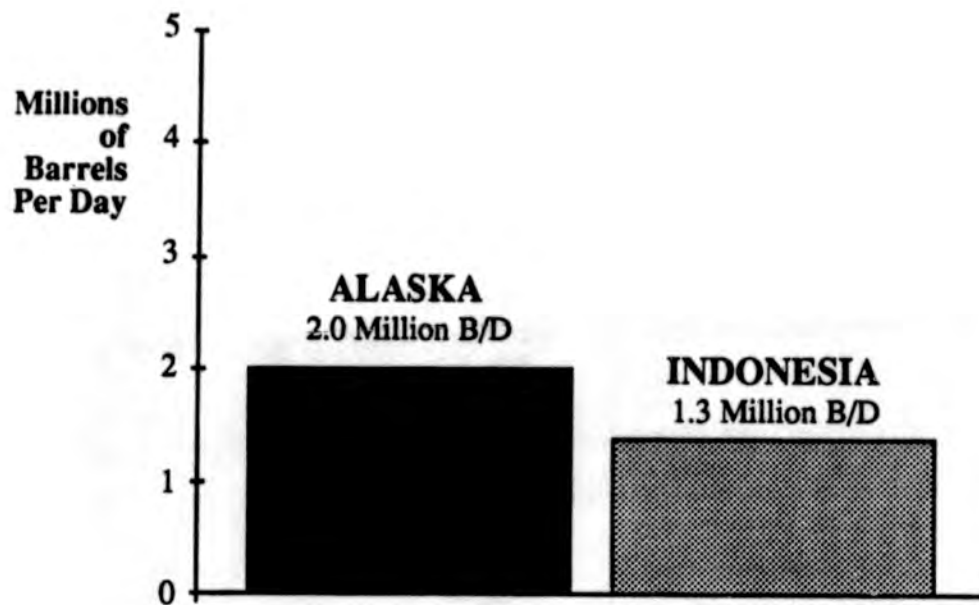


GOVERNMENT REVENUE

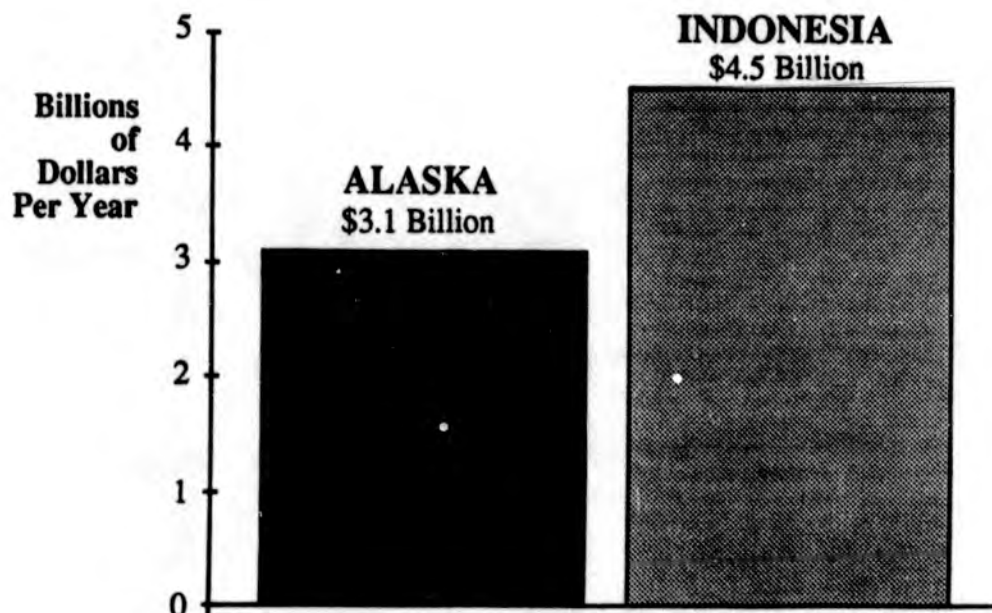


PRODUCTION

(Calendar Year 1987)



GOVERNMENT REVENUE



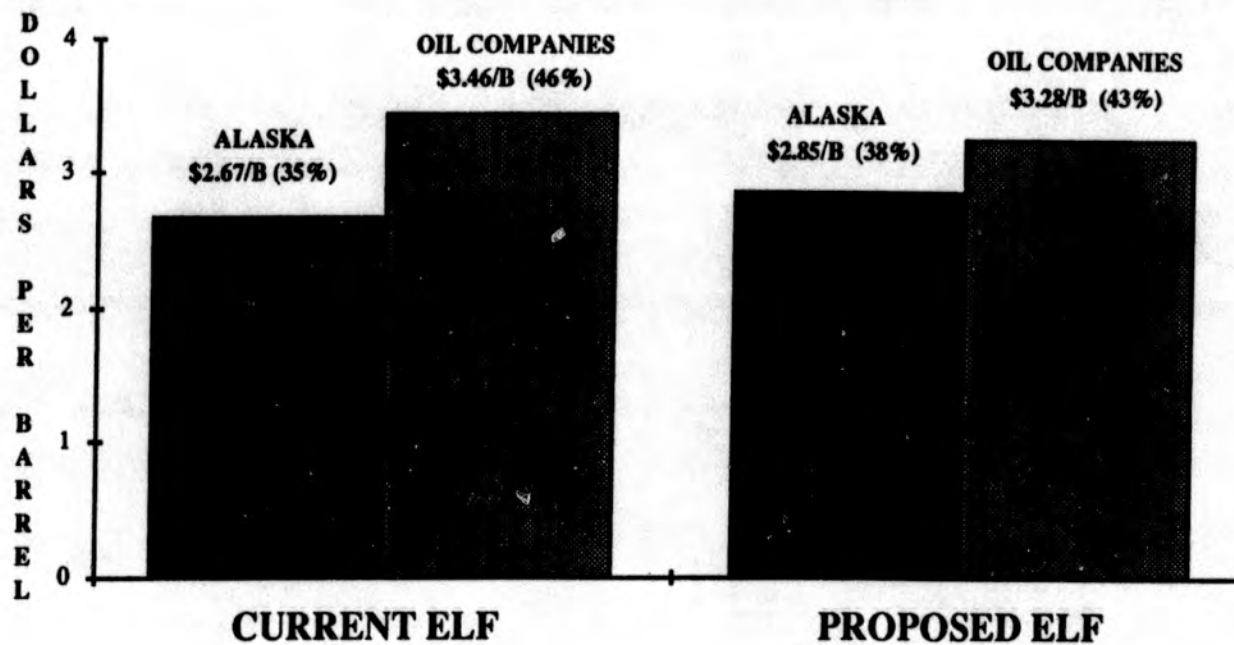
"We have also found [in Indonesia] to an almost unprecedented degree the very desirable and somewhat uncommon qualities of stability, honor, and fair dealing. In the turbulence of the international oil business, Indonesia has been an island of rationality and wisdom."

*Robert E. Wycoff
President, Atlantic-Richfield Co.
address to the Indonesian Petroleum Association
October 20, 1987*

ARCO Kuparuk Example

	<u>Current Law</u>	<u>Proposed Law</u>
Change in Annual Gross Revenue	\$981,000	\$981,000
Change in Annual Severance Tax	(\$37,846)	\$58,611
Tax Rate on Incremental Production	-3.9%	6.0%
Average Tax Rate Before Drilling	7.820%	10.944%
Average Tax Rate After Drilling	7.806%	10.938%
Percent Change in Average Tax Rate Due to Drilling	-0.180%	-0.055%

How Would SB 97 Affect Profits And Shares ?



"The power of taxation shall never be surrendered. This power shall not be suspended or contracted away...."

The Alaska Constitution

Legislator: "...[W]hat percent do you think they [the state] should collect?

Mr. Taylor: "Something a little lower than it is now. About half the income tax for instance.... I think it would be much more fair for the industry and the state to get about the same share out of Prudhoe Bay even though we are paying the expenses and we made the investment...."

Legislator: "So you think it should be brought down to the point where the state and the industry get roughly equal shares in this. You like that better?"

Mr Taylor: "Yes, sir."

Mr. Monte Taylor
Exxon USA Alaska Operations Manager
Joint Gas Pipeline Committee, May 21, 1981

Legislator: "Did I hear you say you would concur on that?"

Mr. Donaldson: "I think that if you get rough parity with the state...we would have to think a long time as an industry, as a company, before we said that is not a pretty fair piece of middle ground."

Mr. Richard Donaldson
SOHIO vice-president for government/public affairs
expressing agreement with Mr. Taylor,
Joint Gas Pipeline Committee, May 21, 1981

"Alaska is not unfamiliar with the activities and importance of lobbies. But it is important to bear in mind that lobbying activity on a scale never before seen will take place in the capital when Alaska becomes a state....

"The taking of Alaska's mineral resources without leaving some reasonable return for the support of Alaska governmental services and the use of all the people of Alaska will mean a betrayal in the administration of the people's wealth."

*Congressional Delegate E.L. "Bob" Bartlett
Address to the Alaska Constitutional Convention
November 8, 1955*



Resource Development Council for Alaska, Inc.

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RDC Comments on Senate Bill 97

The Resource Development Council for Alaska, Inc., appreciates the opportunity to testify on SB 97. A public interest, pro-development organization, RDC supports responsible resource development.

Our broad-based membership has long advocated for a stable tax policy in the 49th state - a policy that fosters new investment and development, but provides a return to the state.

It is a sentiment that echoes across Alaska, a point brought home by the budget workshop of last Saturday. There, Alaskans spoke out strongly against any increased taxes - from ELF to an income tax - instead turning to fiscal cuts as a way to balance the state budget.

All Alaskans understand state government is facing a fiscal crunch. Without perpetuating the finger-pointing syndrome, RDC respectfully suggests that while massive cuts are not the answer neither are increased taxes, particularly on the one industry which fuels so much of Alaska's budget. When all the smoke and mirrors fade, the reality is that Alaska needs a healthy, productive oil industry, and the best way to foster that is through a stable tax structure.

We need to stop thinking about the short-term quick-fixes, such as increasing the cash flow into the treasury through SB 97, and start thinking about the long-term ramifications of such a move. Those include the job losses associated with higher taxes, projects being stalled or shelved completely, the loss of long-term state revenue from marginally economic projects, as well as the loss of oil and gas reserves due to early abandonment, and delays in technological advances which would otherwise extend the lifespan and productivity of all Alaskans fields.

Mary Halloran with the governor's policy division said recently that "You can't cut the budget without hurting someone." Likewise, you can't increase taxes without hurting the people of Alaska. Just as the governor would like to move Alaska away from thinking of the construction industry as a basic industry, so would the private sector like to wean Alaska away from thinking of state government as a basic industry.

State government is "big business" in Alaska because of resource development revenues. Private sector jobs will replace government jobs and that is a vital message being sent to the legislature by the citizens of Alaska.

Gary E. Light
8211 Summerset Dr.
Anchorage, AK 99518

March 15, 1989

Senator Drue Pearce
P. O. Box V
Juneau, AK 99811

RE: ELF and State Finances

Dear Drue:

I have been doing some studying of our great state's financial situation and, in particular, the effects of modifying the Economic Limit Factor (ELF) applied to the statutory severance tax rates. As you know, I am personally opposed to changing the ELF, not just because of it's positive effect on future development of oil and gas projects, nor just because of the fair return the state is currently receiving of 30+% of the value of oil produced in Alaska, but also because of the positive effect on all business in Alaska of more stable taxation practices.

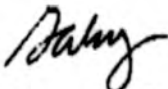
See the attached ad from the March 3, 1989, Forbes magazine on the tax rates in the State of Georgia. This is a positive message to all companies in that state and to those considering operations in that state. Can the State of Alaska say that it has ever given this positive message to businesses? Stable tax rates, at whatever level, reduce the uncertainty and, thus, the risk that companies takes to operate their businesses.

Also attached are a number of other documents, charts, and graphs that I hope may be useful to you as Chair of the Oil and Gas Committee and as a member of the Finance Committee. I have talked with your aide, Judi Jordon, and she has been helpful in directing me to new sources of data and is currently searching for additional information that I have requested. This information will be used to factually tell the story that the administration is distorting, of where we as a state are financially vis-a-vis other states.

I look forward to testifying before the Oil and Gas Committee on Saturday. I believe the facts of economic reality support stable taxation policies and business incentives, which in turn creates jobs. Unfortunately, we have created too many public employee jobs that consume wealth, rather than creating it. Please let me know when you receive this package and I will be glad to answer any questions you may have.

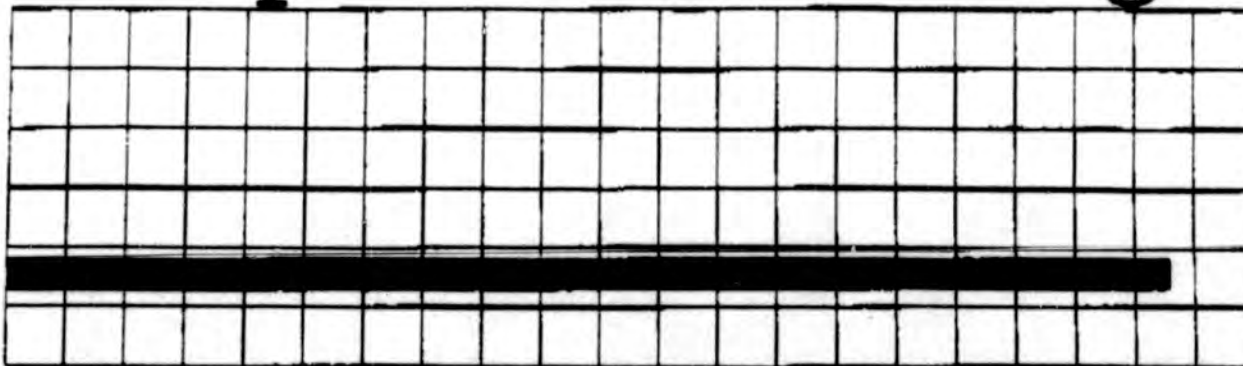
I appreciate your understanding and sensitivity to the economic realities of Alaska today. Your support of what is right and best for all Alaskan's is important because it is obviously misunderstood by others. I would be happy to help in this understanding in any way that I can. My telephone numbers are: 265-6044 (work) and 344-2218 (home).

Sincerely,



Gary E. Light

The rise and fall of corporate taxes in Georgia.



Since 1969, Georgia's corporate tax rates haven't gone up one penny. We don't know of another state that can say the same. And how many states do you know of that went to business and asked for guidance in restructuring their tax systems? Georgia did in 1971. The result was a zero-based budget that has allowed us to increase our quality of life every year—without raising corporate taxes.

Yet Georgia is still able to invest a billion dollars over the next three years in a statewide education reform program that is one of the most comprehensive in American history. And we pioneered a one-stop environmental permit process that helps companies get started in just 90 days.

So before you bet your company's future on the promise of a new location, look into Georgia. The State of Business Today.

Write the Georgia Department of Industry and Trade, Dept. FBS,
230 Peachtree St., N.W., Atlanta, GA 30303. Or call 404-656-9306.

GEORGIA

The State of Business Today

FORBES, MARCH 6, 1989

85

Drue -

I hope this tells you something. As a
businessman, it tells me a lot.

Gary

History of the Oil & Gas Severance Tax in Alaska

<u>Time</u>	<u>Tax Rate</u>	<u>Description</u>
1958	1%	Production tax imposed upon statehood.
1968	3%	Tax raised in response to 1967 Fairbanks flood.
1970	max 8%	Stair-stepped rates with a maximum tax rate on production greater than 2500 bopd/well on a fieldwide basis.
1974	8%	Same as above with production greater than 1000 bopd.
1977	12.25%	Flat tax on all production.
1981	15%	Raised tax with the promise of a later economic limit factor (ELF).

SEVERANCE TAX RATES BY STATE (MARCH 1988)

ARKANSAS	4 TO 5 %
COLORADO	2 TO 5 %
KANSAS	8 % (w/ a credit for ad valorem tax)
LOUISIANA	3.125 TO 12.5 %
MISSISSIPPI	3 TO 6 %
MONTANA	2.5 TO 5 %
NEBRASKA	2 TO 3 %
NEW MEXICO	3.75 %
NORTH DAKOTA	5 %
OKLAHOMA	7 % (w/ credit for marginal wells)
TEXAS	4.6%
UTAH	4 %
WYOMING	4 TO 6 %
ALASKA	15% (IF ELF IS ELIMINATED)
PRUDHOE BAY	12.6 % EVEN WITH ELF

1987 Revenue Source Comparison Alaska vs Louisiana vs U.S. Average

With the oil price collapse and resulting revenue declines in states with natural resource based economies, there has been considerable attention paid to the situation in the State of Louisiana. Louisiana is a state known for it's populist traditions and it's current unemployment rates, the highest in the nation for over a year.

According to recent Anchorage Daily News articles titled "Bad Times on the Bayou", a populist system is one in which individuals are entitled to a free ride at the expense of business. We thought it would be interesting to compare state general revenue sources in Louisiana to those in Alaska. The attached table does that for 1987 (the most recent year data is available) both with and without general revenues from non-individual and business sources.

As the table shows, even in populist Louisiana where revenues from individuals are far below U.S. averages, state revenue from individuals exceeds those collected from businesses. And the percentage collected from individuals far exceeds that percent collected from Alaskans. Conversely, the percentage of Louisiana's revenue obtained from businesses is not only below that collected from their individuals, but substantially below that percent collected from Alaska business. While in Alaska, almost all of the individual and business revenues were collected from businesses (93%), and when you net out the permanent fund payments to individuals, the net collected from Alaskans is negative.

In a recent Business Week article on Louisiana's fiscal future (2/27/89), Governor Charles Roemer says, "To survive we have to build an infrastructure for business" The governor wants to build a tax structure that would lure new business, and thus jobs, to his state. Among other things, Governor Roemer has proposed reducing the corporate income tax rate in Louisiana from 8% to 6% (currently 9.4% in Alaska). The Anchorage Daily News article on Louisiana on March 12, 1989, quotes economists as saying the way of doing business that Huey Long helped build is crippling the state now. " 'It's ironic. What is supposed to be good for the people now acts to their detriment,' said University of New Orleans economist Tim Ryan."

It's interesting that a state not known in the past as pro-business is now realizing that their economic future depends on business and the State of Louisiana is fighting for economic reform and business tax relief. While the State of Alaska, which currently derives virtually all of its tax revenues from business, wants to increase taxes on its primary businesses.

1987 General Revenue Source Comparison
Alaska vs Louisiana vs U.S. Average - \$M

	A. General Revenues From Individuals	B. General Revenues From Businesses	C. General Revenues From Other Sources	Total General Revenues
ALASKA	\$122,683 (2.9%)	\$1,743,944 (41.1%)	\$2,378,530 (56.0%)	\$4,245,157
LOUISIANA	2,744,776 (35.6%)	1,956,450 (25.3%)	3,017,386 (39.1%)	7,718,612
U.S. AVERAGE	4,336,186 (51.7%)	1,188,262 (14.2%)	2,865,286 (34.1%)	8,389,734

A. Includes all general sales tax revenues, tobacco and alcohol sales taxes, individual income tax, hunting and fishing licenses, and education revenues.

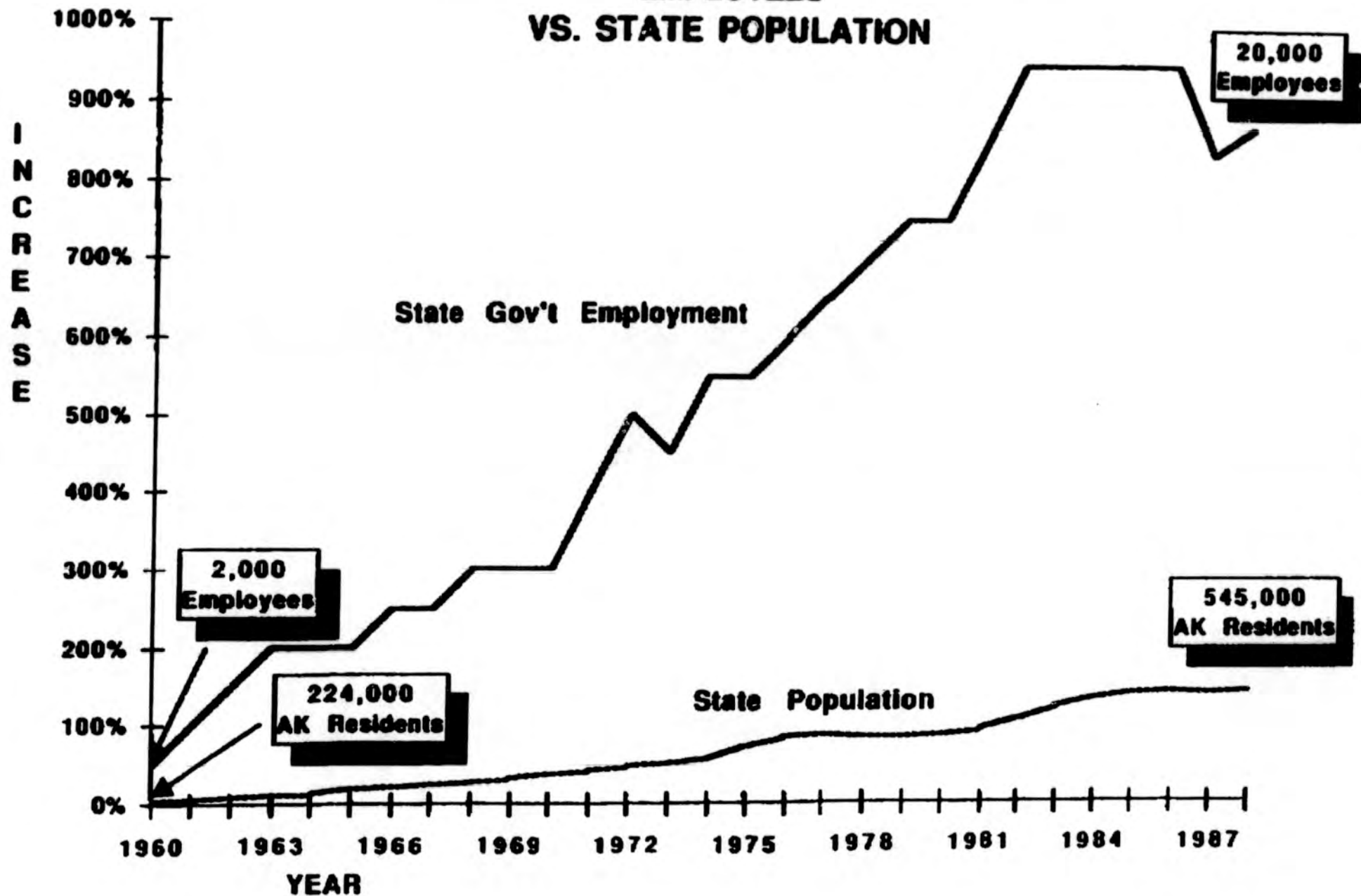
B. Includes insurance gross receipts tax, corporate income tax, business licenses, severance tax, all property taxes, and rents and royalties.

C. Primarily federal government proceeds and interest earnings.

	General Revenues From Individuals	General Revenues From Businesses	Total
ALASKA	\$122,683 (6.6%)	\$1,743,944 (93.4%)	\$1,866,627
LOUISIANA	2,744,776 (58.4%)	1,956,450 (41.6%)	4,701,226
U.S. AVERAGE	4,336,186 (76.5%)	1,188,262 (21.5%)	5,524,448

Source: US Department of Commerce, Bureau of Census Publications: State Government Tax Collections in 1987 (GF-87-1) and State Government Finances in 1987 (GF-87-03).

% INCREASE IN STATE GOVERNMENT EMPLOYEES VS. STATE POPULATION



State of Alaska
Excessive State Spending Examples

<u>Personal Subsidies</u>	<u>Fiscal Year 1990 Budget General Fund (\$ Millions)</u>
Longevity Bonus	56.5
Power Cost Equalization	18.0
Home Mortgages (AHFC)	6.0
State Student Loans	13.0
Pioneers Homes	25.7
Rural Alaska Television Network (RATNET)	2.7
Senior Citizens Tax Relief	3.0
"Hold Harmless" Payments	16.4
Municipal Revenue Sharing	40.8
Municipal Assistance	56.1
State Employee Health Care Insurance Coverage	32.0
(excess over \$72 million private sector benefit level)	
	270.2

State of Alaska
Excessive State Spending Examples

<u>Industry Subsidies</u>	<u>Fiscal Year 1990 Budget General Fund (\$ Millions)</u>
Tourism Promotion	11.2
Seafood Marketing	4.8
Agriculture Loans / Subsidies	2.7
Marine Highway	54.8
Public Broadcasting Commission	7.2
Fish Enhancement	6.4
Commercial Fisheries	23.7
Mariculture	0.7
Arts Funding (1% of capital projects)	<u>2.7</u>
	114.2

ALASKA DEPARTMENT OF REVENUE
FISCAL YEAR 1990 BUDGET
GENERAL FUND (\$ MILLIONS)

TABLE 1.1

Being a lifelong Alaskan and present Soldotna resident it is my opinion that the State of Alaska should take an across the board cut in spending, excluding public safety services, in the amount of 25%.

In the event State government is reduced, then, and only then, should any change in any taxes be considered.

Government wants industry and it's support companies to take all the cuts and provide more dollars for government to spend. It's time our government takes the same cuts we, the people, have had to take.



William H. Curtis
P.O. Box 91
Soldotna, AK 99669

262-3816

March 18, 1989

To: Members of the Special Committee on Oil and Gas

From: Kristine Funk
PO Box 940
Sitka, AK 99835

I have been a resident of Sitka and Alaska for 10 years.

I believe that increased taxation of the oil industry should be considered only if you believe that there should be no limits on state spending and if you believe that our state government has the right to spend every dime of revenue and demand more when that runs out.

It is my opinion that the oil industry is paying its fair share of taxes and I do not support change to the ELF equation. My position has to do with credibility. Our state government made a commitment to the oil industry when the ELF was enacted. It is my position that a deal is a deal and state government has no business trying to renege on the agreement now which would send a signal to other industries and foreign corporations to beware of Alaska because they make deals and don't honor them. Our governor is supposedly trying to attract investors to Alaska while at the same time he is trying to kick in the backside one of the few industries which is operating here.

We see the same thing happening to the timber industry in SE Alaska. Deals made between the federal government and the industry with government not honoring the deal. Deals broken will cost Alaskans jobs.

I oppose change to the ELF and request your careful consideration on this important matter.

cc: Senator Dick Eliason
Representative Ben Grussendorf

By
 JOHN J. Williams
 Pres. Alaska Conference of Mayors

March 17th 1989
 Before the committee hearing on ELF
 Senate Bill 97

Members of the Legislature and fellow citizens of the State of Alaska. My Name Is John J. Williams. I am here on behalf of the Alaska Conference and serving as this years president. I present to you the Mayors position as taken in a statewide survey during this legislative session. The position is that the ELF should be modified from the present position relative to taxation of marginal fields. Without any doubt the fields of Prudhoe and Kuparuk are by no means marginal and are in fact the largest in North America. But the reason for modification lies not in the size of the field but in the fairness of taxation as it represents the return to the people of Alaska. When the taxation policies of the State of Alaska were first put in place, the producers had no problem living within the guide lines at that time but now that there seems to be a possibility of increasing already substantial profits we here the cry of foul from what is already the oil companies most profitable venture in north America in their history. The issue here is really what is the proper amount to be distributed to the people of the State of Alaska and that proper amount is what has been agreed upon in the past, not what they the oil companies want to have take place now.

Let us examine the position of expenditures and the philosophies of those expenditures for just a moment. We the citizens of Alaska have often been critized for our spending habits and the estatic value we have created in the construction and building of facilities for the benefit of our people, both this generation and of those to come. But let us pause for a moment and see where the difference lies between responsibility for those actions both here and for example those in Texas. In Texas facilities of all sorts were built in large part by the oil companies both big and small because the oil came from a different method of dispsurement than here in Alaska. There individuals own the oil and sell it on the free market and thus those individuals have a moral obligation to their fellow man to share in the god created welth with their fellow man. The Bunker Hunts, the Placid group, the Diamond Shamrocks and all the independants have done that and done it well. Here in Alaska because of our uniqueness and the constitution of the State of Alaska this oportunity does not exist. Rather the oportunitiy exists for all of us, each and every citizen of Alaska, to represent ourselves as the Bunker Hunts, the Arco's and and the Exons of the State because we all own the oil beneath the lands of Alaska. It is therefore our right and our undened responsibility to do that which we have done.

Let us examine now the fairness of taxation as it exists. We in Alaska came into this world oil production picture uneducated in the ways of the oil companies who had nearly a hundred years of experience in these matters. I say to you that from the very beginning the State of Alaska and its people have been at a disadvantage and may never have been receiving what should have been rightfully ours because we were told by others that this is the way it should be done. I give to you the absolute and undeniable fact that among the ten top oil producing states in America we are next to the bottom of the list in taxation. I give to you the absolute and undeniable fact that among the top producers of oil in the world we are at or near the bottom of the list in taxation, sometimes almost insultingly low. The oil companies ask for concessions. Let me list the concessions that we give the oil companies. For every employee that works for an oil company we give that employee the equivalent of a free vacation every year in the form of dividend checks. We extend this concession to each and every member of their families no matter how young or old. We say to each and every employee, would you like to have your mother and father come and live with you. When they reach the considered age of retirement we will pay them \$250.00 per month to come and live in Alaska and we will give every one of them a free vacation each year. We will educate all of your children and pay for that to the tune of nearly 80% as well. We have created loan systems for them to buy homes, send their children to college, and share in power cost equalization in many parts of the state. We will not tax them for personal income, we will, through a sharing of wealth with local government see to it that their home and property tax is among the lowest in the nation. We ask not an undue corporate income tax of any of the service companies or others doing business in Alaska. And what does this cost. \$766 million dollars for state contribution to education alone, \$431 million dollars in shared dividends to the people, \$57 million dollars to the senior citizens retirement program \$97 million dollars to communities for lower local taxation \$160 million dollars for transportation and public facilities that are all shared by the oil companies. No traffic jams for the executives who we now face to be caught in at the end of the working day. These figures alone amount to \$1 billion 511 million dollars or 75% of the expenditures of the state of Alaska. Since we collect 85% of our income from oil I submit to you that we give back virtually every dime of it. Where else in the world can a company go and do business and expect any fairer treatment than that. I submit to you that taxation of the oil companies by the State of Alaska is grossly unfair. The State of Alaska is being ripped off at every turn. I submit to you that instead of further concessions being considered for the oil companies we should have long ago ask for our due share. Members of the committee, on behalf of the Conference of Mayors of the State of Alaska, and all of the people that we represent we urge modification of ELF to more fairly represent a true value and return to the people of the State of Alaska.



Alaska State Legislature

Please enter into the record my testimony to the Senate Special Comm on Oil and Gas
committee name
committee on Production tax, dated 3-18-89
bill/subject

The question is not state spending, it is a question of fair taxation. The oil companies should be expected to pay a fair tax. Why is it the tax burden on Alaskan oil companies less than any other state? Or any other country?

We as Alaskans deserve an adequate share of the oil revenues, at least equal to any other field in the United States.

The oil companies are not going anywhere, call the bluff. Stand up for the people who elected you. Don't belly up to big oil, wash the oil off and come clean.

Signed: Jonathan McCoy

Testifier

concerned Alaskan

Representing (Optional)

1407 Leta St. Fairbanks, Alaska 99709

Address

455-6787

Phone No.



Alaska State Legislature

Please enter into the record my testimony to the _____
committee name
committee on SB 97, dated 3/18/89
bill/subject

If no other states give tax breaks to oil companies why should Alaska? Granted state spending probably could be cut, but that is no reason Alaska should not get its fair share from its non-renewable resources. In the long run, the state has to be paid for the resource while it is there, one day it will be gone. With no local hire laws & most of the money made from Alaskan oil going outside the state, taxation seems to be the only way Alaska will see any oil money.

Signed: _____

Testifier

Representing (Optional)

Box 73195, Ektos, 99707

Address

452-1201

Phone No.

ALASKA SUPPORT INDUSTRY ALLIANCE
1989 PUBLIC POLICY PRIORITY

CONTINUE A STABLE TAX CLIMATE

DURING THE LAST THREE YEARS, THE PRIVATE SECTOR IN ALASKA HAS SUFFERED SEVERE ECONOMIC LOSSES. TENS OF THOUSANDS OF ALASKANS HAVE LEFT THE STATE IN SEARCH OF EMPLOYMENT ELSEWHERE.

PROPOSALS TO EXTRACT MORE REVENUES FROM A PRIVATE SECTOR ALREADY DEVASTATED BY THE CURRENT RECESSION MUST BE RESISTED AT ALL COSTS, LEST SHORT-TERM EXPEDIENCY PAVE THE WAY FOR GRAVE LONG-TERM ECONOMIC CONSEQUENCES.

UNTIL STATE GOVERNMENT EXPENDITURES HAVE BEEN REDUCED TO REFLECT CURRENT ECONOMIC REALITY, NO NEW TAXES SHOULD BE IMPLEMENTED.

ALLIANCE MEMBERS ADAMANTLY OPPOSE INITIATIVES WHICH WOULD RESTRUCTURE THE ECONOMIC LIMIT FACTOR (ELF); INCREASE TAXES ON GASOLINE; CREATE A STATE-WIDE SALES TAX AND RESTORE THE PERSONAL INCOME TAX.

CUT STATE SPENDING, DO NOT INCREASE TAXES.



THE ALLIANCE

4220 'B' Street, Suite 200 / Anchorage, Alaska 99503-5911

ALASKA SUPPORT INDUSTRY ALLIANCE
1989 PUBLIC POLICY PRIORITY

STIMULATE DEVELOPMENT OF MARGINAL FIELDS

CURRENT ECONOMIC CONDITIONS FACING THE STATE OF ALASKA CALL FOR BOLD AND EFFECTIVE ACTION BY BOTH ELECTED AND APPOINTED GOVERNMENT LEADERS IN ORDER TO STIMULATE THE DISCOVERY AND DEVELOPMENT OF ALASKA'S MARGINAL OIL AND GAS FIELDS.

SPECIFIC STRATEGIES MUST BE DEVELOPED THAT SEND A CLEAR MESSAGE TO THE PETROLEUM INDUSTRY THAT ALASKA IS A PREFERRED LOCATION IN WHICH TO INVEST EXPLORATION AND DEVELOPMENT DOLLARS.

REPRESENTATIVES OF THE EXECUTIVE AND LEGISLATIVE BRANCHES OF GOVERNMENT SHALL SOLICIT COMMENT FROM THE OIL AND GAS INDUSTRY TO IDENTIFY POLICY INITIATIVES WHICH WILL FOSTER THIS KIND OF INVESTMENT AND LONG TERM COMMITMENT IN ALASKA.

ALLIANCE MEMBERS BELIEVE THAT REAUTHORIZATION OF THE DISCOVERY ROYALTY PROVISION IS AN IMPORTANT FIRST STEP IN ACCOMPLISHING THESE OBJECTIVES.



THE ALLIANCE

4220 B' Street, Suite 200 / Anchorage, Alaska 99503-5911

CITY OF KOTZEBUE
P.O. BOX 46 • KOTZEBUE, ALASKA 99752

RECEIVED
JAN 30 1989

January 25, 1989

GOVERNOR'S OFFICE

City Hall
442-3401
Police Dept.
442-3351
Fire Department
442-3404
Public Works
Dept.
442-3465
Day Care Center
442-3157
Planning Dept.
442-3465
Building Inspector
442-2623
George Francis
Memorial Library
442-3816
Recreation Center
442-3066
Teen Center
442-3979
Regional Fire
Training Center
442-3921

The Honorable Steve Cowper
Governor
State of Alaska
P.O. Box A
Juneau, Alaska 99811-0101

Dear Governor Cowper;

Enclosed please find Resolution No. 89-3; A Resolution supporting adjustment of the Economic Limit Factor (ELF) which was unanimously passed by the Kotzebue City Council at it's January 19th, 1989 meeting.

The City Council feels the State's municipalities support could be generated if municipal assistance and revenue sharing funding was tied to the ELF repeal.

Sincerely,

Michael Scott
Michael Scott
City Manager

MS/zkl

Enclosure

cc: City Council

CITY OF KOTZEBUE

RESOLUTION NO. 89-3

A RESOLUTION SUPPORTING ADJUSTMENT OF THE ECONOMIC LIMIT FACTOR (ELF).

WHEREAS; the State of Alaska will loose approximately \$200 million this fiscal year from the application of the Economic Limit Factor (ELF) to Prudhoe Bay, and;

WHEREAS; revenue losses to the State due to the tax break allowed by the ELF are projected to total more than \$1 billion during the next five years, and;

WHEREAS; the Alaska economy is beginning to emerge from the deepest recession in 30 years. Yet, without additional sources of revenue, public spending this year and next likely will be severely reduced or in the red; and

WHEREAS; cuts of this magnitude would have a devastating effect on the entire economy and on Alaska's local governments, and;

WHEREAS; the ELF was originally intended to serve as a tax break to encourage oil production in marginal fields. Prudhoe Bay and Kaparek are the largest and second largest oil fields in North America and are in no sense marginal fields, and;

WHEREAS; the application of ELF in its current form actually discourages oil production at some truly marginal fields; and

WHEREAS; while oil prices have dropped, oil company profits continue to climb.

BE IT RESOLVED that the City of Kotzebue support adjustment of the Economic Limit Factor (ELF) to make it work as originally intended so as to encourage oil production at marginal fields and not give an unneeded tax break to the largest fields on the continent.

Alaska Conference of Mayors
March 24, 1988
Juneau, Alaska

ALASKA CONFERENCE OF MAYORS

RESOLUTION NO. 88- 20

A RESOLUTION OF THE ALASKA CONFERENCE OF MAYORS
SUPPORTING ADJUSTMENT OF THE ECONOMIC
LIMIT FACTOR (ELF).

WHEREAS, the State of Alaska will lose approximately \$200 million in the next fiscal year from the application of the Economic Limit Factor (ELF) to Prudhoe Bay; and,

WHEREAS, the revenue losses to the State are projected to total more than \$1 billion over the next five years; and,

WHEREAS, the Alaska economy is only now beginning to emerge from the deepest recession it has suffered in 30 years; and,

WHEREAS, without the additional revenue the state budget for FY 89 will be almost \$400 million in the red; and,

WHEREAS, cuts of this size would have a devastating effect on the economy and on Alaska's local governments; and,

WHEREAS, the economic limit factor (ELF) was originally intended to serve as a tax break to encourage oil production in marginal fields; and,

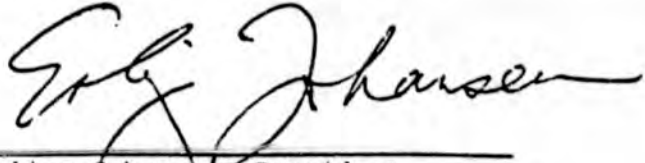
WHEREAS, the Prudhoe Bay oil field is in no sense a marginal field, but is instead the largest oil field in North America, and appears to be one of the most profitable oil fields in the world; and,

WHEREAS, the application of the Economic Limit Factor to the Prudhoe Bay oil field is thus wasteful and unnecessary; and,

WHEREAS, the application of the Economic Limit Factor actually discourages oil production at a truly marginal field such as Milne Point;

NOW, THEREFORE, BE IT RESOLVED that the Alaska Conference of Mayors urges the Alaska Legislature to enact legislation that would adjust the Economic Limit Factor to make it work as originally intended so as to encourage oil production at marginal fields and not give an unneeded tax break to the Prudhoe Bay field, the largest and most valuable field in North America.

ADOPTED this 24th day of March 1988.


Erling Johansen, President
Alaska Conference of Mayors

Attest:


Scott A. Burgess

United Brotherhood of Carpenters and Joiners of America

LOCAL UNION NO. 1243



Farthest North Local in the World

DON K. SWARNER
Business Representative
Financial Secretary-Treasurer

907 452-5308
907 452-3862

315 FIFTH AVENUE
P.O. BOX 347
FAIRBANKS, ALASKA
99707

A RESOLUTION URGING THE ALASKA STATE LEGISLATURE TO
REVIEW AND ADOPT HB 118 AN ACT
RELATING TO THE OIL AND GAS PROPERTIES PRODUCTION TAX

WHEREAS, the Economic Limit Factor (ELF) as enacted by the Alaska State Legislature in 1981 was intended to promote continued development of marginal oil fields; and

WHEREAS, unbeknownst to legislators in 1981, both the Prudhoe Bay and Kuparuk Oil Fields are in no sense of the word marginal fields; and

WHEREAS, the application of the Economic Limit Factor (ELF) actually discourages oil production at a truly marginal field such as Milne Point; and

WHEREAS, the people of the State of Alaska own the oil resources of the State and should be fairly & equitably compensated for their extraction; and

WHEREAS, the economic conditions in Alaska do not warrant a tax break for the oil companies; and

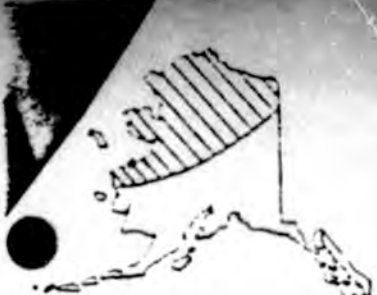
Whereas, the Alaskan work force is not receiving its fair share of employment in the development of their oil and gas resources;

THEREFORE, be it resolved that Local Union 1243 of the United Brotherhood of Carpenters and Joiners of America urges the Alaska State Legislature to complete its review of HB 118 and to bring this bill to the floor and furthermore, we urge its adoption.

UNANIMOUSLY passed this 28th day of February, 1989 by the General Membership.

Murray L. Baldwin
Murray Baldwin
President

Don K. Swarner
Don Swarner
Business Representative
Financial Secretary-Treasurer



North & Northwest Mayor's Conference

P.O. Box 68
Unalakleet, Alaska 99584

President: Albert Washington (907) 923-3771
Secretary: Robert Foote (907) 624-3655

RESOLUTION NO. 89 - 22

Second Session of the Ninth Annual
NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE
Unalakleet, Alaska
February 9 & 10, 1989

A RESOLUTION OF THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE
SUPPORTING LEGISLATION ADJUSTING THE ECONOMIC LIMIT FACTOR.

WHEREAS, the State of Alaska will lose approximately \$200 million this fiscal year from the application of the Economic Limit Factor (ELF) to Prudhoe Bay; and

WHEREAS, revenue losses to the State due to the tax break allowed by the ELF are projected to total more than \$1 billion during the next five years; and

WHEREAS, the Alaska economy is beginning to emerge from the deepest recession in 30 years, yet, without additional sources of revenue, public spending this year and next likely will be severely reduced; and

WHEREAS, cuts of this magnitude would have a devastating effect on the entire economy and on Alaska's local governments; and

WHEREAS, the ELF was originally intended to service as a tax break to encourage oil production in marginal fields. Prudhoe Bay and Kuparuk are respectively the largest and second largest oil fields in North America and are in no sense marginal fields.

NOW THEREFORE BE IT RESOLVED BY THE NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE: hereby urges the Alaska State Legislature to enact legislation that would adjust the Economic Limit Factor to make it work as originally intended so as to encourage oil production at marginal fields and not give an unneeded tax break to the largest fields on the continent.

Passed and approved by the SECOND SESSION OF THE NINTH ANNUAL NORTH AND NORTHWEST ALASKA MAYORS' CONFERENCE THE 10th DAY OF FEBRUARY, 1989.

President

Secretary

INTRODUCED BY: Kotzebue

VOTE: YES Unanimous

SECONDED BY: Earrow

NO _____

DIRECTED TO: Governor Steve Cowder

Alaska State Legislature

King
Tallman
Cote
Chenhall
Bartholomc
Westfall
None
4 votes required for passac
Effective Date: 1/16/89

Voting "No"

Absent:

Effective Date: 1/16/89

KETCHIKAN GATEWAY BOROUGH

RESOLUTION NO. 821

A RESOLUTION OF THE ASSEMBLY OF THE KETCHIKAN GATEWAY BOROUGH, ALASKA, SUPPORTING LEGISLATION ADJUSTING THE ECONOMIC LIMIT FACTOR; AND ESTABLISHING AN EFFECTIVE DATE.

RECITALS

A. The State of Alaska will lose approximately \$200 million this fiscal year from the application of the Economic Limit Factor (ELF) to Prudhoe Bay.

B. Revenue losses to the State due to the tax break allowed by the ELF are projected to total more than \$1 billion during the next five years.

C. The Alaska economy is beginning to emerge from the deepest recession in 30 years. Yet, without additional sources of revenue, public spending this year and next likely will be severely reduced.

D. Cuts of this magnitude would have a devastating effect on the entire economy and on Alaska's local governments.

E. The ELF was originally intended to serve as a tax break to encourage oil production in marginal fields. Prudhoe Bay and Kuparek are respectively the largest and second largest oil fields in North America and are in no sense marginal fields.

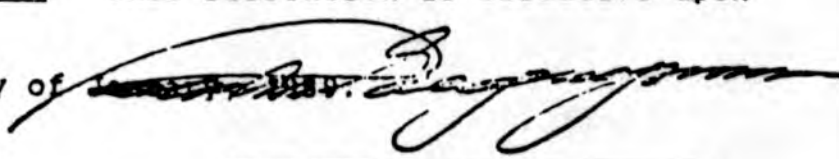
F. While oil prices have dropped, oil company profits continue to climb.

Section 1. The Assembly of the Ketchikan Gateway Borough urges the State of Alaska Legislature to enact legislation that would adjust the Economic Limit Factor to make it work as originally intended so as to encourage oil production at marginal fields and not give an unneeded tax break to the largest fields on the continent.

Section 2. The Borough Clerk is directed to send copies of this resolution to the Governor and District Legislators.

Section 3. Effective Date. This resolution is effective upon adoption.

ADOPTED this 16th day of


BOROUGH MAYOR

City council endorses

Cordova Times 1/12/68

The Cordova City Council met in a special session Saturday morning to debate the Economic Limit Factor (ELF). For the past two years, the Cowper Administration has been seeking to adjust ELF. Opponents to adjusting ELF say it would not promote economic development. The Cowper Administration believes differently and is currently soliciting support from cities around the state.

The fiscal crisis the state finds itself in now may bring the results Cowper seeks. Oil

revenues comprise close to 85 percent of the government's revenues, according to the revenue commissioner's office.

For an hour, councilmembers debated whether to approve a resolution endorsed by the Cowper Administration requesting the legislature to enact legislation adjusting ELF to encourage oil production at marginal fields and remove the tax break to the two largest and profitable oil fields on the continent. In essence the adjustment

will remove Prudhoe Bay and Kuparek from ELF tax breaks.

Mayor Erling Johansen circulated copies of a letter and model resolution he received from Gov. Cowper's office. The administration says the State of Alaska will lose approximately \$200 million this fiscal year from the application of ELF to Prudhoe Bay, according to the letter.

"Essentially the legislature is split," Johansen told the council. "Democrats are for revising it

ELF tax changes

and Republicans are against that."

Johansen informed the council he needed to know the city's stance on ELF prior to his attendance at the Annual Conference of Mayors Jan. 12 and 13 where the Governor, Lieutenant Governor, and Commissioner of the Department of Community and Regional Affairs will be in attendance. The council unanimously passed the resolution. Councilmembers Dave Rawlins and Doug Lape were absent.

According to Cliff Groh, special

assistant to Revenue Commissioner, Hugh Malone, an adjustment in ELF would enhance economic development and raise more revenues for the state. "It's (been) a bitter and controversial fight," Groh said. "The nominal tax rate is 15 percent. In some cases, ELF reduces that to zero. Prudhoe Bay sometimes pays 12 percent. By adjusting ELF, we would raise the effective rate closer to 15 percent. Higher oil prices would bring in more state revenues and if prices drop the state's loss is less."

mailed
F41

GREATER JUNEAU DEMOCRATIC PRECINCT COMMITTEE

RESOLUTION

WHEREAS, Alaskan oil belongs to all the people of Alaska, and

WHEREAS, the Economic Limit Factor (ELF) was created by the Alaska Legislature in 1977 to encourage oil companies to develop marginal oil fields and to extend the life of producing fields when production at those fields become marginal, and

WHEREAS, the current ELF formula does not currently give Alaska an attractive enough tax climate to encourage development of marginal oil fields, and

WHEREAS the current ELF formula provides an unintentional and unnecessary massive tax break to the highly profitable Prudhoe Bay and Kuparuk oil fields, and

WHEREAS, the Prudhoe Bay and Kuparuk oil fields are not marginal oil fields, and

WHEREAS, Alaska is currently suffering from revenue shortfalls due in part to the current ELF formula, and

WHEREAS, HB 118 would create a more attractive tax climate for the development of truly marginal old fields, reducing or eliminating altogether taxes on every oil field in Alaska except Prudhoe Bay and Kuparuk, and

WHEREAS, HB 118 would eliminate unintended tax breaks for the two highly profitable oil fields in Alaska (Prudhoe Bay and Kuparuk), and

WHEREAS, the net result of the enactment of HB 118 in its present form would increase revenues to the State of Alaska by an estimated 9848 million over the next five years, and

WHEREAS, the increased revenue generated by the enactment of HB 118 would greatly assist Alaska in providing necessary services that would otherwise have to be drastically reduced, and

WHEREAS, the enactment of HB 118 would otherwise create jobs, raise other revenue, promote economic development and protect the interests of the people of Alaska,

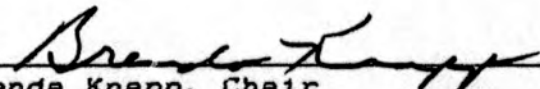
NOW, THEREFORE, by unanimous vote (one abstention) on February 7, 1989, by the Greater Juneau Democratic Precinct Committee, be it hereby

RESOLVED: that the Greater Juneau Democratic Precinct Committee urges expeditious enactment into law of HB 118 in its present form.

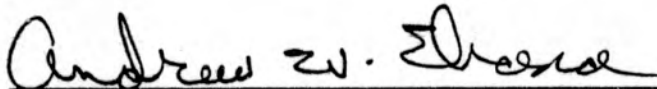
BE IT FURTHER RESOLVED that a copy of this resolution be provided to each member of the Alaska State Legislature and the Governor of Alaska.

DATED this 7th day of February, 1989.

GREATER JUNEAU DEMOCRATIC PRECINCT COMMITTEE


Brenda Knapp, Chair

ATTEST:


Andrew W. Ebona, Secretary



Greater Fairbanks

Chamber

of Commerce
P.O. Box 74446
Fairbanks, Alaska 99707

709 Second Avenue

(907) 452-1105

February 13, 1989

The Honorable Al Adams
Alaska State Senate
P.O. Box V
Juneau, AK 99811

Dear Senator Adams:

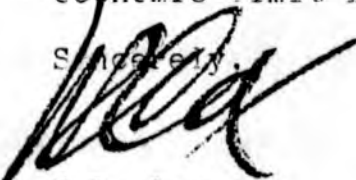
The Greater Fairbanks Chamber of Commerce has consistently opposed any legislative initiative to unduly increase taxes on individuals or businesses. Specifically, we have opposed modification of the Economic Limit Factor to increase the severance tax oil producers pay since that strategy has emerged.

With increasing frequency, we see demonstrations that ELF is fulfilling it's intended purpose. Oil company investment is stimulated. Jobs are on the increase. Enhanced recovery methods are employed to maximize production. Planned capital programs are moving forward. All this because ELF is working.

When oil prices decline: when significant growth in administration staffing occurs: when new social programs are proffered or existing programs expanded: when the basis of revenues to support the budget is not sufficiently diversified: mature government must prevail. Tough decisions are required. Demand efficient cost effective operation. Vigorously negotiate expiring labor contracts. Implement a reduction in force. Courses of action to reduce cost of government are many, with services still provided.

Responsible and mature government recognizes that to retain or attract industry a stable tax philosophy must prevail. Industry should be able to expect that. We oppose House Bill No. 118 and any other legislation which would modify the current structure of the economic limit factor.

Sincerely,


W.R. Cox
President and CEO

WRC:ldm



City and Borough of Sitka

304 LAKE STREET. SITKA, ALASKA. 99835

*sc copy
return to me*

RECEIVED
JAN 12 1989

GOVERNOR'S OFFICE

January 9, 1989

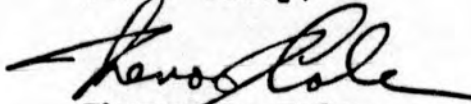
The Honorable Steve Cowper
Governor of the State of Alaska
P.O. Box A
Juneau, Alaska 99811-0101

Dear Governor Cooper:

The Assembly of the City & Borough of Sitka requested that I write to you expressing their support of your position on the Economic Limit Factor (ELF). They are also concerned with the future funding of education and wish to study the matter further before expressing a position on that matter. The Assembly appreciates your giving them the opportunity to respond to these issues.

Thank you for your consideration.

Yours truly,


Theron J. Cole
Municipal Attorney

TJC:COOPER:klw

By: Jeff Waltzin
Valerie Therrien
Introduced: 03/26/87
Advanced: 03/26/87
Amended: 04/09/87
Adopted: 04/09/87
Reconsideration
Filed: 04/10/87
Reconsidered: 04/23/87
Substituted by Phil
Yunker: 04/23/87
Adopted: 04/23/87

... 06 1987
RESOLUTION NO. 87-043

A RESOLUTION ADDRESSING THE STATE OF ALASKA'S
ECONOMIC LIMIT FACTOR

WHEREAS, the Economic Limit Factor enacted by the legislature
in 1981 was intended to promote marginal oil field development; and

WHEREAS, the fields currently producing oil in Alaska differ
from one another with regard to production costs and profitability; and

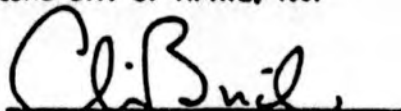
WHEREAS, it is good public policy to encourage commercial
production at marginal fields and avoid premature shut-downs in
production; and

WHEREAS, a fair and equitable form of oil taxation is beneficial
to the residents of the state and the industry; and

WHEREAS, the existing statute dealing with the Economic Limit
Factor is faulty in a number of technical aspects and does not fulfill its
intended purpose.

NOW, THEREFORE, BE IT RESOLVED that the Fairbanks North
Star Borough Assembly urges the Governor and the Legislature to examine
each oil field individually, evaluate the economic characteristics of each
field, and set taxes accordingly.

PASSED AND APPROVED THIS 23RD DAY OF APRIL, 1987


Presiding Officer

ATTEST:


Clerk of the Assembly

SCOMM

62:7

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

FURTHER

RES
FIN

4/4/89

DATE TURNED INTO OFFICE _____

Mr. President:

OIL & GAS

Committee considered

SB 260

levying a severance tax on oil; efd

and recommended:

☒ replace with CS Oil & Gas ☐ same title

☐ attached amendment(s) and

☒ new title

☐ _____ letter of intent adopted

☐ do pass

☐ do not pass

☒ no recommendation

☐ individual recommendations

☐ further referral to _____

FN
coming

FISCAL NOTE(S) attached ☐ zero
☐ appropriation no FN attached

☐ fiscal impact
☐ Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Rick Halford NO REC
Al Adams NO REC 20¢/l
Tim Kelly No Rec

Issue Pearce - NO Rec
Chair : signature and recommendation

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: * See below

Agency Affected: Administration
BRU: Finance

Sponsor: Kerttula and Szymanski
Requestor: _____

Components: _____

* An Act levying a severance tax on oil and providing that all the proceeds of that tax may be appropriated to the oil and hazardous substance release response fund; and providing for an effective date.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER 1034 PERS/TRS	0	0	0	0	0	0
TOTAL	0	0	0	0	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)

No cost to the Division of Finance. The cost to set up central accounting for this can be absorbed in the existing budget.

Prepared By: Keith Busch, Director *Keith Busch*
Division: Finance

Phone: 465-2240
Date: 4/17/89

Approved by Commissioner: John M. Andrews *John M. Andrews*
Agency: Department of Administration

Date: 4/17/89

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Severance tax on oil

Agency Affected: Department of Revenue
BRU: Oil & Gas Audit Division

Sponsor: Kerttula and Szymanski
Requestor: S. Spec. Comm. on Oil & Gas

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE	0	32,000	30,000	28,000	26,000	23,000

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page for analysis.

Prepared By: Roger Marks
Division: Oil & Gas Audit Division

Phone: 277-5627
Date: April 17, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: 4/17/89

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

CS SB 260
Fiscal Note Analysis

1. This bill imposes an additional severance tax on oil of \$.05 per barrel. This tax revenue is deposited into the general fund but a special accounting is to be kept of these deposits. Once the balance of deposits from this tax equals or exceeds \$100 million, the tax is discontinued until such time as the balance falls below \$100 million, at which point the tax is reimposed.
2. The FY 90 number is for the 12 month period. Depending on the actual effective date, the numbers can be multiplied proportionally.
3. The sum of revenue collected from this tax under our current assumptions from FY 90 through FY 94 is \$139 million, well above the \$100 million cap. The implied assumption made in this fiscal is that a significant portion of the revenue collected under this tax between FY 90 and FY 94 would be expended to ameliorate impacts of the EXXON/Valdez spill.
4. The volumes are based on the mid-price scenario of the Spring 1988 Department of Revenue forecast.

The following table illustrates the projected revenue potential of the \$.05 per barrel additional severance tax for FY 95 and beyond:

Future Years		
<u>Fiscal Year</u>	<u>Annual \$(000)</u>	<u>Cumulative \$(000)</u>
1995	20,000	20,000
1996	17,000	37,000
1997	15,000	52,000
1998	13,000	65,000
1999	11,000	76,000
2000	9,000	85,000
2001	8,000	93,000
2002	7,000	100,000

Alaska State Legislature

Senator Drue Pearce, Chair
Senator Tim Kelly
Senator Rick Halford
Senator Paul Fischer
Senator Al Adams



WHILE IN JUNEAU
P.O. BOX V
JUNEAU, ALASKA 99801
(907) 465-4993

311 C STREET, SUITE 150
ANCHORAGE, ALASKA 99501
(907) 561-2038

SENATE SPECIAL COMMITTEE ON OIL AND GAS

To: Members of the Senate Special
Committee on Oil and Gas

From: Committee staff

Re: SB 260, Sectional Analysis

Date: April 11, 1989

Section 1. Purpose:

This act will provide a means to pay the costs related to protecting state lands from discharges of oil and hazardous substances.

Section 2.

AS. 43.59.010. Tax Levied.

A \$.05 per barrel tax shall be assessed against every producer of oil produced from each lease or property in the state, less any oil which is exempt from taxation such as royalty oil.

AS 43.59.020. Administration of the Tax.

This tax is in addition to the oil production tax, and shall be paid monthly. The oil producer shall report, under oath, on forms prescribed or acceptable to the department with the required information. Each producer is subject to a penalty of \$25 a day for each lease or property upon which the report is not filed.

AS 43.59.030. Disposition of Tax Proceeds.

The commissioner of revenue will deposit the tax in the general fund. The legislature may appropriate the annual estimated balance to the oil and hazardous substance release response fund.

Section 3:

Immediate effective date.



Alaska State Legislature

APR 11 1989

SENATE

Official Business

P.O. Box V
State Capitol
Juneau, Alaska 99811

SPONSOR STATEMENT

SENATE BILL 260, LEVYING A SEVERANCE TAX ON OIL

April 11, 1989

Senate Bill 260 would levy an additional \$.05 severance tax on the oil companies. It is the intent of this legislation that the revenues from this additional tax would be appropriated to the Oil and Hazardous Substance Release Response Fund, (the "470 Fund") administered by the Department of Environmental Conservation.

At present, legislative appropriations and reimbursement claims provide the only source of funding for this "470 Fund." The Legislature has appropriated an average of \$600,000 into the fund each year since its inception. The Department of Environmental Conservation estimates that it takes an average of three years before they can collect any money from the oil companies as reimbursement. For example, nothing has been received to date from the 1987 Cook Inlet spill. Before the Valdez oil spill, there was approximately \$1.2 million in the "470 Fund".

Thus, the State does not have any way of providing a continuing source of funding for this emergency fund. Senate Bill 260 is the simplest and easiest way to ensure that adequate funds are available to meet the State's responsibility for oil spill clean-up. For the oil companies, it is an infinitesimal contribution to the State's clean-up fund.

The State has learned from the recent disaster in Prince William Sound that we cannot rely on the oil companies to mobilize equipment and provide funds for an immediate response. We need a source of funding to immediately respond to a disaster ourselves.

This expensive spill indicates a minimum basic sustained need of \$250,000,000 in this fund.

FISCAL NOTE

REQUEST:

Revision Date: _____
Title: Severance tax on oil

Agency Affected: Department of Revenue
BRU: Oil & Gas Audit Division

Sponsor: Kerttula and Szymanski
Requestor: _____

Components: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LANDS & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING						
CAPITAL						
REVENUE	0	32,000	30,000	28,000	26,000	23,000

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL						

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS: Attach a separate page for analysis.

Prepared By: Roger Marks
Division: Oil & Gas Audit Division

Phone: 277-5627

Date: April 10, 1989

Approved by Commissioner: Hugh Malone
Agency: Department of Revenue

Date: 4/11/89

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

SB 260
Fiscal Note Analysis

1. This bill imposes an additional severance tax on oil of 5¢ per barrel.
2. The FY 90 number is for the 12 month period. Depending on the actual effective date, the numbers can be multiplied proportionally.
3. The volumes are based on the mid-price scenario of the Spring 1989 Department of Revenue forecast.

Future Years

<u>Fiscal Year</u>	<u>\$ (000s)</u>
1995	20,000
1996	17,000
1997	15,000
1998	13,000
1999	11,000
2000	9,000
2001	8,000
2002	7,000
2003	6,000
2004	5,000
2005	4,000
2006	3,000
2007	3,000
2008	2,000

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Department of Administration
Title: An Act levying a severance tax BRU: Finance
on oil and providing for an effective date.
Sponsor: Kerttula and Szymanski Components:
Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0
CAPITAL	0	0	0	0	0	0
REVENUE	0	0	0	0	0	0

FUNDING: (Thousands of Dollars)

GENERAL FUND	0	0	0	0	0	0
FEDERAL FUNDS	0	0	0	0	0	0
OTHER 1034 PERS/TRS	0	0	0	0	0	0
TOTAL	0	0	0	0	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)

No cost to the Division of Finance. The cost to set up accounting for this can be absorbed in the existing budget.

Prepared By: Keith Busch, Director *Keith Busch* Phone: 465-2240
Division: Finance Date: 4/13/89
Approved by Commissioner: John M. Andrews *[Signature]* Date: 4/13/89
Agency: Department of Administration

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

SCOMM

62:8

SENATE COMMITTEE REPORT

FIRST COMMITTEE OF REFERRAL

Date of 5-DAY NOTICE
IN ACCORDANCE WITH UNIFORM RULE 23

FURTHER RES

**FISCAL NOTE(S) MUST BE ATTACHED
IN ACCORDANCE WITH AS 24.08.035

DATE TURNED INTO OFFICE _____

4/5/89

Mr. President:

OIL & GAS

Committee considered

SB 261

requiring the Dept. of Environmental Conservation to prepare and to annually review and revise a master oil and hazardous substance discharge and prevention contingency plan for the state and regional oil and hazardous substance discharge and prevention contingency plans for certain regions of the state, and to implementation of that plan; efd and recommended:

☒ replace with CS Oil & Gas ☐ same title

☐ attached amendment(s) and

☒ new title

☐ _____ letter of intent adopted

☒ do pass

☐ do not pass

☐ no recommendation

☐ individual recommendations

☐ further referral to _____

FISCAL NOTE(S) attached ☐ zero
☐ appropriation no FN attached

☐ fiscal impact
☐ Gov. FN introduced w/ bill

MEMBERS SIGNING DO PASS

OTHER RECOMMENDATIONS

Tim Bell
True Peace

Al Adams - No Rec

True Peace - do pass
Chair : signature and recommendation

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: SB 261
PUBLISH DATE: _____

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Environmental Conservation
Title: An Act requiring DEC to prepare and annually review a master contingency plan BRU: Environmental Quality
Sponsor: Duncan, Kerttula, et. al. Components: Environmental Quality
Requestor: _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		134.0	134.0	134.0	134.0	134.0
TRAVEL		10.0	10.0	10.0	10.0	10.0
CONTRACTUAL		149.0	149.0	24.0	24.0	24.0
SUPPLIES		3.0	3.0	3.0	3.0	3.0
EQUIPMENT		15.0	15.0	15.0	15.0	15.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		311.0	311.0	186.0	186.0	186.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		311.0	311.0	311.0	311.0	311.0
TOTAL		311.0	311.0	311.0	311.0	311.0

POSITIONS:

FULL-TIME		3.0	3.0	3.0	3.0	3.0
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

(See Attached)

Prepared by: Dan Easton Phone: 465-2640
Division: Environmental Quality Date: April 10, 1989

Approved by Commissioner: ADK Date: 4/12/89
Agency: Alaska Department of Environmental Conservation

Distribution (by preparer):

Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF ALASKA

DEPT. OF ENVIRONMENTAL CONSERVATION

STEVE COWPER, GOVERNOR

Telephone:
(907) 465-2640

April 10, 1989

Contact: Dan Easton

FISCAL NOTE ANALYSIS

SB 261

The Department estimates that two new technical positions and one clerical position would be required to evaluate the existing state contingency plan, to oversee a contract to expand the existing plan to incorporate the additional items specified by the legislation, to annually review and revise the plan, to annually conduct hearings on the plan, and to develop and revise regional plans. For the first two years, contractual services in the amount of \$125.0 would be required for a consultant to develop the initial plans.

STATE OF ALASKA
1989 LEGISLATIVE SESSION

BILL VERSION: CSSB 261
PUBLISH DATE: 4-13-89 WORK DRAFT

REQUEST: draft **FISCAL NOTE**

Revision Date: _____
Title: An Act relating to oil and hazardous
substance discharges, etc.
Sponsor: Duncan, Kerttula, Szymanski, et.
Requestor: _____

Agency Affected: Environmental Conservation
BRU: Environmental Quality,
Administrative Services
Components: Environmental Quality
Administrative Services

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 89	FY 90	FY 91	FY 92	FY 93	FY 94
PERSONAL SERVICES		975.0	975.0	975.0	975.0	975.0
TRAVEL		85.0	85.0	85.0	85.0	85.0
CONTRACTUAL		2,595.0	2,595.0	1,370.0	1,370.0	1,370.0
SUPPLIES		275.0	275.0	25.0	25.0	25.0
EQUIPMENT		390.0	390.0	140.0	140.0	140.0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		4,320.0	4,320.0	2,595.0	2,595.0	2,595.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER		4,320.0	4,320.0	2,595.0	2,595.0	2,595.0
TOTAL		4,320.0	4,320.0	2,595.0	2,595.0	2,595.0

POSITIONS:

FULL-TIME		15	15	15	15	15
PART-TIME		-0-	-0-	-0-	-0-	-0-
TEMPORARY		-0-	-0-	-0-	-0-	-0-

ANALYSIS : (Attach a separate page if necessary)

(See Attached)

Prepared by: Dan Easton Phone: 465-2640
Division: Environmental Quality Date: April 14, 1989

Approved by Commissioner: AD/gle Date: 4/14/89
Agency: Alaska Department of Environmental Conservation

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)

STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPT. OF ENVIRONMENTAL CONSERVATION

DRAFT

FISCAL ANALYSIS

CSSB 261

(4-14 WORK DRAFT)

April 14, 1989

THE FOLLOWING IS A VERY PRELIMINARY ANALYSIS BASED ON A BRIEF REVIEW OF THE PROPOSED LEGISLATION. THE ANALYSIS AND INCLUDED ESTIMATES WILL BE REFINED DURING THE COMMITTEE PROCESS.

ESTABLISH DEPOTS AND RESPONSE STATIONS (\$2,000.0)

The Department estimates that \$2,000.0 will be required for each of the first two years to establish and stock depots and response stations at a minimum of two locations: Valdez and on the Kenai Peninsula. Once established, subsequent year costs are expected to decline to \$500.0 for contracted services to maintain inventories and response readiness.

100	\$ -0-
200	\$ -0-
300	\$1,500.0
400	\$ 250.0
500	\$ 250.0
Total	<u>\$2,000.0*</u>

*includes \$1,500.0 in first- and second-year costs

PREPARE MASTER AND REGIONAL CONTINGENCY PLANS (\$350.0)

The Department estimates that four technical positions and one clerical position would be required to evaluate the existing state contingency plan, to oversee a contract to expand the existing plan to incorporate the additional items specified by the legislation, to annually review and revise the plan, to annually conduct hearings on the plan, and to develop and revise regional plans. For the first two years, contractual services in the amount of \$125.0 would be required for a consultant to assist in developing the initial plans.

100	\$ 235.0
200	\$ 20.0
300	\$ 65.0
400	\$ 5.0
500	\$ 25.0
Total	<u>\$ 350.0*</u>

*includes \$125.0 in first- and second-year costs

ADMINISTER OIL AND HAZARDOUS SUBSTANCE SPILL CONTAINMENT FUND (\$170.0)

The Department projects the need for an accountant and an accounting technician to set up and administer the fund, and to track and approve payments from the fund (\$120.0).

The Department also foresees a need for \$50.0 in contractual funds to prepare, publish and distribute the annual report on discharges, environmental effects, the operational status of the response corps, and needed changes.

100	\$ 80.0
200	\$ 5.0
300	\$ 60.0
400	\$ 5.0
500	\$ 20.0
Total	<u>\$ 170.0</u>

ESTABLISH OIL AND HAZARDOUS SUBSTANCE RESPONSE OFFICE (\$1,800.0)

The Response Office would consist of a full-time staff of nine agency personnel: a director, six response specialists, one clerk-typist and one administrative assistant. First-year costs to establish and staff the office are estimated at \$700.0. Subsequent year costs are estimated at \$600.0. Other costs include training contracts (\$200.0), contracts with local governments (\$500.0), wages and per diem for volunteer training (\$300.0), and contracts with private response specialists (\$100.0).

100	\$ 660.0
200	\$ 60.0
300	\$ 970.0
400	\$ 15.0
500	\$ 95.0
Total	<u>\$1,800.0*</u>

*includes \$100.0 in first- and second-year costs

SUMMARY

	100	200	300	400	500	TOTAL
Depots/Response Stations	-0-	-0-	\$1,500.0	\$250.0	\$250.0	\$2,000.0
Master Contingency Plans	\$235.0	\$20.0	\$ 650.0	\$ 5.0	\$ 25.0	\$ 350.0
Administer Spill Fund	\$ 80.0	\$ 5.0	\$ 60.0	\$ 5.0	\$ 20.0	\$ 170.0
Response Office	\$660.0	\$60.0	\$ 970.0	\$ 15.0	\$ 95.0	\$1,800.0
TOTAL	\$975.0	\$85.0	\$2,595.0	\$275.0	\$390.0	\$4,320.0*

*Includes \$1,725.0 in first- and second-year, one-time costs

6-1161E✓
Chenoweth
4/15/89

Original sponsors: Duncan, Kerttula,
Szymanski, et al.

1 IN THE SENATE

BY THE SENATE SPECIAL
COMMITTEE ON OIL AND GAS

2 CS FOR SENATE BILL NO. 261 (Oil & Gas)

3 IN THE LEGISLATURE OF THE STATE OF ALASKA

4 SIXTEENTH LEGISLATURE - FIRST SESSION

5 A BILL

6 For an Act entitled: "An Act relating to oil and hazardous substance
7 discharges, and imposing a fee on certain crude oil;
8 and providing for an effective date."

9 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10 * Section 1. AS 43 is amended by adding a new chapter to read:

11 CHAPTER 59. FEE ON CRUDE OIL DELIVERED

12 FOR VESSEL TRANSPORTATION.

13 Sec. 43.59.010. FEE LEVIED. Every person who delivers crude oil
14 to a port for transportation by a vessel that transits the navigable
15 waters of the state shall pay a fee of \$.05 per barrel of the crude
16 oil delivered, less royalty oil the ownership or right to which is
17 exempt from taxation under this title.

18 Sec. 43.59.020. ADMINISTRATION OF THE FEE. (a) The fee on
19 crude oil shall be paid quarterly. The fee is due on the 20th day of
20 the month following the close of the calendar quarter on crude oil
21 delivered to the port during the preceding calendar quarter. If the
22 fee is not paid before the end of the month in which it becomes due,
23 the fee becomes delinquent.

24 (b) The fee shall be paid by the person delivering the crude oil
25 to the port for transportation.

26 (c) In making settlement with the royalty owner the person
27 paying the fee may deduct the amount of the fee paid on royalty oil,
28 or may at the time the fee becomes due deduct royalty oil equivalent
29 in value to the amount of the fee paid.

1 (d) The fee shall be paid to the department, and the person
2 paying the fee shall file with the department at the time the fee is
3 required to be paid a report, under oath, on forms prescribed by or
4 acceptable to the department, giving with other information required,
5 the following:

6 (1) the name of the person paying the fee;

7 (2) the total volume of the crude oil delivered for trans-
8 portation; and

9 (3) the name of the first purchaser and the price received
10 for the crude oil if sold in the state.

11 (e) Reports by or on behalf of the person required to report
12 under (d) of this section are delinquent the first day following the
13 day the fee is due. Each person required to report under (d) of this
14 section is subject to a penalty of \$1,000 a day for each day during
15 which the report is not filed. The penalty for failure to file a
16 report is in addition to the penalty for delinquent fees under (h) of
17 this section, and is a lien against the assets of the person required
18 to report under (d) of this section.

19 (f) The department may

20 (1) require a person who is obligated to pay the fee due
21 under this chapter, the agent or employee of the person, or the owner
22 or former owner of a royalty interest in crude oil, to furnish addi-
23 tional information that is considered by the department as necessary
24 to compute the amount of the fee;

25 (2) examine the books, records, and files of a person
26 identified in (1) of this subsection;

27 (3) conduct hearings and compel the attendance of witnesses
28 and the production of books, records, and papers of any person identi-
29 fied in (1) of this subsection; and

1 (4) make an investigation or hold an inquiry that is con-
2 sidered necessary to a disclosure of the facts as to the volume of
3 crude oil transported.

4 (g) The department may determine whether or not a report re-
5 quired under this chapter is correct. If a person makes an untrue or
6 incorrect report, or fails or refuses to make a report, the department
7 shall, under regulations prescribed by it, determine the correct
8 amount of crude oil on which the fee is payable and compute the fee.

9 (h) When the fee provided for in this chapter becomes delin-
10 quent, it bears interest at the rate prescribed in AS 43.05.225. If a
11 person fails to make a report required by this chapter within the time
12 prescribed by law for the report, the department shall examine the
13 books, records, and files of the person to determine the amount and
14 value of the crude oil delivered to compute the fee, and the depart-
15 ment shall add to the fee the cost of the examination, together with
16 any penalties accrued.

17 (i) In case of overpayment, duplicate payment, or payment made
18 in error, the department may issue a certificate stating the facts and
19 the amount of the refund to which the person required to pay the fee
20 is entitled. Upon presentation of the certificate to the Department
21 of Administration, the Department of Administration shall issue a
22 warrant for the refund.

23 (j) The department may adopt regulations for the purpose of
24 making and filing reports required by this chapter and otherwise
25 necessary to the enforcement of this chapter. The department may
26 require a sufficient bond from every person charged with the making
27 and filing of reports and the payment of the fee. The bond shall run
28 to the state and shall be conditioned upon the making and filing of
29 reports as required by law, upon compliance with the regulations of

1 the department, and for the prompt payment, by the principal on the
2 bond, of all fees due the state by virtue of this chapter.

3 (k) If reports required have not been filed or are insufficient
4 to furnish the information required by the department, the Department
5 of Law shall institute, in the name of the state upon relation of the
6 department, the necessary action or proceedings to enjoin the person
7 from continuing operations until the reports are filed.

8 Sec. 43.59.030. DISPOSITION OF PROCEEDS OF FEE. (a) The com-
9 missioner shall deposit the proceeds of the fee into the general fund.

10 (b) The commissioner of administration shall separately account
11 for all proceeds of the fee deposited into the general fund.

12 Sec. 43.59.040. USE OF REVENUE DERIVED FROM FEE. The legisla-
13 ture may appropriate the annual estimated balance of the account
14 established under AS 43.59.030 to the oil and hazardous substance
15 emergency containment fund under AS 46.04.300.

16 Sec. 43.59.050. SUSPENSION AND REIMPOSITION OF THE FEE. (a)
17 Not later than 30 days after the end of each calendar quarter, the
18 commissioner of administration shall determine the cumulative total of
19 money

20 (1) that has been deposited through that calendar quarter
21 into the general fund under AS 43.59.030;

22 (2) expended through that calendar quarter from the oil and
23 hazardous substance emergency containment fund under AS 46.04.300.

24 (b) Within 15 days after making the determinations required by
25 (a) of this section, the commissioner of administration shall report
26 to the commissioner the difference between the amount determined under
27 (a)(1) of this section and amount determined under (a)(2) of this
28 section.

29 (c) If the commissioner of administration reports that the

1 difference determined under (b) of this section equals or exceeds
2 \$20,000,000, the commissioner of revenue shall suspend imposition and
3 collection of the fee levied and collected under AS 43.59.010. Sus-
4 pension of the imposition and collection of the fee begins on the
5 first day of the calendar quarter next following the commissioner's
6 receipt of the commissioner of administration's report under (b) of
7 this section. Before the first day of a suspension authorized by this
8 subsection, the commissioner shall make a reasonable effort to notify
9 all persons who are known to the department to be paying the fee under
10 this chapter that the fee will be suspended.

11 (d) Except as provided in AS 43.59.060, if the commissioner of
12 administration reports that the difference determined under (b) of
13 this section is less than \$20,000,000, the commissioner of revenue
14 shall require imposition and collection of the fee authorized under
15 AS 43.59.010. Reimposition of the fee begins on the first day of the
16 calendar quarter next following the commissioner's receipt of the
17 commissioner of administration's report under (b) of this section.
18 Before the first day of reimposition of the fee authorized by this
19 subsection, the commissioner shall make a reasonable effort to notify
20 all persons who are known to the department to be required to pay the
21 fee under this chapter that the fee will be reimposed.

22 Sec. 43.59.060. FEE NOT IMPOSED. The fee authorized by this
23 chapter is not levied during any fiscal year for which the estimated
24 revenue from the fee would be sufficient to restore the balance of the
25 oil and hazardous substance emergency containment fund on the first
26 day of the fiscal year to at least \$20,000,000, and the legislature
27 does not, during the regular legislative session preceding the first
28 day of the fiscal year, appropriate money from the general fund to the
29 oil and hazardous substance emergency containment fund sufficient to

1 restore the balance of the oil and hazardous substance emergency
2 containment fund on the first day of the fiscal year to at least
3 \$20,000,000.

4 Sec. 43.59.100. DEFINITIONS. In this chapter

5 (1) "barrel of oil" has the meaning given in AS 43.55.140;

6 (2) "fee" means the fee levied by AS 43.59.010;

7 (3) "lease or property" has the meaning given in AS 43.55.-
8 140;

9 (4) "navigable water" has the meaning given in AS 38.05.-
10 965;

11 (5) "oil" has the meaning given in AS 43.55.140;

12 (6) "ownership or right to which is exempt from taxation"
13 has the meaning given in AS 43.55.140;

14 (7) "vessel" has the meaning given in AS 46.04.900.

15 * Sec. 2. AS 46.04.090(a) is amended to read:

16 (a) The department, when feasible, shall enter into contracts
17 with persons or private organizations to provide the personnel, equip-
18 ment, or other services or supplies that [WHICH] may be required to
19 carry out this chapter. Contracts under this section are governed by
20 AS 36.30 (State Procurement Code). When private contracting is not
21 feasible, the department shall [MAY] establish and maintain at ports,
22 harbors, or other locations in the state from which crude oil is
23 regularly transported by vessel and may establish at other locations
24 [.] the cleanup personnel, equipment, and supplies that [WHICH], in
25 its judgment, are necessary to carry out this chapter.

26 * Sec. 3. AS 46.04.120 is amended by adding a new paragraph to read:

27 (18) "navigable water" has the meaning given in AS 38.05.-
28 965.

29 * Sec. 4. AS 46.04 is amended by adding new sections to read:

ARTICLE 2. OIL AND HAZARDOUS SUBSTANCE DISCHARGE AND
PREVENTION CONTINGENCY PLANS.

Sec. 46.04.200. STATE MASTER PLAN. (a) The department shall prepare and annually review and revise a statewide master oil and hazardous substance discharge and prevention contingency plan.

(b) The state master plan prepared under this section must

(1) take into consideration the elements of an oil discharge contingency plan approved or submitted for approval under AS 46.04.030;

(2) clarify and specify the respective responsibilities of each of the following in the assessment, containment, and cleanup of a catastrophic oil discharge or of a significant discharge of a hazardous substance into the environment of the state:

(A) agencies of the state;

(B) municipalities of the state;

(C) appropriate federal agencies;

(D) operators of facilities;

(E) private parties whose land and other property may be affected by the oil or hazardous substance discharge; and

(F) other parties identified by the commissioner as having an interest in or the resources to assist in the containment and cleanup of an oil or hazardous substance discharge;

(3) specify the respective responsibilities of parties identified in (2) of this subsection in an emergency response; and

(4) identify actions necessary to reduce the likelihood of catastrophic releases.

(c) In preparing and annually reviewing the state master plan, the commissioner

(1) shall consult with municipal and community officials,

1 and with representatives of affected regional organizations;

2 (2) may submit the draft plan to the public for review and
3 comment; and

4 (3) may require or schedule unannounced oil spill drills to
5 test the sufficiency of an oil discharge contingency plan approved
6 under AS 46.04.030 or of the cleanup plans of a party identified under
7 (b)(2) of this section.

8 Sec. 46.04.210. REGIONAL MASTER PLAN. (a) For any region of
9 the state, the boundaries of which are determined by the commissioner
10 by regulation, in which the department is required to review and
11 approve an oil discharge contingency plan submitted by a person under
12 AS 46.04.030, the department shall prepare and annually review and
13 revise a regional master oil and hazardous substance discharge and
14 prevention contingency plan.

15 (b) The provisions of AS 46.04.200(b) and (c) apply to prepara-
16 tion and review of a regional master plan under this section.

17 ARTICLE 3. OIL AND HAZARDOUS SUBSTANCE SPILL CONTAINMENT FUND.

18 Sec. 46.04.300. OIL AND HAZARDOUS SUBSTANCE EMERGENCY CONTAIN-
19 MENT FUND. (a) The oil and hazardous substance emergency containment
20 fund is established. The fund is a nonlapsing, revolving fund in the
21 department.

22 (b) The legislature may appropriate to the fund established in
23 (a) of this section the revenue annually derived from the fee levied
24 and collected under AS 43.59.

25 Sec. 46.04.310. DUTIES OF COMMISSIONER. The commissioner shall

26 (1) administer the fund;

27 (2) pay from the fund, without regard to fault, all direct
28 costs of emergency evaluation, containment, and cleanup efforts in-
29 curred by the state that relate to natural resources of the state

1 caused by discharge of oil or a hazardous substance into the navigable
2 waters of the state; and

3 (3) make an annual report to the legislature and governor
4 that

5 (A) describes the quality and quantity of discharges
6 of oil and hazardous substances into the navigable waters of the
7 state;

8 (B) relates the costs paid for from the fund;

9 (C) relates the environmental effect on the resources
10 of the state as a result of the discharges;

11 (D) describes the operational status of the oil and
12 hazardous substance response office and corps established under
13 AS 46.08.100 - 46.08.120, the condition of its equipment, and
14 whether additional personnel, equipment, supplies, or other
15 materials are required for the oil and hazardous substance
16 response office and corps to function effectively; and

17 (E) recommends whether there are changes necessary in
18 the legislation relating to the office, the corps, or the fund.

19 Sec. 46.04.320. USE OF FUND. (a) The commissioner may expend
20 money from the fund under AS 46.04.310(2) only if

21 (1) the discharge is a catastrophic oil discharge that
22 constitutes an emergency under AS 46.04.080(a);

23 (2) the discharge of oil or a hazardous substance is de-
24 clared to be an emergency under AS 46.03.865;

25 (3) the governor declares the discharge an emergency under
26 AS 26.23; or

27 (4) the commissioner reasonably believes that there has
28 been a discharge of oil or a hazardous substance, or that there is a
29 potential discharge of oil or a hazardous substance, and the discharge