

SCOMM

93:18

FISCAL NOTE

STATE OF ALASKA
1993 LEGISLATIVE SESSION

BILL NO. HJR 35

Revision Date: _____	Dept. Affected: <u>Revenue</u>
Title: <u>Endorsing Approval by the United States Congress of S 254 or</u>	BRU: <u>Revenue Operations</u>
Comparable Legislation: _____	Component: <u>Oil & Gas Audit Division</u>
Sponsor: <u>Rep. Sitton</u>	
Requestor: <u>Rep. Sitton</u>	COMPONENT SERIAL NO. <u>115</u>

Expenditures/Revenues:

(Thousands of Dollars)

OPERATING	FY94	FY95	FY96	FY97	FY98	FY99
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

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

REVENUE FUND SOURCE:						
----------------------	--	--	--	--	--	--

FUNDING:

(Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY93) impact: \$ _____

ANALYSIS: (Attach a separate page if necessary)

Prepared by: Rod R. Motrant
 Division: Commissioner's Office
 Approved by Commissioner: Darrel J. Rexwinkel
 Agency: Revenue

Phone: 465-2300
 Date: 3/18/93
 Date: 3/18/93

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

Alaska State Legislature

While in Fairbanks
119 N. Cushman St.
Suite 203
Fairbanks, AK 99701
907-456-8161

RECEIVED
MAR 26 1993



While in Juneau
State Capitol
Juneau, AK 99801-1182
907-465-2327
907-465-4713

Representative Joe Sitton

TO: Representative Joe Green, Chair
House Special Committee on Oil & Gas

FROM: Representative Joe Sitton *JS*

SUBJECT: Request for Committee Hearing for HJR 35
Endorsing S 254, requiring a fee on imported oil

DATE: MARCH 26, 1993

While I realize time is escaping us, I respectfully request a hearing for House Joint Resolution 35, endorsing S 254 which would require a fee on imported oil. Since I introduced this measure on March 17, it has received quite a bit of bipartisan support. In addition, it has received a zero fiscal note from the Department of Natural Resource's Division of Oil & Gas.

Alaska State Legislature

While in Fairbanks
119 N. Cushman St.
Suite 203
Fairbanks, AK 99701
907-456-8161



While in Juneau
State Capitol
Juneau, AK 99801-1182
907-465-2327
907-465-4713

Representative Joe Sitton

SPONSOR STATEMENT FOR HOUSE JOINT RESOLUTION 35

House Joint Resolution 35 to encourages Congress to approve S 254, by Senator Bennett Johnston of Louisiana, which imposes a fee on imported oil.

Senator Johnston's bill would institute changes in the nation's energy policy that are beneficial to the state of Alaska, and the country as a whole. S 254 would set a floor price of \$25 a barrel on crude oil entering the United States. This would raise approximately \$35 billion over three years for the nation, and an estimated \$450 million for Alaska. By the year 2000, passage of S 254 into law would result in approximately \$761 million dollars in additional revenue to the state general fund and permanent fund.

By making imported oil less attractive, the bill would thereby reduce our dependence on foreign oil, help balance the trade deficit, promote energy conservation, and encourage development of a domestic industry in renewable and alternative fuels.

At present, imported oil constitutes approximately 50% of our national trade deficit, and this bill would be significant step towards solving that problem. On a statewide level, this helps ensure that we receive a premium price for Alaskan oil from existing wells, and encourages domestic production which in turn creates more jobs for Alaskans.

I urge you to support HJR 35. It promotes sound national policy, and creates a better economic climate for Alaskans.

**FORECASTS OF POSSIBLE REVENUE TO ALASKA FROM U. S. SENATE 254
(Millions of Dollars)**

Fiscal Year	Annual GF Only	Cumulative GF	Annual GF and PF	Cumulative GF and PF
1994	\$132	\$132	\$152	\$152
1995	126	258	144	296
1996	119	377	136	432
1997	106	483	121	553
1998	96	579	110	663
1999	85	664	98	761

This table assumes that Senate 254 passes into law and effectively places a \$25 floor on the domestic price of crude oil.

Note: Forecasts consistent with Spring 1993 Revenue Estimates prepared by the Department of Revenue.

Prepared by the Legislative Research Agency, March 1993 (93.172).

Letters to the Editor

Our Energy Policy Is a Disaster

To accept Jerry Taylor's libertarian manifesto ("Bush's Task: Turn Out Lights on Energy Bill," editorial page, Oct. 22), one would have to believe that the U.S.'s energy policy of the past two decades has been an unqualified success — one that has served the interests of the consumer, fostered a strong and viable domestic energy industry, and promoted our nation's economic and national security objectives. If that were indeed the case, I would agree with Mr. Taylor that government has no business intruding in this finely tuned, efficient marketplace.

But the deployment of a half-million U.S. troops to the battlefields of the Persian Gulf was hardly an example of an unfettered free market at work. The war to preserve our access to the oil supplies of the Middle East was only another example of the mindless absurdity of the hands-off philosophy toward energy policy that Mr. Taylor espouses. That policy had already resulted in two previous energy crises. It had led to a steady decline in domestic energy production, the loss of hundreds of thousands of jobs, and the transfer each year of billions of dollars from the U.S. Treasury to the coffers of the Organization of Petroleum Exporting Countries.

Confronted with the stark consequences of our reliance on unstable sources of oil from the Middle East, the American people concluded correctly that the energy policy of the past was an abject failure. They demanded change.

The legislation I sponsored, and which was approved on the final day of the 102nd Congress, was the product of nearly two years of bipartisan negotiation and compromise. True, it may not go far enough to satisfy some critics. But it is a far cry from the "marginal" and "parochial" bill Mr. Taylor describes. On the contrary, it is the most far reaching, balanced and progressive energy policy ever proposed.

It will produce revolutionary changes in government policy regarding energy conservation, the generation of electricity, alternative and renewable fuels, and production of domestic energy resources. It will deliver cheaper and cleaner energy to the consumer. It will ease our growing trade deficit and improve the competitive-

ness and productivity of U.S. industry by promoting investment in research, development and commercialization of new products and technologies.

If the National Energy Security Act is to be recorded, as Mr. Taylor suggests, as "a perfect monument to Congress," I, for one, would be quite honored by that.

SEN. J. BENNETT JOHNSTON (D., La.)

Chairman

Energy and Natural Resources
Committee

Washington

Mr. Taylor says the energy bill now awaiting President Bush's signature is loaded with pork, with subsidies for marginal energy sources, with unproven energy initiatives and with hidden taxes. That's not a revelation; that's the reality of getting a bill out of Congress — any Congress.

To get a major bill, committees and members have to give in order to get anything meaningful. Of course this bill is loaded, but the nation needs some of the important things in it. The president should sign it, because it was the best that Congress could do.

As we see the results, we may have to make some changes. Just 16 years ago, Congress voted to ban any new base-loaded electric power stations that would burn natural gas. Today, almost all new base-load electric power generating stations are planning to burn natural gas. The new Clean Air Act has made new coal plants very difficult to consider; oil is out, but natural gas looks great because we have 70 years of reserves.

A. DAVID ROSSIN

Los Altos Hills, Calif.

KAL Flight 'Myths' Are Still Flying High

In regard to James E. Oberg's Oct. 21 editorial-page article, "Shooting Down the Myths of KAL Flight," Mr. Oberg alleges that Robert W. Allardyce's and my "theory" about the 747's flight path "rest[s] on a map showing the airliner's allegedly zigzag course."

Mr. Oberg has it backward. The truth is

Delta, the nation's third-biggest carrier, slashed its common stock dividend to 5 cents from 30 cents.

The EPA and seven makers of computer printers announced a program to develop printers that automatically power down when not in use, reducing electricity consumption an estimated 30 percent to 50 percent and cutting power bills \$450 million annually.

More news items, Page 2

in bidding on government contracts within the community, industry and congressional sources said yesterday.

Mickey Kantor, the new U.S. trade representative, met Wednesday with several members of Congress to review the options under consideration, congressional sources said. Options reportedly include orders barring European firms from bidding on a limited array of federal contracts here, as an initial step, and the possibility of more sweeping sanctions if the administration and European Community officials cannot resolve the dispute, these sources said.

An official of a U.S. telecommunications company that was contacted by the administration said, "They asked us how we felt about

to obtain greater access to foreign markets for U.S. exporters.

A spokesman for the Office of the U.S. Trade Representative declined to comment. An official speaking for the EC said retaliation would be unfair and counterproductive, inflaming trade relations.

The Clinton administration and its European allies crossed swords earlier this week when the Commerce Department ruled that 19 nations, including Europe's major industrial powers, had violated U.S. trade laws by dumping steel exports in the United States at less than "fair market value."

The confrontation over government purchasing has been building for nearly a year, after the Bush administration warned the 12-na-

ing
ye:
a :
cal
tio
sui
al
it.
tiv
for
for
EC
ag:
U.
tra

Proposal for an Oil Import Fee Drives Up Prices by 75 Cents

Critics Call Plan Windfall for Domestic Producers

By Steven Mufson
Washington Post Staff Writer

Oil prices soared yesterday on the New York Mercantile Exchange after two Democratic senators introduced legislation for a fee on oil imported into the United States.

Though similar proposals have run into powerful opposition in the past, oil markets reacted sharply amid continuing uncertainty about what new tax measures the Clinton administration will support when it unveils its budget proposals next month.

Prices for gasoline and heating oil jumped more than 2 cents a gallon and crude oil prices surged by the largest margins since the Persian Gulf War before settling back slightly. The price for March delivery of a barrel of crude oil climbed as much as \$1.09, to \$20.75, before finishing the day at \$20.41 a barrel, up 75 cents. [Rising oil prices boosted oil stocks and, in turn, the Dow Jones industrial average. Details, Page F2.]

The oil import fee was introduced by Sen. J. Bennett Johnston (D-La.), chairman of the Senate Energy and Natural Resources Com-

mittee and a longtime friend of independent domestic oil and natural gas producers. The measure was co-sponsored by Sen. Bob Krueger (D-Tex.), who was named to the seat vacated by Treasury Secretary Lloyd Bentsen.

Johnston said he would propose setting a price floor of \$25 a barrel on crude oil entering the United States. The senator said the proposed import fee would raise \$35 billion over three years.

Supporters of the measure include 5,000 domestic oil and natural gas producers, largely concentrated in Texas, Louisiana, Oklahoma, California and Colorado. They have been encouraged by Clinton's comments last month, saying he would consider an oil import fee.

Denise A. Bode, president of the Independent Petroleum Association of America, said the import fee would help cut oil imports, which now account for about half of the oil consumed in the United States and which now are the biggest component of the U.S. trade deficit.

Seizing on environmental concerns, Bode



SEN. J. BENNETT JOHNSTON
... fee would raise \$35 billion over three years

said the measure also would encourage conservation.

Bode said that the administration's focus on jobs should make it sympathetic to the measure. "This administration is willing to look at domestic industry, as shown by its attention to the steel industry," she said. "Our industry has lost three times as many jobs as the auto or steel industries."

See OIL, F5, Col. 1

BILL TEXT Report for S.254

As introduced in the Senate, January 28, 1993

103d CONGRESS
1st Session

S. 254

To amend the Internal Revenue Code of 1986 to impose a fee on the importation of crude oil or refined petroleum products.

IN THE SENATE OF THE UNITED STATES
January 28 (legislative day, January 5), 1993
Mr. Johnston (for himself and Mr. Krueger) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL
To amend the Internal Revenue Code of 1986 to impose a fee on the importation of crude oil or refined petroleum products.

=====

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "Energy Security Tax Act".

SEC. 2. FEE ON IMPORTED CRUDE OIL OR REFINED PETROLEUM PRODUCTS.

(a) In General.--Subtitle E of the Internal Revenue Code of 1986 (relating to alcohol, tobacco, and certain other excise taxes) is amended by adding at the end thereof the following new chapter:

"CHAPTER 55--IMPORTED CRUDE OIL, REFINED PETROLEUM PRODUCTS, AND PETROCHEMICAL FEEDSTOCKS OR DERIVATIVES

"Sec. 5886. Imposition of tax.

"Sec. 5887. Definitions.

"Sec. 5888. Registration.

"Sec. 5889. Procedures; returns; penalties.

"Sec. 5890. Adjustment for inflation.

"SEC. 5886. IMPOSITION OF TAX.

"(a) Imposition of Tax.--In addition to any other tax imposed under this title an excise tax is hereby imposed on--

- "(1) the first sale within the United States of--
 - "(A) any crude oil,
 - "(B) any refined petroleum product, or
 - "(C) any petrochemical feedstock or petrochemical derivative, that has been imported into the United States, and
- "(2) the use within the United States of--
 - "(A) any crude oil,
 - "(B) any refined petroleum product, or
 - "(C) any petrochemical feedstock or petrochemical derivative, that has been imported into the United States if no tax has been imposed with respect to such crude oil or refined petroleum product prior to such use.
- "(b) Rate of Tax.--
 - "(1) Crude oil.--For purposes of paragraphs (1)(A) and (2)(A) of subsection (a) the rate of tax shall be the excess, if any, of--
 - "(A) \$25 per barrel, over
 - "(B) the most recently published average price of a barrel of internationally traded oil.
 - "(2) Refined petroleum product.--For purposes of paragraphs (1)(B) and (2)(B) of subsection (a), the rate of tax shall be the excess, if any, of--
 - "(A) \$27.50 per barrel, over
 - "(B) the most recently published average price of a barrel of internationally traded oil.
 - "(3) Petrochemical feedstock or petrochemical derivative.--For purposes of paragraphs (1)(C) and (2)(C) of subsection (a), the rate of tax shall be equal to the rate of tax determined under paragraph (2) of this subsection, except that 'barrel equivalent of crude oil feedstocks used in the manufacture of such petrochemical feedstocks or petrochemical derivative' shall be substituted for 'barrel' in paragraph (2)(A) of this subsection.
 - "(4) Fractional parts of barrels.--In the case of a fraction of a barrel, the tax imposed by subsection (a) shall be the same fraction of the amount of such tax imposed on the whole barrel.
- "(c) Determination of Average Price.--
 - "(1) In general.--For purposes of this section, the average price of internationally traded oil with respect to any week during which the tax under subsection (a) is imposed shall be determined by the Secretary and published in the Federal Register on the first day of such week.
 - "(2) Basis of determination.--For purposes of paragraph (1), the Secretary, after consultation with the Administrator of the Energy Information Administration of the Department of Energy, shall determine the average price of internationally traded oil for the preceding 4 weeks, pursuant to the formula for determining such international price as is used in publishing the Weekly Petroleum Status Report and as is in effect on the date of enactment of this section.
- "(d) Liability for Payment of Tax.--
 - "(1) Sales.--The taxes imposed by subsection (a)(1) shall be paid by the first person who sells the crude oil, refined petroleum product, petrochemical feedstock, or petrochemical derivative within the United States.
 - "(2) Use.--The taxes imposed by subsection (a)(2) shall be paid by the person who uses the crude oil, refined petroleum product, petrochemical feedstock, or petrochemical derivative.

"For purposes of this chapter--

"(1) Crude oil.--The term 'crude oil' means crude oil other than crude oil produced from a well located in the United States or a possession of the United States.

"(2) Barrel.--The term 'barrel' means 42 United States gallons.

"(3) Refined petroleum product.--The term 'refined petroleum product' shall have the same meaning given to such term by section 3(5) of the Emergency Petroleum Allocation Act of 1973 (15 U.S.C. 752(5)).

"(4) Export.--The terms 'export' and 'exported' include shipment to possession of the United States.

"SEC. 5888. REGISTRATION.

"Every person subject to tax under section 5886 shall, before incurring any liability for tax under such section, register with the Secretary.

"SEC. 5889. PROCEDURES; RETURNS; PENALTIES.

"For purposes of this title, any reference to the tax imposed by section 5886 shall be treated, except to the extent provided by the Secretary by regulation where such treatment would be inappropriate, in the same manner as the tax imposed by section 4986 was treated immediately before its repeal by the Omnibus Trade and Competitiveness Act of 1988."

"SEC. 5890. ADJUSTMENT FOR INFLATION.

"The \$25 per barrel price referred to in section 5886(b)(1) and the \$27.50 per barrel price referred to in section 5886(b)(2) shall be changed during any calendar year after 1993 by the percentage if any by which the Consumer Price Index changed during the preceding calendar year, as defined in section (1)(f)(4) of title 26 of the United States Code."

(b) Conforming Amendment.--The table of chapters for subtitle E is amended by adding at the end thereof the following new item:

"Chapter 55. Imported crude oil, refined petroleum products, and petrochemical feedstocks or derivatives."

(c) Deductibility of Imported Oil Tax.--The first sentence of section 164(a) (relating to deductions for taxes) is amended by inserting after paragraph (5) the following new paragraph:

"(6) The imported oil taxes imposed by section 5886."

(d) Effective Date.--The amendments made by this section shall apply with respect to sales and uses of imported crude oil, imported refined petroleum products, petrochemical feedstocks, or petrochemical derivatives on or after the date of enactment of this Act.