

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: _____ Agency Affected: Administration
Title: * See below BRU: Finance

Sponsor: Kerttula and Szymanski Components:
Requestor: _____

* 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* Phone: 465-2240
Division: Finance Date: 4/17/89

Approved by Commissioner: John M. Andrews *John M. Andrews* Date: 4/17/89
Agency: Department of Administration

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



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JUNEAU, ALASKA 99801
(907) 465 4993

111 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
Division: Finance

Keith Busch

Phone: 465-2240

Date: 4/13/89

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

Date: 4/13/89

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