

# Alaska State Legislature



Official Business

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## **House Takes First Step on Long-Range Plan** **HB 3 Would Return Oil Royalty Split to Constitution's Formula**

(JUNEAU) – The House today took a first step in a long-range fiscal plan, passing legislation to restore the portion of state oil royalties deposited into the Alaska Permanent Fund to the level required by the state Constitution.

Rep. Norman Rokeberg (R-Anchorage), sponsor of House Bill 3, said the Legislature began depositing 50 percent of state oil and mineral lease royalties from new leases into the Permanent Fund by statute in the early 1980s, when the state was receiving about \$4 billion each year in General Fund revenue. The Constitution requires 25 percent of royalties to be deposited into the Permanent Fund.

“The Legislature then wisely recognized they had too much money,” Rokeberg. “But now in the current fiscal year we are receiving \$821 million in royalties, and that’s forecast to drop down to \$648 million in the fiscal year beginning July 1, 2001. That’s \$173 million less cash flow to meet the needs of the state. It’s just pure common sense to change this statute to reallocate more of those monies into the General Fund.”

Citing an analysis of HB 3 from the Department of Revenue, Rokeberg said the bill would result in an estimated \$30 million annual deposit to the General Fund for the next 13 years, where it would be available for education, transportation, public safety, and other state services.

An analysis from the Alaska Permanent Fund Corporation estimated the bill would have no effect on the Permanent Fund dividend until 2006, and would mean an average reduction of less than \$9 per year over the next ten years. Providing extra deposits to the General Fund would help reduce pressure to raise revenues through taxation, he added.

Rokeberg also pointed out that the General Fund revenues derived from royalties from declining oil fields like Prudhoe Bay and Kuparuk cannot be replaced by royalties from smaller fields like Alpine and North Star unless the smaller fields contribute at the same rate.

“This bill is an important first step in a long-range fiscal plan for the state, because it helps us orient our revenue flow where it is most needed, while having only minimal impact of the dividends,” he said. “I think we’ll have the support of the people of Alaska on this very small, but very positive, step forward to try to solve the some of the financial problems we face.”

Notice of reconsideration was given on the vote.

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