

12006

SENATE

RESOURCES

0072

**SB**

**278**

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SB 278  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Fish and Game  
Title: An Act Creating the Alaska Climate Change Task Force RDU: Administration and Support  
Component: Commissioner's Office  
Sponsor: Senator Donny Olson  
Requester: Senate Resource Committee Component No.: 2175

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel	5.0	5.0				
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
1002 Federal Receipts						
1003 GF Match						
1004 GF	5.0	5.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0  
Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
The Task Force will conduct hearings around the state. There will be four hearings in FY07 and four hearings in FY08. The travel costs are for the commissioner or his designee to attend these meetings.

Prepared by: Sarah A. Gilbertson, Legislative Liaison Phone: 465-6137  
Division: Commissioner's Office Date/Time: 4/11/06 5:00 PM  
Approved by: Commissioner McKie Campbell Date: 4/11/2006  
Agency: Alaska Department of Fish and Game

## FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

BILL NO. SB276-DNR-DGGS-04-10-06

### ANALYSIS CONTINUATION

\*\*\* The fiscal impact of this legislation is **indeterminate** at this time. Properly identifying specific circumstances of flooding, erosion, land stability, changes to permafrost due to climate changes, impacts to development infrastructure, exploration activities (i.e., tundra travel), and forest health and management, could take significant in-depth research on existing data, as well as the possibility of additional data gathering and interpretation. This work could also entail the purchase of remote sensing data and analysis of such data depending on the scientific level of the proposed assessment and recommendations. Alternatively, the task force could merely rely on the combined expertise of the members and make recommendations for future research and assessment needs to the Legislature from that basis. In the latter scenario the fiscal note could be -0-

# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SB 278  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Fish and Game  
Title: An Act Creating the Alaska Climate Change Task Force RDU: Administration and Support  
Sponsor: Senator Donny Olson Component: Commissioner's Office  
Requester: Senate Resources Committee Component No.: 2175

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel	5.0	5.0				
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5.0	5.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify type--Do not abbreviate)						
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The Task Force will conduct hearings around the state. There will be four hearings in FY07 and four hearings in FY08. The travel costs are for the commissioner or his designee to attend these meeting.

Prepared by: Sarah A. Gilbertson, Legislative Liaison  
Division: Commissioner's Office  
Approved by: Commissioner McKie Campbell  
Agency: Alaska Department of Fish and Game

Phone: 465-6137  
Date/Time: 4/11/06 5:00 PM  
Date: 4/11/2006

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB278-DNR-DGGS-04-10-06  
 ( ) Publist Date: \_\_\_\_\_

Revision Date/Time (note if correction) \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title: AK Climate Change Task Force RDU: Resource Development  
 Component: Geological Land Development  
 Sponsor: Senator Olson  
 Requester: (S) RES Component No: 1031

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>*** INDETERMINATE ***</b>					

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>*** INDETERMINATE ***</b>					

Estimate of any current year (FY2006) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

SB278 would create the Alaska Climate Change Task Force composed of 13 members including one ex-officio member of the Commissioner, or designee, from the Department of Natural Resources. The purpose of the Task Force is to: 1) assess the current and potential impacts of climate warming trends on state citizens, natural resources, and the economy, in particular, the adverse effects on natural resource development, forest safety, fish and game utilization, and transportation and community infrastructures. 2) estimate the cost to the state and its citizens of adverse effects associated with climate warming, and 3) make recommendations to the legislature and the administration on measures that would address or mitigate the near and long-term affects of climate change.  
 (continued on next page)

Prepared by: Robert Swenson, Acting Director Phone: 451-5001  
 Division: Geological and Geophysical Surveys Date/Time: 4/10/2006  
 Approved by: Michael Menge, Commissioner Date: 4/10/2006  
 Agency: Natural Resources

## FISCAL NOTE

STATE OF ALASKA  
2006 LEGISLATIVE SESSION

BILL NO. SB278-ENR-DIGGS-04-10-06

### ANALYSIS CONTINUATION

\*\*\* The fiscal impact of this legislation is **indeterminate** at this time. Properly identifying specific circumstances of flooding, erosion, land stability, changes to permafrost due to climate changes, impacts to development infrastructure, exploration activities (i.e., tundra travel), and forest health and management, could take significant in-depth research on existing data, as well as the possibility of additional data gathering and interpretation. This work could also entail the purchase of remote sensing data and analysis of such data depending on the scientific level of the proposed assessment and recommendations. Alternatively, the task force could merely rely on the combined expertise of the members and make recommendations for future research and assessment needs to the Legislature from that basis. In the latter scenario the fiscal note could be -0-.

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 278  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
 Title: An Act Creating the Alaska Climate Change Task RDU: Administration and Support  
 Force and providing for an effective date: \_\_\_\_\_ Component: Commissioner's Office  
 Sponsor: Senator Olson  
 Requester: Senate Resources Component No.: 530

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel	5.0	5.0				
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5.0	5.0				
1005 GF Program Receipts						
1037 GF Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The Task Force will conduct hearings around the state. There will be four hearings in FY07 and four hearings in FY08. The travel costs are for the commissioner or his designee to attend these meeting.

Prepared by: Mary Siroky  
 Division: Commissioner's Office  
 Approved by: John MacKinnon  
 Agency: Dept. of Transportation and Public Facilities

Phone: 465-4772  
 Date/Time: 4/12/06 8:30 AM  
 Date: 4/12/2006

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 278  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Dept of Environmental Cons  
 Title: Alaska Climate Change Task Force RDU: Administrative Services  
 Component: Commissioner's Office  
 Sponsor: Senator Donny Olson  
 Requester: Senate Resources Committee Component No. 633

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel	5.0	5.0				
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5.0	5.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This legislation would require the DEC Commissioner or his designee to attend at least eight meetings around the state of the Alaska Climate Change Task Force in FY07 and FY08. The travel costs are for this person to attend those meetings.

Prepared by: Tim Barry Phone 465-5066  
 Division: Office of the Commissioner Date/Time 4/11/06 5:00 PM  
 Approved by: Dan Easton, Deputy Commissioner Date 4/12/2006  
 Agency: Department of Environmental Conservation

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 278  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Legislature  
 Title: "An Act creating the Alaska Climate Change BRU Legislative Council  
Task Force and providing for an effective date." Component: Council and Subcommittees  
 Sponsor: Senator Olson  
 Requestor: Senate Resources Component No. 783

**Expenditure / Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	68.0	64.0	0.0	0.0	0.0	0.0
Travel	42.0	37.0	0.0	0.0	0.0	0.0
Contractual	1.5	1.5	0.0	0.0	0.0	0.0
Supplies	0.5	0.5	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>112.0</b>	<b>103.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	112.0	103.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>112.0</b>	<b>103.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

SB 278 establishes a thirteen member Alaska Climate Change Task Force made up of four Legislators and nine public members appointed by the Presiding Officers. The Task Force will conduct hearings around the state, four hearings in FY07, and four hearings in FY08. Travel costs for the Legislators and public members are included in this fiscal note. Travel costs for Executive Branch members will be absorbed within Executive Branch budgets. The Task Force will study the effects of climate change within Alaska and shall prepare a report offering recommendations to the Legislature and the Administration on measures that would address or mitigate the near and long-term effects of climate change. The Task Force will be assisted by a Range 15 support position. The Task Force will have a contractual budget for phone and other expenses and a supply budget for the purchase of supplies and research materials. Teleconference costs and the costs for printing the reports will be absorbed within the Legislative Affairs Agency budget. The Task Force will end on June 1, 2008.

Prepared by: Karla Schofield, Deputy Director  
 Division: Administrative Services  
 Approved by: Pamela Varni, Executive Director  
 Agency: Legislative Affairs Agency

Phone: 465-6626  
 Date/Time: 4/10/06 4:36 PM  
 Date: 4/10/2006

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 278  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: DOT&PF  
 Title: An Act Creating the Alaska Climate Change Task RDU: Administration and Support  
 Force and providing for an effective date: \_\_\_\_\_ Component: Commissioner's Office  
 Sponsor: Senator Olson  
 Requester: Senate Resources Component No. 530

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel	5.0	5.0				
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	5.0	5.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type- Do not abbreviate)						
<b>TOTAL</b>	<b>5.0</b>	<b>5.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

The Task Force will conduct hearings around the state. There will be four hearings in FY07 and four hearings in FY08. The travel costs are for the commissioner or his designee to attend these meeting.

Prepared by: Mary Siroky Phone 465-4772  
 Division: Commissioner's Office Date/Time 4/12/06 8:30 AM  
 Approved by: John MacKinnon Date 4/12/2006  
 Agency: Dept. of Transportation and Public Facilities

**Senate Resources**

**April 12, 2006**

**SB 278 – Sponsor Packet**

Cover Memo \_\_\_\_\_ 1 page

Sponsor Statement \_\_\_\_\_ 2 pages

Important Points on SB 278 \_\_\_\_\_ 3 pages

SB 278 \A version \_\_\_\_\_ 2 pages

Fiscal Note(s): ---not yet received---

Total Pages \_\_\_\_\_ 8 pages

# Alaska State Legislature

Out of Session  
PO Box 531  
Golovin, Alaska 99762  
(907) 443-5599

In Session  
State Capitol, Suite 510  
Juneau, Alaska 99801-1182  
(800) 597-3707  
(907) 465-3707  
(907) 465-4821 Fax

## SENATOR DONALD C. OLSON

### DISTRICT T

Alakanuk  
Ambler  
Anaktuvuk Pass  
Atkasuk  
Barrow  
Brevig Mission  
Browerville  
Buckland  
Chevak  
Doering  
Diomedes  
Elim  
Emmonak  
Gambell  
Golovin  
Hooper Bay  
Kaktovik  
Kiana  
Kivalina  
Kobuk  
Kotik  
Kotzebue  
Koyuk  
Mountain Village  
Noatak  
Nome  
Noorvik  
Nuiqsut  
Nunam Iqaa  
Pilot Station  
Pitka's Point  
Point Hope  
Point Lay  
Savoonga  
Scammon Bay  
Selawik  
Shaktolik  
Shishmaref  
Shungnak  
St. Mary's  
St. Michael  
Stebbins  
Teller  
Unalakleet  
Wainwright  
Wales  
White Mountain

### SPONSOR STATEMENT

#### SB 278, Alaska Climate Change Task Force

I introduced SB 278 to address the real implications that climate warming has for Alaska's economic and domestic well being. Climate change discussions usually center on the question of whether the measurable gradual warming we are currently experiencing is a natural cyclic change or the onset of some humanity induced environmental catastrophe. To many Alaskans, the reality of the warming situation is of direct and immediate concern that overshadows the global debate over causes and appropriate macro-solutions. What matters is that our region of the world is experiencing detrimental effects of the warming trend today and prospects for even the near future may be more damaging.

For these reasons, I think it is important for the state to take a hard and honest look at what can be expected if warming temperatures continue. What are the implications for the social and economic health of our citizens, communities, and industries? Right now there are too many unanswered questions. What effect will this have on our forests, fish and game resources, river and shore line erosion? What does it mean for permafrost stability in areas of our homes, our community facilities, our roads and airports, our pipeline? How will it affect new development opportunities in Arctic and sub Arctic Alaska?

SB 278 creates an Alaska Climate Change Task Force to review and analyze warming impacts on Alaska and its citizens. This task force will be made up of thirteen individuals from diverse backgrounds. Five will have some expertise in Arctic climatology, geology, engineering, ecology or other appropriate discipline. There are four representatives of state agencies that have key responsibilities for the state's resources and transportation infrastructure.

The task force is charged with the following:

- Assess current and potential aspects of climate warming on the citizens, natural resources, and economy,
- Estimate the costs to the state and its citizens caused by climate warming, and

- Make recommendations to address the near and long-term effects of climate change on Alaska.

Climate change is one of the most important challenges to our way of life. This legislation is an important first step in preparing the state for the impacts.

①

Why It is Important for the Alaska Legislature to  
Create an **Alaska Climate Change Commission or Task Force** in 2006  
In Support of SB 278 and HCR 30

**Why Alaska Needs a Climate Change Commission Now:**

**1) Climate change is significantly impacting Alaska.** Throughout Alaska, climate change is affecting every aspect of our state: infrastructure; communities; fish and wildlife; forests and other vegetation; fire hazard; winter activities; sea ice; permafrost; glaciers; lakes and rivers; oceans; transportation; health; hunting and fishing opportunities; storms; and coastal erosion; while causing significant economic and social impacts for Alaska citizens.

**2) These impacts need to be understood and quantified.** Setting aside *causes* of this warming trend, state government should draw, to the greatest extent possible, upon the many scientific reports on the potential *effects* so that Alaska can:

- Reduce and adapt to these impacts through proactive mitigation, where possible;
- Seek appropriate federal appropriations and grants to address the impacts; and
- Begin capitalizing strategically on opportunities associated with climate change.
- Partner with states and corporations that are developing mitigation strategies.

**3) The Commission should be established now.** It is important to create the Commission *now* so that it can assemble - by 2008 - needed economic, scientific, engineering and public information about climate change in Alaska because:

- Certain impacts need prompt attention in terms of federal appropriations and/or other proactive mitigation;
- Federal legislation may be passed in the near future to address climate change. This legislation likely will have provisions regarding adaptation and compensation, and Alaska will need to provide detailed analysis and documentation to obtain its fair share.
- There is an increasing need among Alaska community leaders, state officials, planners, managers, businesses, and others to understand future scenarios for climate change and how they can and should most effectively respond to it.

**Why a Climate Change Commission/Task Force Will Help Alaskans:**

**1) Coastal Communities at Risk**

**Problem:** Climate change is threatening many of Alaska's coastal communities because of increased storms, erosion, warming permafrost and sea-level rise. A 2004 Government Accountability Office report estimated that 86 percent of Alaska Native villages experience flooding and erosion, with many in imminent danger. The estimated cost of relocating just one of these villages ranges from \$100 million to \$400 million.

**Why a Commission/Task Force is Needed:** The Commission will gather the data necessary to assess the scope of the problem; develop strategies for addressing the problem (engineering solutions, social service needs, relocation as necessary, etc.); and determine the costs for implementing those strategies, which will be communicated to our Congressional delegation and others.

**2) Fisheries Threats**

**Problem:** Warming ocean and river temperatures, increased siltation from melting glaciers, and new parasites and diseases threaten Alaska fisheries and the billion dollar economy and 49,000 jobs it supports. Salmon in particular are threatened by many aspects of climate change, with river temperatures increasing throughout Alaska and the emergence of the disease Ichthyophonus in Yukon River salmon.

**Why a Commission/Task Force is Needed:** The Commission will assess the threat to fisheries, analyze potential mitigation methodologies (including management, research, and enhancement), and make recommendations to the legislature based on the best information from ADF&G, the scientific community, fishermen, and others.

**3) Permafrost Melting -- Impacts on Transportation and Other Infrastructure**

**Problem:** Permafrost is found over approximately 80 percent of Alaska. The average temperature of permafrost in Alaska has increased 3°F since the early 1980s, leading to shrinking wetlands, lakes and ponds and damaging roads, buildings, airstrips, and utilities.

**Why a Commission/Task Force is Needed:** The Commission will assess the amount of damage that is likely to be caused by melting permafrost to existing structures and roads, quantify those costs for maintenance and mitigation relief, and help recommend the best available engineering and other solutions to minimize future infrastructure damage. This will benefit businesses throughout Alaska and Alaska's overall economy.

**4) Forest Diseases, Fires and Other Concerns.**

**Problem:** Climate change is having an impact on all of Alaska's forests. In Southeast, yellow cedar is dying off from root exposure in the winter; in Southcentral, nearly 4 million acres of mature white spruce forest was killed by spruce bark beetle infestation; in the Interior, forest fires have ravaged more than 10 million acres in the last three years.

**Why a Commission/Task Force is Needed:** Scientists, land managers, the legislature, and the public need to assess and then examine how adaptively manage our forests in a changing climate. Economic analysis is also need to determine what impacts these threats will have on the forest products industry and the hundreds of jobs it supports.

**5) Public Health and Safety**

**Problem:** Increased flooding and infrastructure damage, unstable river and sea ice, expanded animal ranges, rising temperatures, and other climate impacts will affect health and safety throughout Alaska. New diseases such as West Nile Virus could arrive, as well as.

**Why a Commission/Task Force is Needed:** To identify wastewater collection, treatment and disposal systems threatened by increased storms and unstable permafrost; analyze health impacts of the loss of traditional foods and hunting/fishing opportunities; and, develop a plan for treating emerging health effects.

**6) Winter Events and Tourism**

**Problem:** Many Alaskan communities depend on winter events to generate off season income. These events, such as Fur Rondy races, are often faced with cancellation, due to lack of snow. Community, private ski facilities and support businesses are opening later and later and are faced with declining revenues. Major tourist attractions such as Mendenhall Glacier and Portage Glacier are also at risk.

**Why a Commission/Task Force is Needed:** The Commission will assess which of these events, sites and facilities are most susceptible to climate change impacts and make appropriate recommendations.

**7) Assessing Opportunities**

**Opportunities:** Alaska has several potential opportunities associated with climate change, such as: opening the Arctic Ocean to summer vessel traffic and commercial fishing, increased agriculture, carbon sequestration, renewable energy, etc. Federal legislation is also being developed to address climate change that may include funding to help affected areas adapt to the impacts.

**Why a Commission/Task Force is Needed:** To capitalize quickly and fully on these opportunities, decision-makers need to understand what they are and what actions need to be taken to support them. The research and analysis will also help Alaska make the case to federal policymakers that assistance is needed to adapt to climate impacts.

# ALASKA STATE LEGISLATURE



Official Business

## SENATE RESOURCES COMMITTEE

Senator Tom Wagoner, Chair

State Capitol, Room 427

Juneau, AK 99801-1182

Phone: (907) 465-4907 Fax: (907) 465-4779

Senator Ralph Seekins, Vice-Chair

Senator Ben Stevens

Senator Kim Elton

Senator Fred Dyson

Senator Bert Stedman

Senator Albert Kookesh

---

DATE: April 20, 2006

TO: Legislative Legal

FROM: Mary Jackson, Staff   
Senate Resources Committee

RE: SB 278 – Alaska Climate Change Task Force

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The Senate Resources Committee adopted SB 278 with the following amendment:

Page 2, line 23, following "chairperson" insert:  
"from among the members of the Legislature"

Please provide a final Senate Resources Committee Substitute that reflects that amendment as soon as possible.

Thank you for your time and attention.



# UNITED FISHERMEN OF ALASKA

211 Fourth Street, Suite 110  
Juneau, Alaska 99801-1172  
(907) 586-2820  
(907) 463-2545 Fax  
E-Mail: [ufa@ufa-fish.org](mailto:ufa@ufa-fish.org)  
[www.ufa-fish.org](http://www.ufa-fish.org)

April 19, 2006

Senator Thomas Wagoner, Chair  
Senate Resources Committee  
Alaska State Legislature  
State Capitol (Mail Stop 3100)  
Juneau, AK 99801-1182

Dear Senator Wagoner,

The United Fishermen of Alaska (UFA) supports SJR 17 in support of the "reopener" clause of the Exxon Valdez settlement with the State of Alaska.

UFA is in full support of pursuing the reopener clause for unforeseen damages, with the primary evidence that herring stocks have not rebounded to pre-spill abundance levels. Herring was commercially harvested in Prince William Sound before the spill, and is a critical forage fish for salmon, halibut and other commercial fisheries. It is clear that Alaska's fishermen continue to suffer unforeseen damages resulting from the spill.

UFA represents 31 Alaska commercial fishing organizations from fisheries throughout the state and its offshore waters, altogether representing thousands of Alaska commercial fishermen. We appreciate your consideration of our input on this matter.

Sincerely,

Mark Vinsel  
Executive Director

Cc: Senator Hollis French  
Senator Johnny Ellis  
Senator Kim Elton

#### MEMBER ORGANIZATIONS

Alaska Crab Coalition • Alaska Druggers Association • Alaska Longline Fishermen's Association • Armstrong Keta • At-sea Processors Association  
Bristol Bay Reserve • Concerned Area "M" Fishermen • Cook Inlet Aquaculture Association • Cordova District Fishermen United  
Douglas Island Pink and Chum • Fishing Vessel Owners Association • Groundfish Forum • Kenai Peninsula Fishermen's Association  
Kodiak Regional Aquaculture Association • North Pacific Fisheries Association • Northern Southeast Regional Aquaculture Association  
Old Harbor Fishermen's Association • Petersburg Vessel Owners Association • Prince William Sound Aquaculture Corporation  
Purse Seine Vessel Owner Association • Seafood Producers Cooperative • Southeast Alaska Herring Seiners Marketing Association  
Southeast Alaska Fisherman's Alliance • Southeast Alaska Regional Dive Fisheries Association • Southeast Alaska Seiners Association  
Southern Southeast Regional Aquaculture Association • United Catcher Boats • United Salmon Association • United Southeast Alaska Gillnetters  
Valdez Fisheries Development Association • Western Gulf of Alaska Fishermen

# Alaska State Legislature

Out of Session:  
PO Box 531  
Golovin, Alaska 99762  
(907) 443 5599

In Session:  
State Capitol, Suite 510  
Juneau, Alaska 99801-1182  
(800) 597-3707  
(907) 465-3707  
(907) 465-4821 Fax

## SENATOR DONALD C. OLSON


### DISTRICT T

Alakanuk  
Ambler  
Anaktuvuk Pass  
Atkasuk  
Barrow  
Brevig Mission  
Browerville  
Buckland  
Chevak  
Deering  
Diomedea  
Elim  
Emmonak  
Gambell  
Golovin  
Hooper Bay  
Kaktovik  
Kiana  
Kivalina  
Kobuk  
Kotlik  
Kotzebue  
Koyuk  
Mountain Village  
Noatak  
Nome  
Noorvik  
Nuiqsut  
Nunam Iqua  
Pilot Station  
Pitkas Point  
Point Hope  
Point Lay  
Savoonga  
Scammon Bay  
Selawik  
Shaktolik  
Shishmaref  
Shungnak  
St. Mary's  
St. Michael  
Stebbins  
Teller  
Unalakleet  
Wainwright  
Wales  
White Mountain

March 1, 2006

### MEMORANDUM

To: Senator Wagoner, Chair  
Senate Resources Committee

From: Senator Olson 

Re: Committee schedule for SB 278, Alaska Climate Change Task Force

I would appreciate a resources committee hearing of SB 278 at your earliest convenience. A sponsor statement and sectional is forthcoming. If you need any other information, please contact me or Dave Gray in my office.

Thank you for consideration of this request.

**Alaska Climate Change Commission/Task Force  
Proposed Witness List**

**Science**

Glenn Patrick Juday, UAF, forest impacts

Vladimir Romanovsky, UAF, permafrost

Matthew Sturm, US Army Corps of Engineers, Cold Regions Research Laboratory, snow cover and shrub growth

**Infrastructure**

John Warren, Alaska Native Tribal Health Consortium

Orson Smith, UAA, civil engineer

**Economics/Business**

Brian Davies, former BP official

Mark Foster, Mark A. Foster and Associates

Kirk Hoessle, Alaska Wildland Adventures

John Shively, Holland America

Roland Maw, United Cook Inlet Drift Association

**Alaska Natives**

Mike Williams, Alaska Inter-Tribal Council

Craig Fleener, Council of Athabascan Tribal Governments

Michael Zacharof, Aleutian Pribilof Islands Association

**SB**

**305**

**(FILE 1)**

## SB 305 PPT – Admin Presentations

Senate Resources 2-22-06

### Contents

- Cover Sheet \_\_\_\_\_ 1 page
- Glossary of Terms \_\_\_\_\_ 3 pages
- Wilson: Petroleum Profits Tax \_\_\_\_\_ 20 pages
- Dickinson: Proposed Production Tax \_\_\_\_\_ 15 pages

**Library**  
*Senate Resources Committee*

## Glossary of Terms Related to the Production Profit Tax

### Capitalize.

1. In an accounting sense, the periodic expensing (amortization) of capital costs through depreciation or depletion.
2. To convert an (anticipated) income stream to a present value by dividing by an interest rate, as in the dividend discount model.
3. To record capital outlays as additions to asset value rather than as expense.

Generally, expenditures that will yield benefits to future operations beyond the accounting period in which they are incurred are capitalized—that is, they are depreciated at either a statutory rate or a rate consistent with the useful life of the asset.

### Cash Flow

1. Net income plus depreciation, depletion, and amortization and other non-cash expenses. Usually synonymous with cash earnings and operating cash flow.
2. An analysis of all the changes that affect the cash account during an accounting period.

### Dollars-of-the Day

A term usually associated with cost estimates that indicate the effects of anticipated inflation have been taken into account. For example, if a well costs \$5 million right now in "today's dollars" (the opposite of dollars-of-the day), then the cost of the well two years from now might be estimated at \$5.51 million in dollars-of-the-day assuming a 5% inflation factor. Also called *escalated dollars*.

### Dutch Disease

The adverse results of large-scale positive shock to a single sector of a nation's economy, so named because of the problems associated with large-scale development of the Groningen Gas field in the Netherlands in the 1970s. Typically the sector of economy that is booming causes widespread inflation and other sectors, particularly agriculture, suffer from inability to attract workers. The drastic increase in foreign exchange can cause problems with local currencies and fiscal and monetary problems can occur without proper management.

### Equity Oil

Usually this term refers to oil or revenues after cost recovery (or cost oil). It is also referred to as profit oil or share oil—terms that are most often associated with PSCs. Generally speaking, the analog to equity oil in a concessionary system would be pretax cash flow. Like pretax cash flow, equity oil may also be subject to taxation.

### Expense

1. In a financial sense, a non-capital cost associated most often with operations or production.
2. In accounting, costs incurred in a given accounting period as expenses and charged against revenues. To expense a particular cost is to charge it against income during the accounting period in which it was spent. The opposite would be to capitalize the cost and charge it off through some depreciation schedule.

**Exploratory Well**

A well drilled in an unproved area. This can include: (1) a well in proved area seeking a new reservoir in a significantly deeper horizon, (2) a well drilled substantially beyond the limits of existing production. Exploratory wells are defined partly by distance from proved production and by degree of risk associated with the drilling. Wildcat wells involve a higher degree of risk than exploratory wells.

**Fiscal System**

Technically, the legislated taxation structure for a country including royalty payments. In popular language, the term includes all aspects of contractual and fiscal elements that make up a given government-foreign oil company relationship.

**Government Take**

The total government share of profit oil or revenues not associated with cost recovery. Same as government after-tax equity split and government marginal take.

**Heavy Oil**

A type of crude oil which is very viscous and does not flow easily. There is no one definition, and may be characterized as having an American Petroleum Institute [API] gravity less than 20°. The common characteristics properties are the following:

- High specific gravity
- Low hydrogen to carbon ratios
- High carbon residues and
- High contents of asphaltenes, heavy metal, sulphur and nitrogen

**Incentives**

Fiscal or contractual elements employed by host government that make petroleum exploration or development more economically attractive includes such things as:

- Royalty Holidays
- Tax holidays
- Tax credits
- Reduced government participation
- Lower government take
- Investment credits/uplifts
- Accelerated depreciation

**Intangible Drilling and Development Costs (IDCs)**

Expenditures for wages, transportation, fuel, fungible supplies used in drilling and equipping wells for production.

**Intangibles**

All intangible assets such as goodwill, patents, trademarks, unamortized debts discounts, and deferred charges.

**Investment Credit**

A fiscal incentive where the government allows a company to recover an additional percentage of tangible capital expenditure. For example, if a contractor spent \$10 million on expenditures eligible for a 20% investment credit, then the contractor would actually be able to recover \$12 million through cost recovery (see Uplift). These incentives can be taxable. Sometime the investment credit is mistakenly referred to as an investment tax credit.

**Netback**

Many royalty calculations are based upon gross revenues from some point of valuation, usually the last value off of a production platform or at the boundary of a field or license area. The point of sale, however, may be different than the point of valuation. The statutory royalty calculation may allow the transportation costs from the point of valuation to the point of sale to be deducted. This is called *netback formula*.

**Operating Profit (or Loss)**

The difference between business revenues and the associated costs and expenses exclusive of interest or other financing expenses, and extraordinary items, or ancillary activities. Synonymous with net operating profit (or loss), operating income (or loss), and net operating income (or loss).

**Production Sharing Agreement**

This (PSA) is the same as a Production Sharing Contract (PSC). While at one time this term was quite common, it is use less frequently now, and the term *Production Sharing Contract* is becoming more common.

**Production Sharing Contract**

A contractual agreement between a contractor and a host government whereby the contractor bears all exploration costs and risks and development and production costs in return for a stipulated share of the production resulting from this effort.

**Progressive Taxation**

Where tax rates increase as the basis to which the applied tax increases. Or where tax rates decrease as the basis decreases. The opposite of regressive taxation.

**Severance Tax**

A tax on the removal of minerals or petroleum from the ground, usually levied as a percentage of the gross value of the minerals removed. The tax can also be levied on the basis of so many cents per barrel or per million cubic feet of gas.

**Tax**

A compulsory payment pursuant to the authority of a government. Fines, penalties, interest, and customs duties are not taxes.

**Working Interest**

The percentage of interest ownership a company (or government) has in joint venture, partnership, or consortium. The expense-bearing interest of various working-interest owners during exploration, development, and production operations may change at certain stages of a contract or license. For example, a partner with a 20% working interest in a concession may be required to pay 30% of exploration costs but only a 20% share of development costs. With government participation, the host government usually pays no exploration expenses but pays prorated development and operating costs and expenses.

# Petroleum Profits Tax (PPT)

## Overview

Alaska Department of Revenue  
Before the Alaska State Legislature

Robynn J. Wilson

# Problems with Current Production Tax

---

- No incentive in tax system to reinvest in Alaska
- Low take (internationally) at high prices, high take at low prices
- Maturing of North Slope leads to declines in tax revenue

# Components of PPT

---

- Tax Base
- Rate
- Incentive Credits
- Base Allowance
- Transition Provision

# Gross vs. Net

## Current Tax on Gross

Value at wellhead      \$50.00

Times: tax rate            15%

Tax before ELF            \$7.50

## PPT on Net

Value at wellhead      \$50.00

Less:

Lease op exps            (12.50)

Net taxable                \$37.50

Times: tax rate            20%

Tax before  
credits                      \$7.50

# Tax Base

---

Gross value at point of production

Less: Lease expenditures

- ♦ operating costs
- ♦ capital expenditures
- ♦ allowance for overhead

# Non-deductible expenses

---

- Depreciation
- Royalty payments
- Taxes based on net income
- Interest & financing charges
- Lease acquisition costs
- Other costs

# Determining value under current system

---

West coast value

\$



# Gross Value under PPT

---

Producer can elect to use:

- Royalty value
- DOR formula that estimates a value at a specific location such as point of delivery into a common carrier pipeline

Tax Rate 20%

---

of **Net** Profits

# Incentive Credits

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- **20%** of qualified capital expenditures
  
- May be taken on:
  - ♦ Exploration costs
  - ♦ Capital costs **incurred on lease**
  
- Credits are transferable

# How are losses handled?

---

Gross value	\$50.00
less:	
Lease op exps	(12.50)
Capital exp's	<u>(60.00)</u>
Net loss (NOL)	(\$22.50)

# Net Operating Losses (NOL's)

- Can be converted to Credits
- 20% of loss

# Base Allowance

---

- \$73 million deduction
- Available to each corporation
- Cannot reduce taxable income below zero

# Other provisions

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- Monthly return filing
- 90% payment safe harbor
- Yearly true-up on 3/31
- Effective date 7/1/06

# Transition Provision

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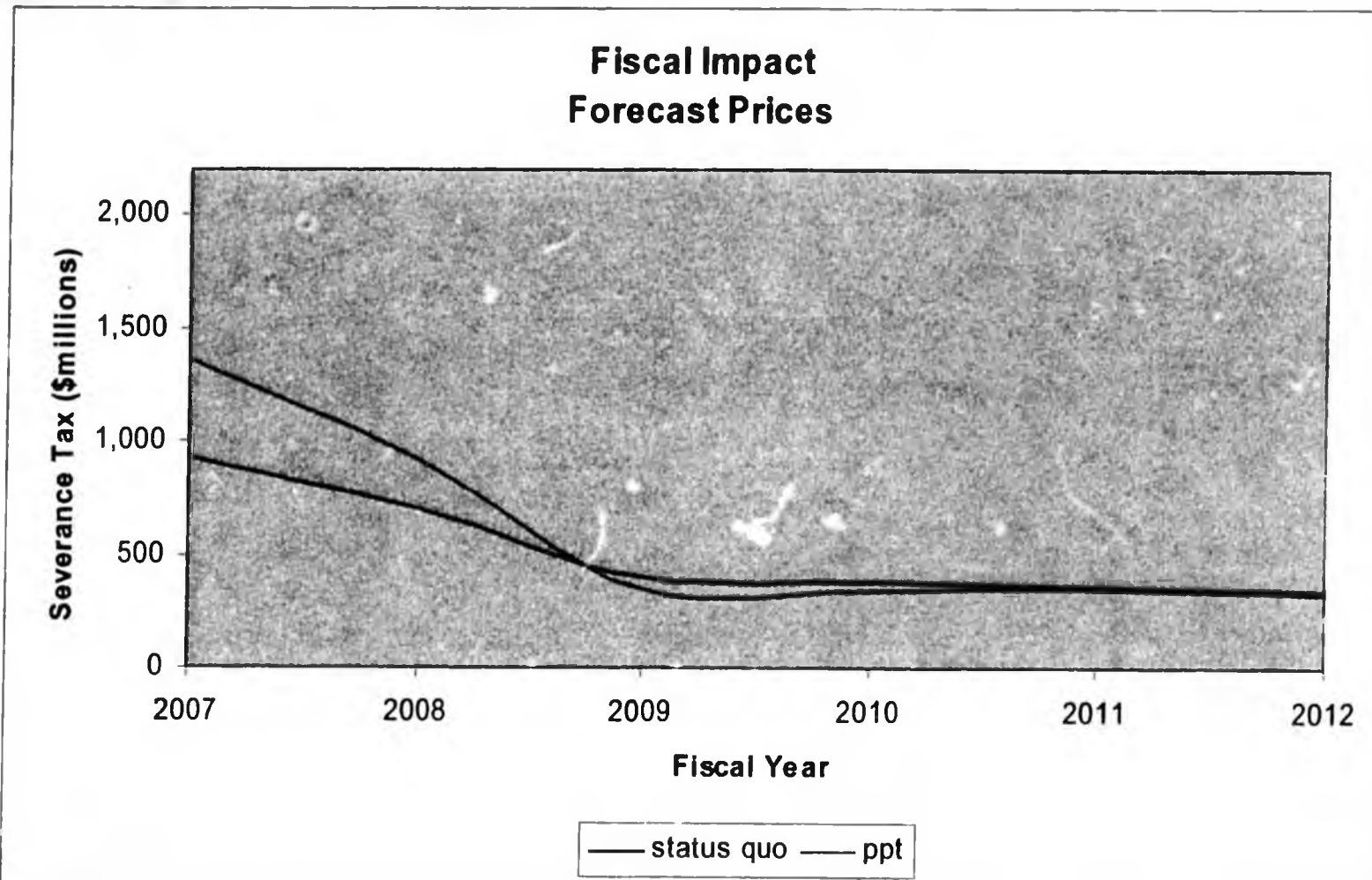
- Allows cost recovery of assets placed in service 7/01—6/06
- Deduction of  $1/6$  of cost in each of 6 transition years
- Deduction available only when average price of oil exceeds \$40

# Revenue

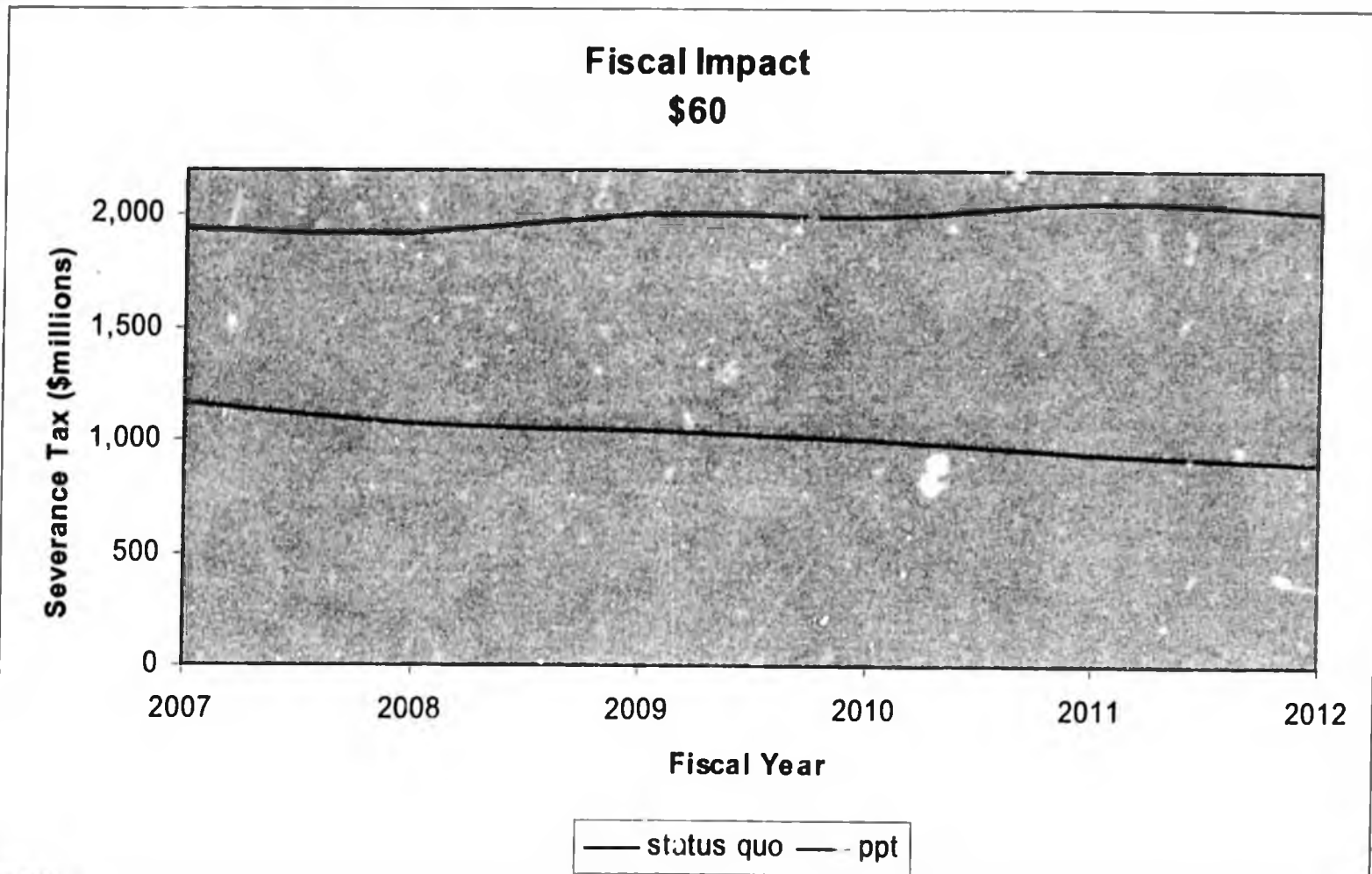
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- Additional revenue from PPT will depend primarily on two factors:
  - Price of oil/gas
  - Producer investment in the state

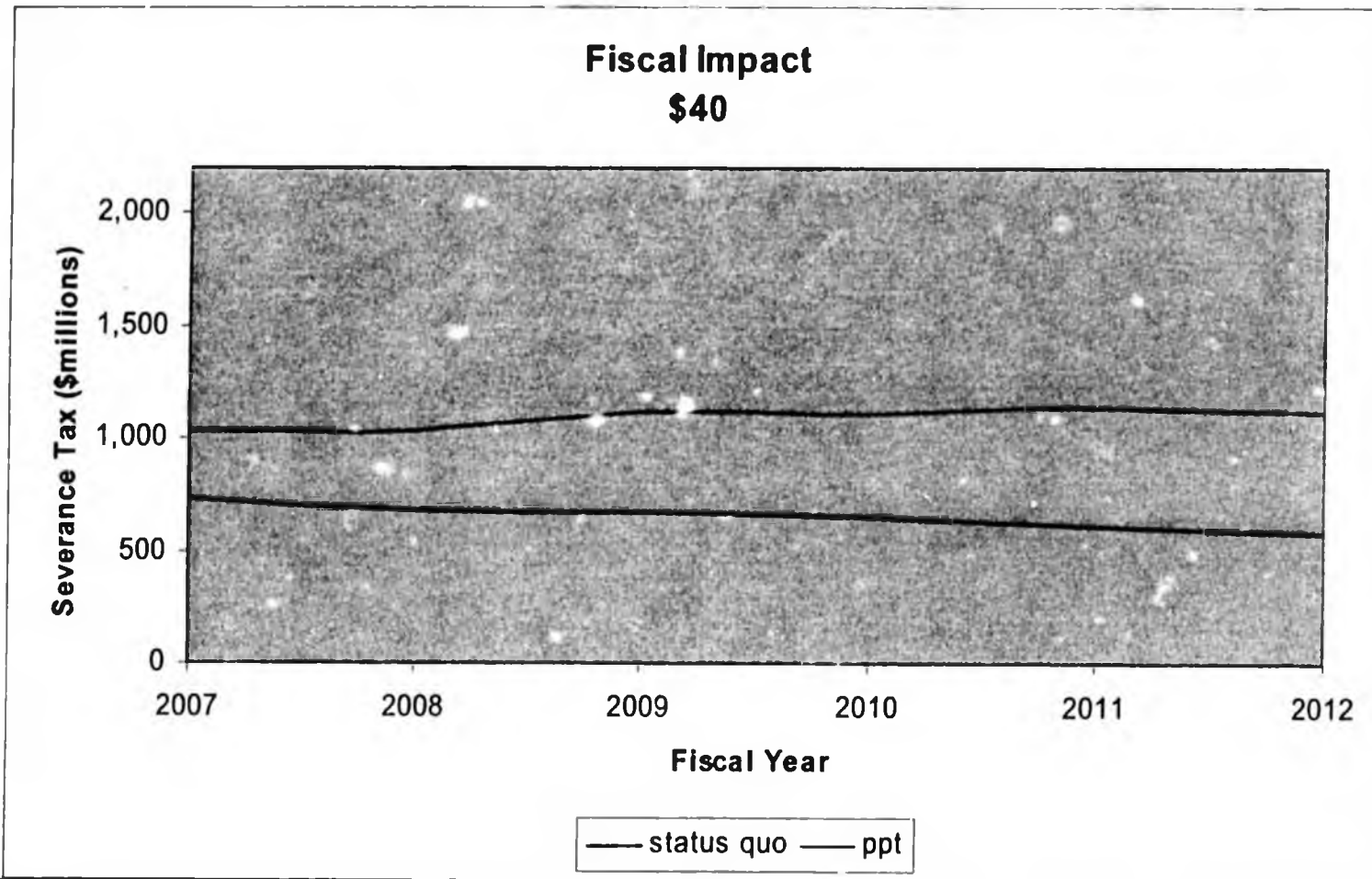
# Incremental Revenue based on DOR Forecast:



# Incremental Revenue based on \$60 oil



# Incremental Revenue based on \$40 oil:



# PPT: A Tax for Alaska's Future

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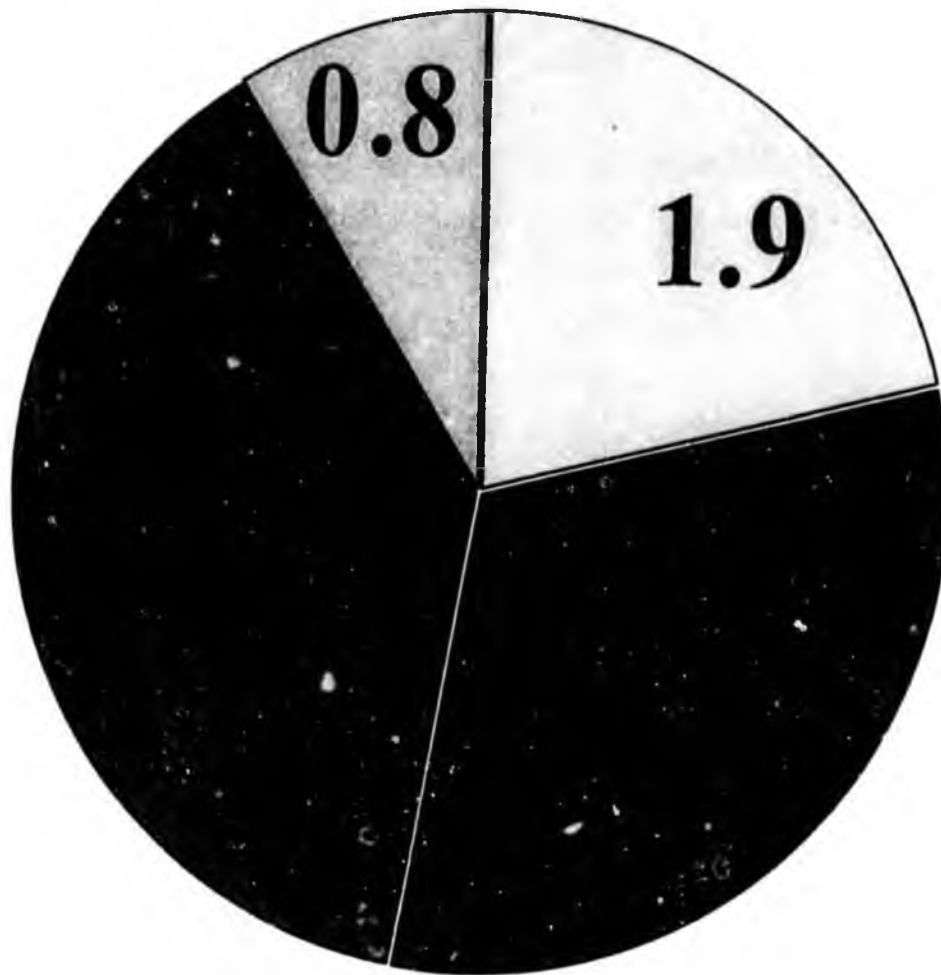
# Proposed Production Tax

Alaska State Legislature  
Senate & House of Representatives  
Resources Committees

Dan E. Dickinson, CPA  
*February 22, 2006*

# Unrestricted & Restricted Revenue \$ 8.9 Billion

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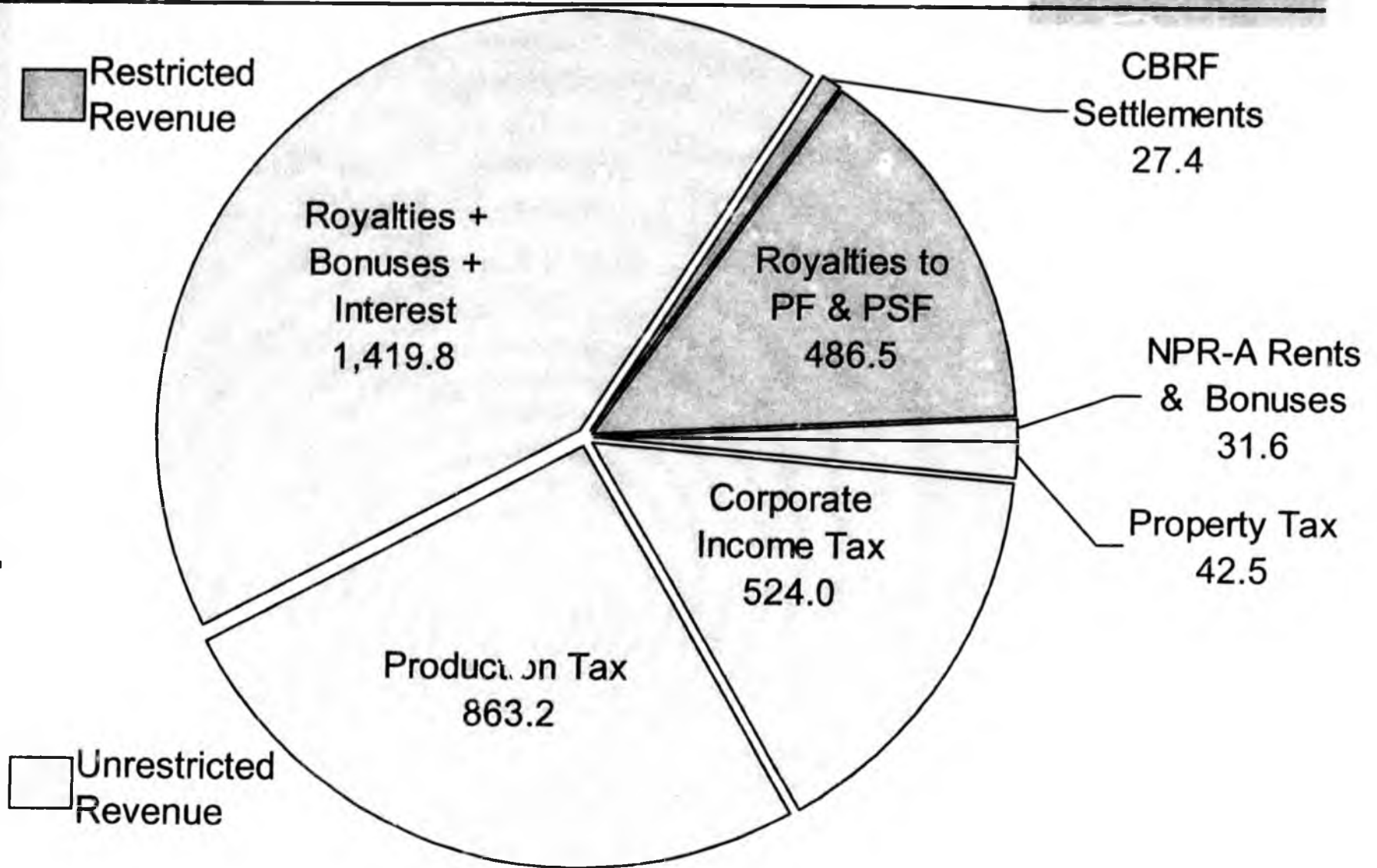


FY 2005

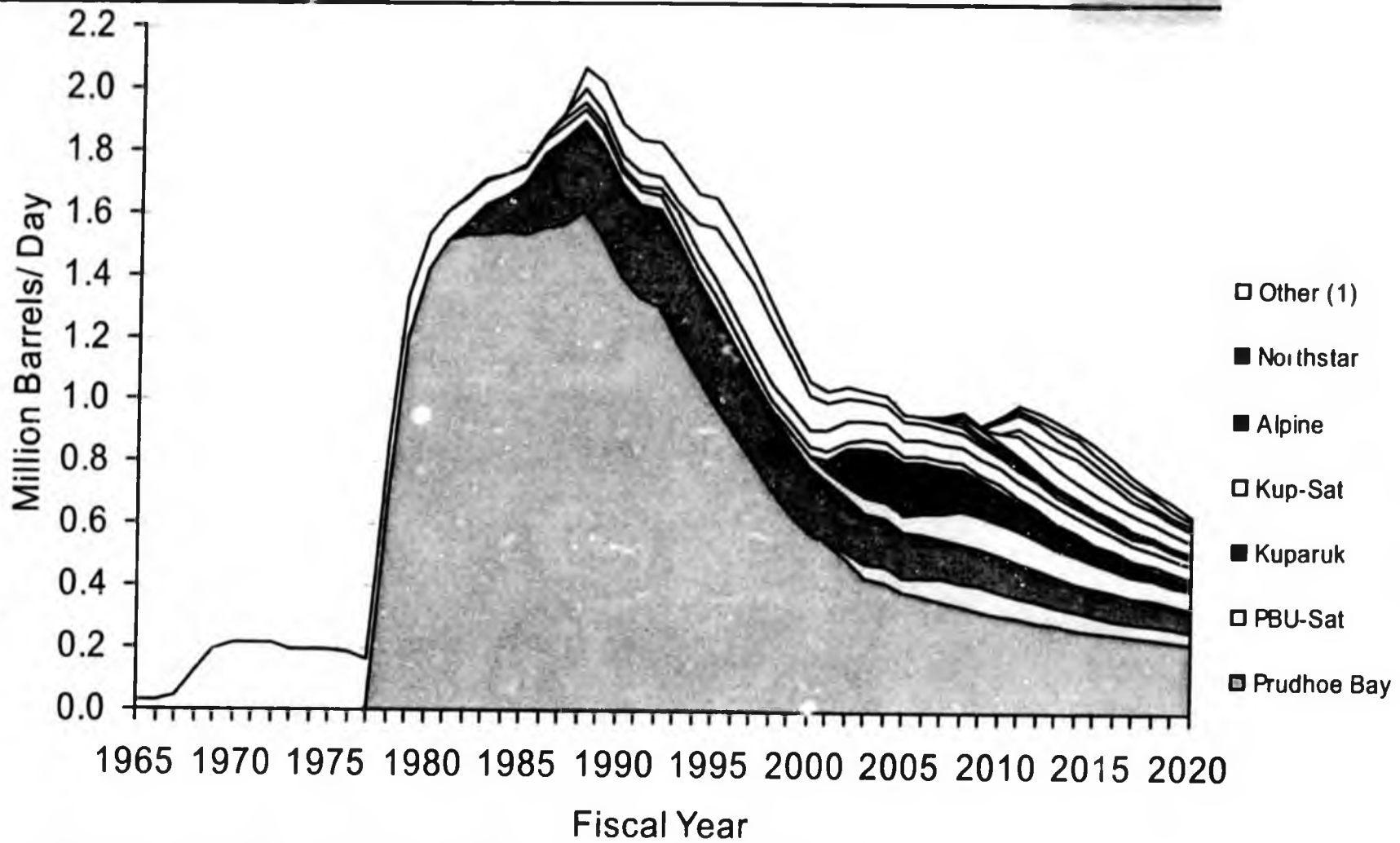
- Federal
- Investment
- Oil
- Other

# FY 2005 Petroleum Revenue

## \$ Million



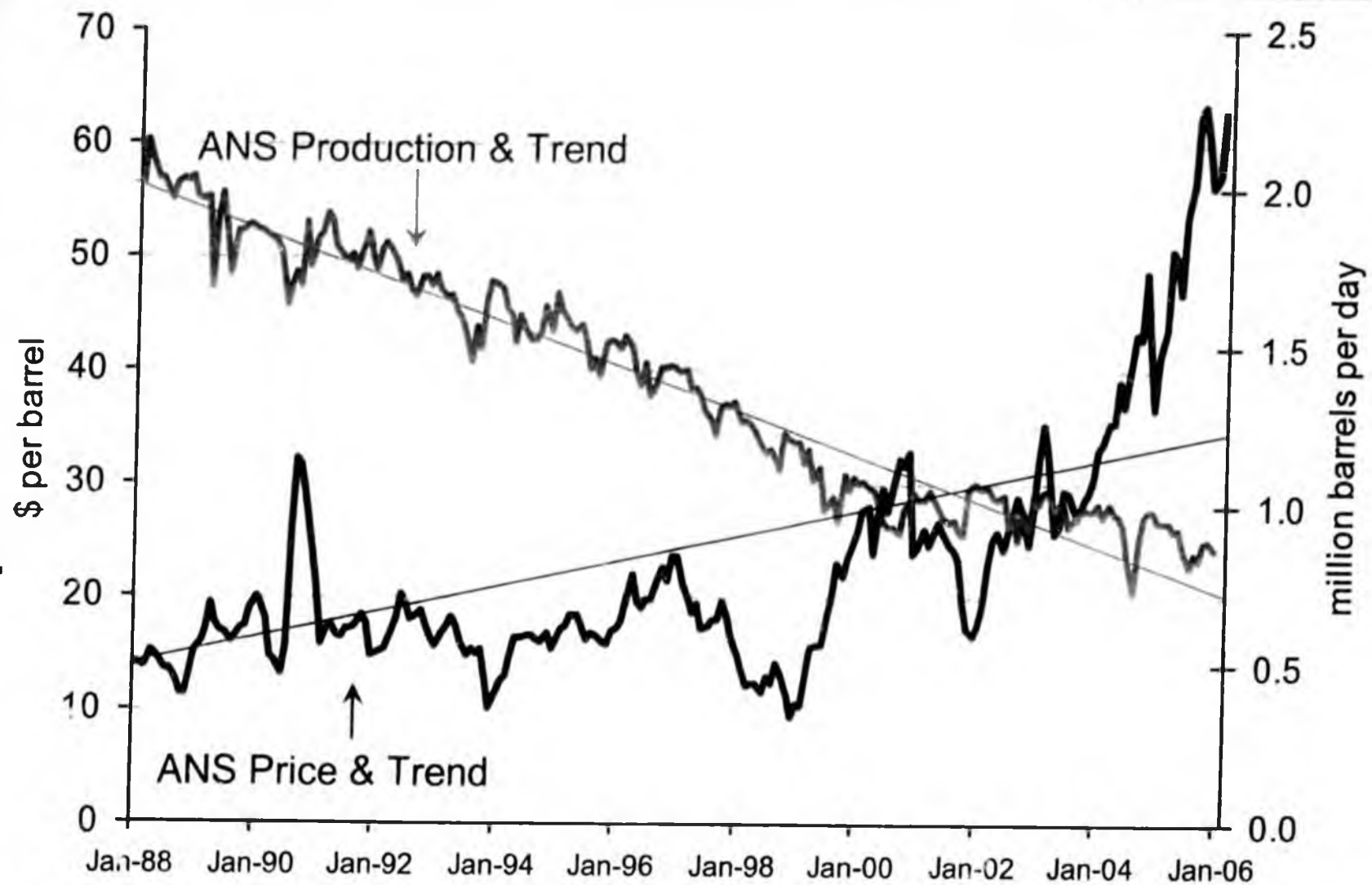
# Alaska Oil Production



Source: Fall 2005 Revenue Sources Book; Alaska Department of Revenue, Tax Division

(1) Cook Inlet, Duck Island, Milne Point, Greater Point McIntyre, Liberty, Known On & Offshore, Fiord and N-PRA.

# ANS West Coast Price & Oil Production



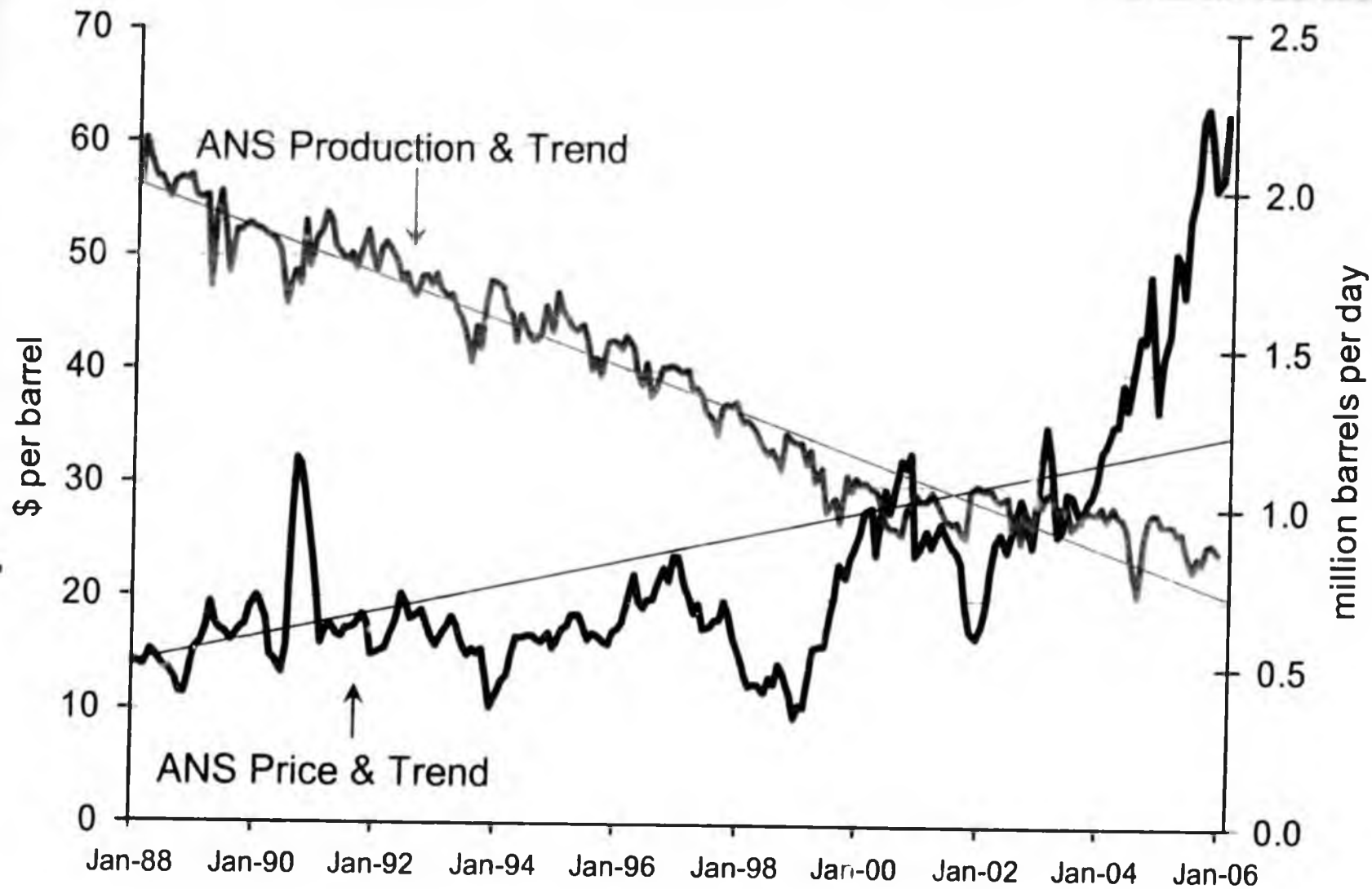
# CORRECTION

THE FOLLOWING DOCUMENT(S)  
HAVE BEEN REFILMED TO  
ASSURE LEGIBILITY OR PAGINATION



Central Microfilm Services  
Department of Education & Early Development  
State of Alaska

# ANS West Coast Price & Oil Production

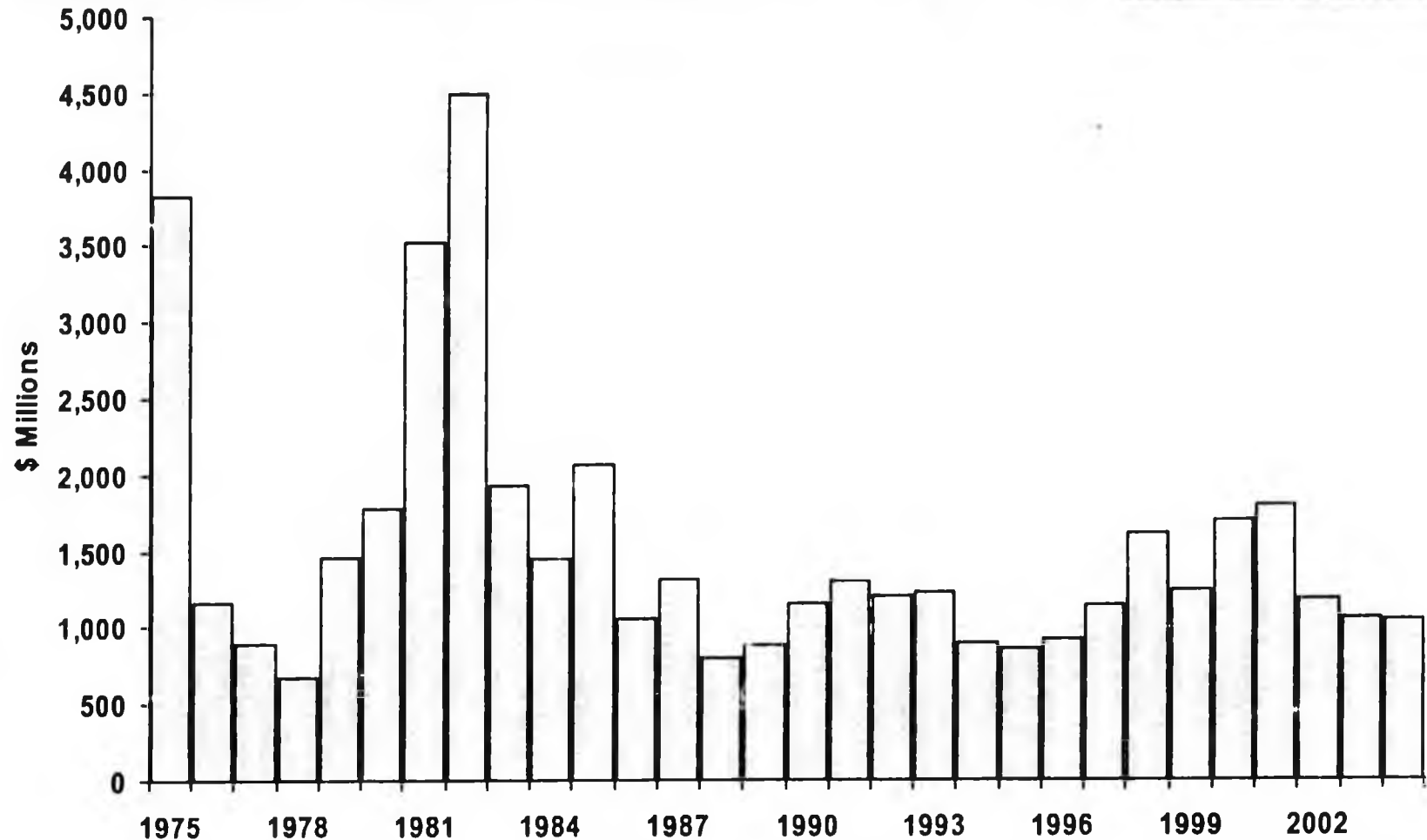


# Status Quo Issues

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- Revenues
- Investment
- Production
- Revenues

# Capital Spending on ANS Wells, Field Facilities & Exploration



Source: 1975-1989: Data from "International Oil Tax Comparison Study", April 1990;  
1990-2000: BP and ARCO Annual Reports and communications;  
2001-2004: BP and ConocoPhillips 2002-2003 Annual Reports and communications.

# 1. How the World Works (2005)

	Volume Millions barrels	\$ per barrel	\$ Million
Destination Value at Market	330	\$43.43	\$14,332
Less Tankering & Pipelines	<u>330</u>	<u>\$ 4.51</u>	<u>(\$1,488)</u>
Gross Value at Point of Production	330	\$38.92	\$12,844
Less Upstream Costs			
Operating:		\$ 3.33	
Capital and Exploration:		<u>\$ 3.18</u>	
Total	330	\$ 6.52	(\$2,150)
Net Value at Point of Production	330	\$32.40	\$ 10,694

## 2. Current Production Tax

---

	\$ Million
Gross Value at Point of Production	\$12,843.60
Royalty Rate	0.875
Value Net of Royalty	<u>\$11,238.15</u>
Tax Rate	0.15
ELF Rate	0.55
Tax (current)	\$ 927.15

### 3. Proposed Production Tax (PPT)

---

	\$Million
Value Net of Royalty	\$11 238.2
Less Upstream Cost Deductions	<u>(\$ 2,150.0)</u>
Taxable Value at Point of Production	\$ 9,088.2
	<u>.20</u>
	<u>\$ 1,817.6</u>
Tax Prior to Credits	
Credits (1,050 *.2)	(\$210.0)
Proposed Production Tax	\$ 1,607.6

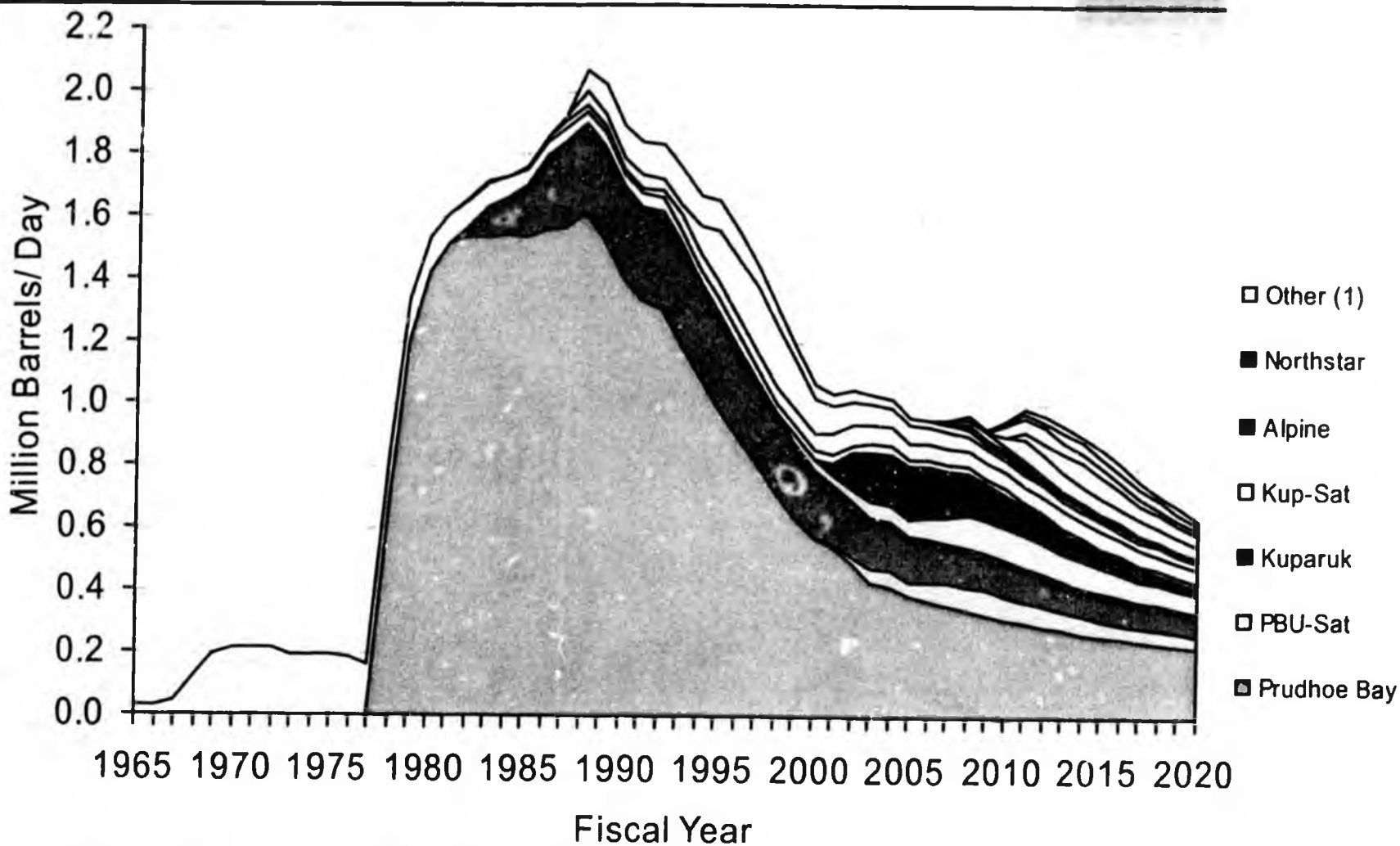
## 4. PPT with Investment

	\$ in Billion
Production Tax Net of Royalty	\$11,238.2
Less Upstream Cost Deductions	<u>(\$ 3,850.0)</u>
Taxable Value at Point of Production	\$ 7,388.2
<i>Times Tax Rate</i>	<u>.20</u>
Tax Prior to Credits	\$ 1,477.2
Credits (1,050+1,700)*.2	(\$550.0)
Proposed Production Tax	\$ 927.6

## 5. Implicit Cost From Proxy

	\$ in Billion
Production Tax Net of Royalty	\$11,238.15
Less Implicit Costs from Proxy	<u>(\$ 5,057.00)</u>
	\$ 6,181.00
Tax Rate	0.15
Same Production Tax	\$ 927.15

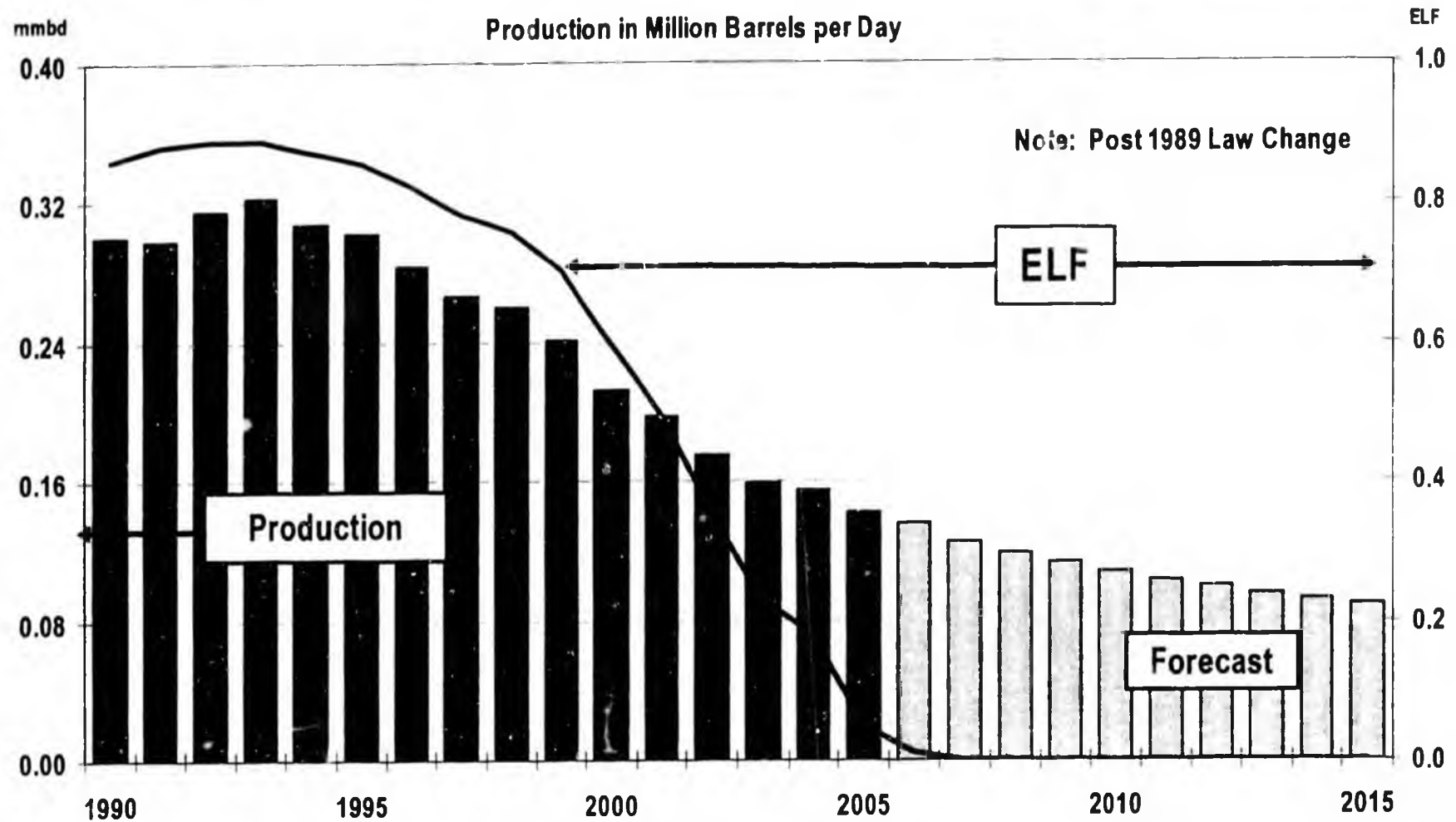
# Alaska Oil Production



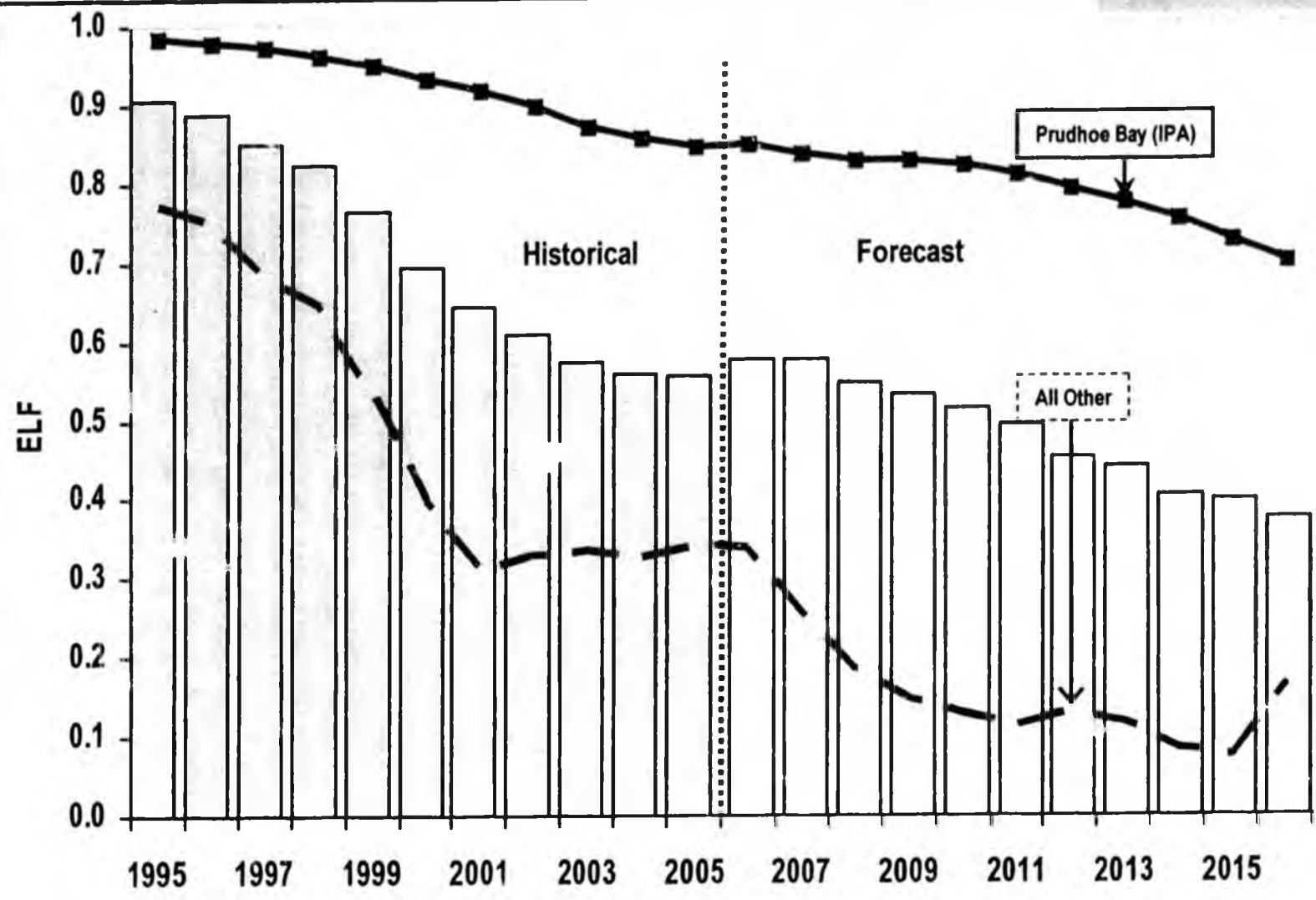
Source: Fall 2005 Revenue Sources Book; Alaska Department of Revenue, Tax Division

(1) Cook Inlet, Duck Island, Milne Point, Greater Point McIntyre, Liberty, Known On & Offshore, Fiord and N-PRA.

# Kuparuk ELF: Change with Aggregate ELF Decision



# Economic Limit Factor, FY 1995-2005 and FY 2006-2016



SB 305 PPT – Bill

Senate Resources 2-22-06

Contents

- Cover Sheet \_\_\_\_\_ 1 page
- SB 305a \_\_\_\_\_ 22 pages
- Fiscal Notes
  - ~ DNR Fiscal Note 2-15-06 \_\_\_\_\_ 1 page
  - o DOR Fiscal Note 2-21-06 \_\_\_\_\_ 3 pages
- Alaska Statutes Modified by SB 305 \_\_\_\_\_ 2 pages
- AS 43.55 - Current Statutes (pages 504 – 518)

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: LL06-0052-DNR-O&G-02  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title: Repealing the oil production tax and gas RDU: Resource Development  
production tax etc Component: Oil & Gas Development  
 Sponsor: Rules by Request of Governor  
 Requester: Governor Component No.: 439

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2006) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** (Attach separate page if necessary)

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

Prepared by: Bill VanDyke, Acting Director Phone: 907-269-8800  
 Division: Oil & Gas Date/Time: 2/15/2006  
 Approved by: Michael Menge, Commissioner Date: 2/15/2006  
 Agency: Natural Resources

# FISCAL NOTE

**STATE OF ALASKA**  
**2006 LEGISLATIVE SESSION**

Fiscal Note Number \_\_\_\_\_  
Bill Version: 773060052  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title: An Act Relating to the Production Tax on RDU: Tax and Treasury  
Oil and Gas Component: Tax  
Sponsor: Rules Committee  
Requester: Governor Component No.: 2476

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Personal Services	359.2	366.4	373.7	381.2	388.8	396.6
Travel						
Contractual	1,200.0	520.0				
Supplies	24.0					
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous (OH office, etc)	.80	18.0	18.0	18.0	18.0	18.0
<b>TOTAL OPERATING</b>	<b>1,601.2</b>	<b>904.4</b>	<b>391.7</b>	<b>399.2</b>	<b>406.8</b>	<b>414.6</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

**CHANGE IN REVENUES ( )** See analysis section -----

**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 Gr Match						
1004 GF	1,601.2	904.4	391.7	399.2	406.8	414.6
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other: (Specify Type-Do not abbreviate)						
<b>TOTAL</b>	<b>1,601.2</b>	<b>904.4</b>	<b>391.7</b>	<b>399.2</b>	<b>406.8</b>	<b>414.6</b>

Estimate of any current year (FY2006) cost: 275.0

Check this box (X) if funding for this bill is included in the Governor's FY 2007 budget proposal:

**POSITIONS**

Full-time	4	4	4	4	4	4
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

This bill would amend the oil and gas production tax by basing the tax on the net value of the oil and gas. The net value is the wellhead value (net of royalty) less all qualified lease expenditures, including capital and operating costs, property taxes, and an additional \$73 million per year allowance for each producer. (The allowance can be no greater than the net value before the allowance.) The net income would be subject to a 20% tax, less a credit of 20% which applies to capital costs upstream of the point of production. In addition, there would be a deduction for capital costs incurred over the previous five years, which can be realized over the next six years, but only in years where the ANS price is over \$40. It is estimated this would reduce revenues about \$170 million in years when it was realized. In years where the ANS price is under \$40 the deduction can be carried forward.

Prepared by: Robynn Wilson, Michael Williams, and Roger Marks Phone 269-1019  
Division: Tax Division Date/Time 2/21/06 12:00 AM  
Approved by: Jerry Burnett Date 2/21/2006  
Agency: Department of Revenue

**ANALYSIS CONTINUATION**

The figures in the table below reflect the revenues that would be received from the bill relative to the status quo under various prices. They are predicated on the oil volumes in the Department of Revenue Fall 2005 Revenue Sources Book. The figures reflect North Slope activity; the impact of Cook Inlet is expected to be modest. They assume that seven producers utilize the full allowance. The status quo assumes the January 2005 ELF aggregation decision by the Department of Revenue from Prudhoe Bay continues.

The cost assumptions are as follows:

- \$100 mm/yr exploration
- \$1/bbl on-going capital on all barrels
- \$3.50/bbl developmental capital on 2/3 of existing conventional oil
- \$8/bbl developmental capital on 2/3 of existing heavy oil
- \$3.50/bbl developmental capital on new conventional oil
- \$8/bbl developmental capital on new heavy oil
- \$3/bbl operating cost on conventional oil
- \$5/bbl operating cost on heavy oil

The following table shows the 2007-2012 receipts from the bill, sensitive to different oil prices. These include the Department of Revenue forecast, a \$40 price, and a \$60 price. (Note that the status quo numbers are slightly different from what is reflected in the Fall 2005 Revenue Sources Book because of some minor changes in assumptions introduced since Fall 2005, and because of some differences between what some taxpayers actually remit and what is ultimately expected to be collected.)

Operating expenditures include costs for 3 additional positions for auditors: 1 O & G Specialist (Range 23), 1 O & G Revenue Auditor IV (Range 22), and 1 O & G Revenue Auditor III (Range 20). These positions would be used to fulfill additional audit responsibilities inherent in a net profits tax. In addition, we request 1 additional position for a Tax Tech III (Range 14) to process additional information and tax returns that will be required, and additional credit applications anticipated. Personal Services reflect a 2% yearly increase.

Contractual expenses include \$100,000 and \$70,000 for programming in FY 07 and FY 08, respectively, \$250,000 in each of FY 07 and FY 08 for help in writing regulations, and \$850,000 and \$200,000 in FY 07 and FY 08, respectively, for auditing costs related to the new transition rules. Supplies include computers and other supplies necessary for new positions.

**FISCAL NOTE**

**ANALYSIS CONTINUATION (MILLIONS OF 2005 DOLLARS)**

Fiscal Year	DOR Forecast	Status Quo Tax	Tax from Bill	Gain from Bill
2007	49.20	934	1,363	429
2008	40.95	697	915	217
2009	25.50	404	349	-55
2010	25.50	387	339	-48
2011	25.50	362	351	-11
2012	25.50	343	332	-10

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Fiscal Medium Status Quo Tax from Gain from

Year	Price	Tax	Bill	Bill
2007	40.00	737	1,038	301
2008	40.00	679	1,031	353
2009	40.00	673	1,118	445
2010	40.00	646	1,106	460
2011	40.00	606	1,138	532
2012	40.00	576	1,112	536

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Fiscal Year	High Price	Status Quo Tax	Tax from Bill	Gain from Bill
2007	60.00	1,165	1,938	773
2008	60.00	1,069	1,917	848
2009	60.00	1,042	2,007	965
2010	60.00	1,003	1,992	989
2011	60.00	941	2,051	1,110
2012	60.00	896	2,014	1,117

## (SIRS) Alaska Statutes Modified by SB 305

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BILL : SB 305

A/R Alaska Statute Modified

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- A 43.05.230(f)
- A 43.20.031(c)
- A 43.20.072(b)
- A 43.55
- A 43.55
- A 43.55
- A 43.55
- A 43.55.011(a)
- R 43.55.011(b)
- R 43.55.011(c)
- R 43.55.012(b)
- R 43.55.013(b)
- R 43.55.013(c)
- R 43.55.013(d)
- R 43.55.013(g)
- R 43.55.013(h)
- R 43.55.013(i)
- R 43.55.013(j)
- R 43.55.013(k)
- R 43.55.016
- A 43.55.017(a)
- A 43.55.020(a)
- A 43.55.020(b)
- A 43.55.020(d)
- A 43.55.020(e)
- A 43.55.020(f)

A 43.55.030  
A 43.55.030(a)  
A 43.55.030(d)  
A 43.55.040  
A 43.55.080  
A 43.55.135  
A 43.55.150  
A 43.55.150(a)  
A 43.55.201  
A 43.55.201(b)  
A 43.55.201(c)  
A 43.55.300  
A 43.55.300(b)  
A 43.55.300(c)  
A 43.55.900  
R 43.55.900(1)  
A 43.55.900(10)  
R 43.55.900(11)  
R 43.55.900(12)  
R 43.55.900(16)  
A 43.55.900(6)  
A 43.55.900(7)  
R 43.55.900(8)

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