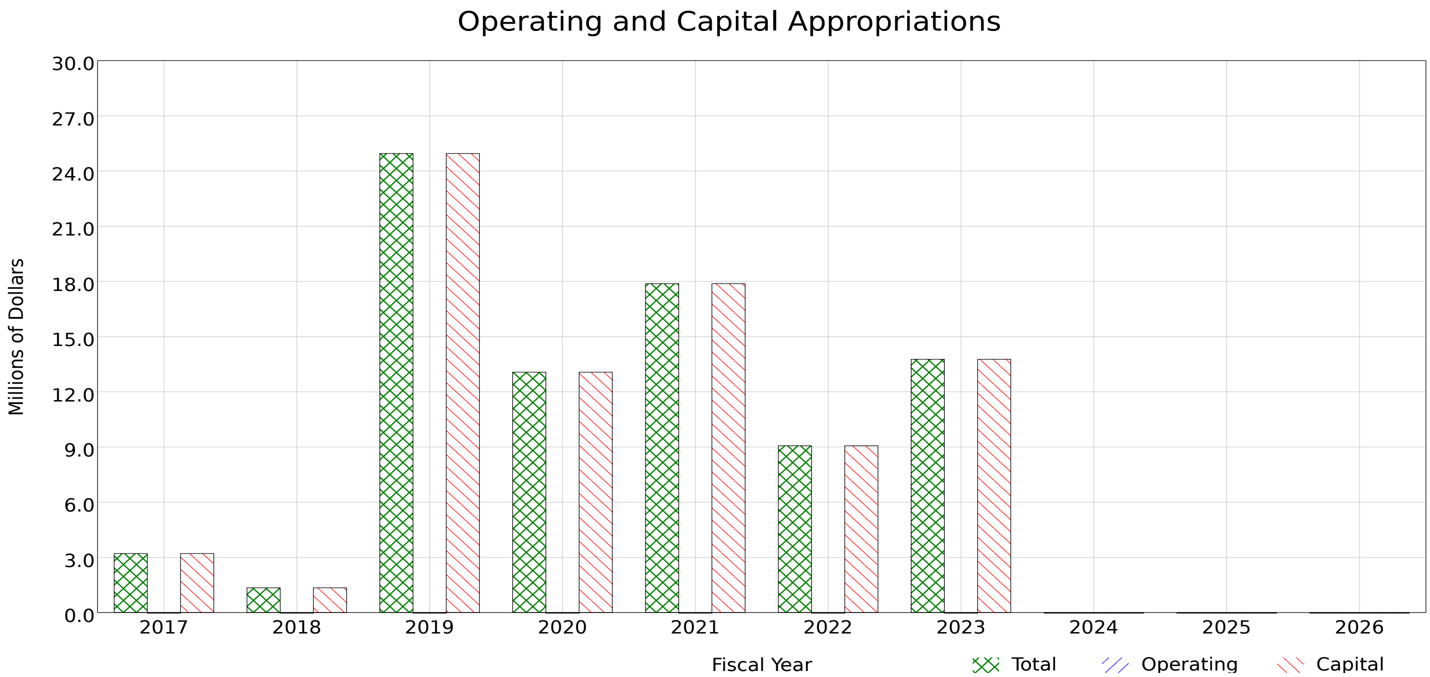
Fund Source Report

1063 NPR Fund — National Petroleum Reserve-Alaska Special Revenue Fund

Year Authorized	Year Repealed	Active?	Mental Health?	Duplicated?	Fund Group
1984		Yes	No	No	Federal Receipts



Legal Authority
AS 37.05.530, AS 37.25.040

Source of Revenue
Consists of all money disbursed to the state by the federal government under 42 U.S.C. 6508 (P.L. 96-514) since December 12, 1980, less the amount deposited in the general fund and expended by the state by general fund appropriations before June 9, 1984.

Restrictions on Use
Funds are to cascade in the following order:
1) meritorious grants to communities affected by petroleum development
2) 25% of the gross receipts to the Permanent Fund
3) 0.5% of gross receipts to the Public School Trust Fund
4) remainder to the Power Cost Equalization Fund

Description and History
In 1980 Congress enacted legislation requiring the federal government to give to the state half of lease payments, bonuses, and royalties from federal oil and gas leases in the NPRA. The state received about $50.1 million from the federal government in the 1980's; all NPRA receipts were eventually appropriated either as community grants or to the General Fund, Alaska Permanent Fund or the Public School Fund.

The allocation of National Petroleum Reserve-Alaska (NPRA) receipts was a contentious issue in the 1980's, eventually ending up in the Superior Court. The issue of allocation remains unclear; federal law, the Alaska Constitution and state statutes regarding the flow of funds conflict. Federal law preempts the Constitution and requires that all meritorious grants to communities affected by petroleum development be funded. The state Constitutional requirement that 25 percent of all federal mineral sharing payments go to the Permanent Fund arguably applies to gross income, so that if all NPRA receipts are not distributed as grants, remaining receipts (to a maximum of 25% of the gross amount received) go to the Permanent Fund. AS 37.05.530 provides that 25% of net receipts (i.e., gross receipts less grants to communities) go to the Permanent Fund.

The issue that grants have first call on receipts appears to be unquestioned. Distributing remaining receipts according to the "Constitutional method" maximizes deposits to the Permanent Fund and reduces money available for other purposes (Public School Trust Fund and Power Cost Equalization Fund) specified in statute.

Distributing remaining receipts according to the "statutory method" distributes 25% of remaining receipts to the Permanent Fund, 0.5% to the Public School Trust Fund, and 74.5% (subject to appropriation and to recovery of past underpayments to the Permanent Fund and the School Trust Fund) to the Power Cost Equalization (PCE) Fund. Receipts remaining after appropriation to the PCE Fund go to the general fund.

The distribution of NPRA receipts became an issue in FY00 and FY04. In both cases, the legislature chose to follow the "statutory method" in appropriating NPRA receipts.

The amount of money available is highly variable; it depends on leasing action on federal lands.

July 2010
The PCE fund (1089) was deactivated in FY10. Money now flows directly from the PCE Endowment (fund code 1169) to the PCE program without going through the PCE Fund. AS 37.05.540 (g)(3)and (4) should reference the PCE Endowment.

See
1089 Power Cost Equalization & Rural Electric Capitalization Fund (inactive)
1169 Power Cost Equalization Endowment Fund Earnings