

**Estimate of Costs to the State of Alaska for Implementation of the Voter Initiative 19OGTX:  
Alaska's Fair Share Act**

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**Multi Agency Cost Summary**

<b>Agency</b>	<b>Cost</b>
Department of Revenue	\$7,500,000
Department of Law	\$425,000
Office of the Lieutenant Governor – Division of Elections	\$96,114
Office of the Lieutenant Governor	\$9,000
<b>TOTAL</b>	<b>\$8,030,114</b>

**Estimate of Costs to the Department of Revenue**

As required by AS 15.45.090(a)(4), the Department of Revenue Tax Division has prepared the following statement of costs to implement the proposed oil and gas production tax ballot initiative. The minimum cost to the Tax Division to implement this change is estimated to be \$7,500,000.

The ballot initiative effectively creates a new tax calculation for production from fields, units, and non-unitized reservoirs that meet the applicability conditions in the initiative. For this production, there are several changes to AS 43.55. Per AS 15.45.220, the ballot initiative would be effective 90 days after certification.

The changes anticipated in this initiative will require substantial reprogramming of the Tax Revenue Management System (TRMS) and the Revenue Online (ROL) tax portal and must be accomplished in that 90-day timeline. We anticipate the programming changes to be significant and time consuming for internal staff as well as tax system contractors. This is based on the Tax Division having to produce a monthly return for the taxpayers filing on the third month end after the certification of the initiative. The division estimates a one-time cost of \$5,000,000 to program, test, reprogram, and implement the tax changes. No additional ongoing costs to maintain the tax programs are anticipated.

The testing of the tax changes will impact division staff resources and will impact core business functions for the Oil and Gas Production Tax Audit Group as well as division Audit Masters. There is the potential for audit delays, which could push division timelines beyond the six-year statute of limitations to issue the audits, thus putting state revenues at risk. There will also be a need for substantial amendments to existing regulations to fully implement the changes. This work will be completed by existing staff resources. The amount of internal resources required for this are estimated to be \$2,500,000, which includes the information technology, audit, accounting, and regulatory personnel resources.

The Department of Revenue estimates that full implementation will take at least one year and most likely longer; however, there will be a huge initial lift to be ready within the 90 days the law requires.

The initiative also creates the need for tracking and reporting of production thresholds for production from fields, units, and non-unitized reservoirs that meet the applicability conditions in

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the initiative. It will need to be determined whether this will be done within tax systems or by the Economic Research Group. All the existing forecasting tools related to oil and gas production taxes will also need to be updated to reflect the changes from the initiative. The time for this is assumed to be absorbed by existing staff resources is not included in the cost estimate.

**Estimate by Category**

Personal Services	\$2,500,000
Outside Contracts	\$5,000,000
TOTAL	\$7,500,000

**Estimate of Costs to the Alaska Department of Law**

As required by AS 15.45.090(a)(4), the Department of Law has prepared the following statement of costs to implement the Alaska Fair Share Act proposed ballot initiative. The cost to implement this initiative is approximately \$425,000.

If the ballot initiative passes, the Department of Law will be required to review and provide counsel on regulations in response to the new law. This regulations project could take approximately one year, and the Department of Law would provide a significant amount of counsel during this process.

The Department estimates that 1,800-2,200 hours of attorney time would be spent on the proposed tax law change with the Department of Law's hourly rate being \$169.16. Thus, the cost in attorney time is approximately \$375,000. It is anticipated that the department will be utilizing outside tax experts during this process in the amount of \$50,000.

**Estimate by Category**

Personal Services	\$375,000
Outside Contracts	\$50,000
TOTAL	\$425,000

**Estimate of Costs to the Office of the Lieutenant Governor and the Division of Elections for the Ballot Initiative**

As required by AS 15.45.090(a)(3), the Division of Elections has prepared the following statement of costs to implement the proposed ballot initiative.

The minimum cost to the Division of Elections associated with certification of the initiative application and review of the initiative petition, excluding legal costs to the state and the costs to the state of any challenge to the validity of the petition, is estimated to be \$96,114.

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**Estimate by Category**

Personal Services	\$60,577
Printing Services	\$1,300
Language Assistance	\$34,237
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TOTAL	\$96,114

Six temporary employees will be required to review signatures for 2,520 hours at an estimated cost of \$44,555, and certification of the initiative application and review of the initiative petition estimated for 504 hours will cost an estimated \$16,022. Printing service expenses associated with certification of the initiative application and review of the initiative petition will require \$1,300 for the printing of voter booklets.

The estimated cost of translating the ballot measure language for audio and sample ballots, Official Election Pamphlet pro statement, Official Election Pamphlet con statement, and Official Election Pamphlet neutral summary into 11 languages required by the Toyukak Settlement and Section 203 of the Federal Voting Rights Act, will cost an estimated \$34,237.

**Office of the Lieutenant Governor**

Assuming the initiative is placed on the ballot, the minimum cost to conduct public hearings concerning the initiative in two communities in each of the four judicial districts is estimated at \$9,000.

**Estimate by Category**

Travel	\$9,000
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TOTAL	\$9,000

Estimated travel expenses include round-trip air transportation, per diem and other associated travel costs for the Lieutenant Governor and staff to travel to seven communities in Alaska. It is assumed one of the hearings would be in Anchorage, which would not involve travel costs.