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Alaska State Legislature
House Finance Committee
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Testimony
of
NANA Development Corporation
by
Helvi Sandvik, President
on
CSSB 21 HRES Version K

Good afternoon Co-Chairs Austerman and Stoltze, and House Finance Committee members. For the record, my name is Helvi Sandvik and I am the President of NANA Development Corporation, which is the business arm of NANA Regional Corporation. We appreciate the opportunity to provide public testimony today regarding SB21.

We wish to express our support for the passage of this bill before your committee. We believe it is critical for appropriate tax reform to be enacted during this Legislative Session, as the current oil tax structure discourages investment in Alaska's resources, thus threatening the critical short and long term economic stability of our State.

As you may be aware, NANA and our companies have been delivering critical support and development services to the oil and gas sector for over three decades. We are one of the largest employers in the State, employing close to 4000 Alaskans, about 1600 of which are NANA shareholders. We are a major contributor to Alaska's economy and the communities in which we operate.

Through NANA, our shareholders have made significant investments in the oil industry. For over two decades we have owned a small ownership interest in the Endicott Oilfield. NANA Oilfield Services, a fuel and lubrication provider, has been based in Deadhorse since the mid 1970's. In the past five years we have reinvested in new facilities and equipment to sustain this business for the next 40 years. We have several Anchorage based companies that deliver services to the oil sector, and have built new fabrication facilities in the Mat-Su Valley, specifically designed for oil field modules.



Leveraging the experience gained from our work in the oil sector, we have also made significant investments in other industries in this state. At our core, however, we are a Natural Resource Development and Support company, positioned to contribute great value to Alaska's citizens and economy both currently and long into the future.


Considering the depth at which we have invested in the oil industry, it is alarming to see an absolute decline in business activity in our companies serving this sector. With the decline in investment and activity, we are also beginning to see Alaskan talent leaving this State to pursue economic opportunity in the oil sector elsewhere. As a parent, my hope is that my children will have the ability to live and work in this State as I, my parents, and grand-parents, and many generations before them have done

At a time when Alaska's oil sector is in a decline, there are tremendous booms occurring in the industry in lower 48 and international locations. Those locations have created an environment that invites investment, as opposed to discourages it. I have listened to the discussions centered on whether the proposed tax reform will bring about new investment and the concerns that the proposed reform does not generate a large enough financial return for Alaska. However, we cannot ignore the reality. **Without investment, there will be no financial return for Alaska.** There currently is an imbalance in our tax structure that discourages investment in Alaska versus other locations. Declining oil production will inevitably lead to less general fund dollars for the State.

As I see it, the current tax regime does not provide a guarantee for investment either. Of the two options, SB 21 lends the most promise for new investment and increased production. This is absolutely critical to ensure the industry can continue to deliver a revenue stream to support Alaska's economy and State government. With declining State revenues, we simply will not have the resources necessary to meet the needs of our communities and citizens.

We are reaching a crisis in Alaska.

Specifically speaking to the Northwest Arctic Borough, where I grew up, the unemployment rate currently sits at over 15%, which is double the Alaska unemployment rate and nearly double the national unemployment rate. We have limited infrastructure and outrageously high energy costs. We are extremely grateful for the infrastructure that has been developed in rural Alaska since the mid-1970's that came as a result of the strong revenue flows into the State's general fund, primarily generated by the oil sector. But we also recognize that our only hope for the future is an increase in economic opportunity and stability—not a decrease.



As you consider SB 21, please remember that Alaska's future for decades and generations to come depends on decisions you'll make over the next several days.

The bill in its current form strikes a good balance between Alaska's short and long-term needs. There are some additional elements that we support, such as the Middle Earth Amendments proposed by Doyon, that specifically strengthen future development opportunities in many areas of the State that have seen limited exploration and development to date.

We respectfully urge you to pass Senate Bill 21, to put in place an improved structure that will help develop a stable economic climate to serve all Alaskans- both today and well into the future.