

ALASKA STATE LEGISLATURE

Interim:
716 West 4th Avenue, Suite 640
Anchorage, Alaska 99501
Phone (907) 269-0200
Fax (907) 269-0204
Rep_Craig_Johnson@legis.state.ak.us



Session:
State Capitol, Room 126
Juneau, Alaska
99801-1182
Phone (907) 465-4993
Fax (907) 465-3872

REPRESENTATIVE CRAIG JOHNSON
HOUSE DISTRICT 28

SPONSOR STATEMENT CS for HOUSE BILL 308\E - ALASKA JOB SECURITY ACT

Anchorage economist Scott Goldsmith characterizes Alaska's economy prior to the discovery of the immense oil deposits on the North Slope as "small, thin and seasonal." With the federal government providing roughly half of Alaska's ninety thousand jobs at the time, the economy was dominated by outside residents and the State's revenue base was small. In 1960 for example, the State of Alaska collected roughly \$154 million (2009 dollars) in taxes. This year, the State of Alaska will collect more than \$5 billion. In 2009, 89% of the State of Alaska's general fund revenues will come from oil.

Alaska taxes oil based on the value of each barrel of oil produced. Although high oil prices certainly affect the State's treasury, oil must be produced in order for it to be taxed. Currently, Alaska's oil production is declining at between four and five percent per year. Simply maintaining this steady decline rate will require billions of dollars of investment in Alaska's oil patch. Reducing it will require billions more. While this challenge may sound daunting, it is actually an opportunity. For dollars invested in Alaska's oil patch aren't simply large numbers or entries in an accounting ledger; ultimately, dollars invested in Alaska are jobs.

House Bill 308 offers a simple exchange to the companies that operate, explore and invest in Alaska: If you invest in the type of activities that lead to increased oil production in Alaska, you will receive the capital investment credits already available to other investments. If you are willing to risk your capital in Alaska, you will be able to reap a reasonable reward for your investment. And most importantly, if you employ Alaskans, you will receive an additional credit against your taxes.

Through the resident worker rebate in HB 308, a company maintaining an Alaska resident workforce of at least 80% will see immediate reductions in their tax bill. The rebate increases as the level of the resident workforce increases. Estimates show that this provision could generate roughly 5,000 high-paying jobs for Alaskans and \$1.2 billion in economic impact for \$500 million in foregone State revenues. To put these numbers in perspective, if the credit was just 50% effective (2,500) new jobs it would be like adding the third largest private sector employer in Alaska. More plainly put, 2,500 jobs is roughly the equivalent of the total jobs available in Wasilla according to the last census or another military base. That is millions in new paychecks for Alaskans, who then spend their money in the local economy and generate work for other Alaskans. This multiplier effect will help shore up the economic foundation of our communities and subsequently, strengthen the social fabric of our State.

The battle for Statehood was largely fought over outside control and non-resident employment in Alaska's fishing industry. HB 308 builds on the promise of Statehood by aligning the interest of the oil industry with Alaskans so that together, we can develop our resources as required by our Constitution: for the maximum benefit of Alaskans.