

HB111 – Testimony
Opposing

My name is Emory C. "Chuck" Wheeler, Life-long Alaska Inupiat citizen of Northern Alaska for the past seven decades. As a Senior Elder, VA Air Combat Vet, living in Nome USA, DO NOT support

HB 111. It is poor legislation, chasing the declining oil production revenue for the past decade is Not benefitting all Alaskans,,, TRUSTEES of the states' non-renewable natural resources.

Alaska's PRIORITY No. 1 is fiscal responsibility and a sustainable balanced state budget, NOT Oil & Gas tax incentives; production taxes; payments and credits..

DEFICITS are as a result of the past and present legislators FAILING to address the issue. Lack of OVERSIGHT by the ASL , has caused a \$ 11+ BILLION unfunded pension plan . SINCE 2004, it has grown and in 2012, Legislative Finance Division Director, David Teal, warned of the greater need to spend savings. WE are now at that crossroads.. Spending the Earnings Reverse Account of the Permanent Fund, and attempting to amend the Permanent Dividend, contrary to the consent of the owners, the citizens of the State of Alaska whom live in RURAL ALASKA and depend on the "shares of wealth" that each and every one owns. ASL is ONLY the Elected officials whom represent the TRUSTEES of the Wealth of the Fund.

David Teal further predicted the state could be "running" DEFICITS by FY 2015. Correct again,ASL had their "heads in the sand" and in the pockets of the OIL and Gas lobbyist's. Sham on You.

"Stop the feel good to Oil&Gas Industry." and deal the important issue of DEFICITS and a reduction of non-essential employees' and INACT a fair and reasonable 15-18% State-wide INCOME TAX including a provision to include OUT of STATE workers on the North Slope and Cook Inlet Oil and Gas patch . A separate bill for each is essential . Simple is better.

Thank you for consideration of thses IMPORTANT matters.

E.C. Chuck Wheeler

Nome, Alaska 99762-1909

To Whom It May Concern,

I am writing you to make my opinion of the HB111 oil tax bill known. I do **not** support HB111.

The oil industry in Alaska provides general fund revenues, State royalties, jobs, not to mention cheap, reliable energy for the country in a safe and environmentally prudent manner.

Passage of HB111 would be the seventh oil tax law change in the past 12 years. It would be much more positive to see politicians realize the detriment of such unstable oil tax legislation on future investments than use this bill as a "quick fix" to try and make budget ends meet in the short-term. A long-term outlook is necessary, and it requires continued oil and gas investment and development that passage of HB111 will likely inhibit.

Thank you for your consideration,

Erica Livingston



ALASKA DISTRICT COUNCIL OF LABORERS

Laborer's International Union of North America
2501 Commercial Drive • Suite 140 • Anchorage, Alaska 99501
907.276.1640 • Fax: 907.274.7289 • info@alaskalaborers.com

Dennis Moen
Business Manager
Secretary-Treasurer
District Council

Business Manager
Public Employees Local 71

Joey Merrick
President
District Council

Business Manager
Laborers Local 341

Kevin Pomeroy
Vice President
District Council

Business Manager
Laborers Local 942

March 28, 2017

Representatives Neal Foster and Paul Seaton, Co-Chairs
House Finance Committee
Alaska State Legislature
Sent via email: housefinance@akleg.gov

Dear Representatives Foster and Seaton:

The Alaska District Council of Laborers represents over 5,500 workers statewide. Laborers work in the oil and gas industry from the North Slope to the Valdez Marine Terminal. I am writing to share my concerns about HB 111 and to request that the House Finance Committee ensure that the State does not establish a burdensome pre-approval process involving the Department of Natural Resources.

Alaska is a resource-rich state that has created thousands of jobs and billions of dollars of revenue. Thanks to our natural resources and our human capital – we built our economic engine – the Trans-Alaska pipeline. And thanks to oil production fueling our economy – we not only built a successful energy industry – we built our highways, our schools, and our Universities. Together, we built a prosperous state and a strong middle class.

Just a few years ago, people were saying that Alaska's best days were behind us and that there wasn't much more oil on the North Slope to be found. Then, Senate Bill 21 was passed. With the passage of SB 21, we saw investment levels and North Slope exploration jump, even while oil prices were softening. SB 21 created jobs. Lots of jobs. There weren't many unemployed members seeking employment through the union halls. New oil field development proved capital intensive and created large numbers of jobs.

SB 21 has proven successful in finding new oil too. Lots of oil. Armstrong's Pikka field is estimated to be the second biggest find in the state's history. Conoco Phillips' Willow discovery is very significant as well. And, from all reports, Caleus has a nice discovery at Smith Bay. There are many more yet to be discovered.

Alaska has great rocks. There's a lot more oil to be discovered that will put Alaskans to work, help fill TAPS, and replenish our state coffers with billions of dollars in state revenues. But we need a tax environment that will continue to foster new exploration and development in our oil fields. One that will create new jobs and find oil that will secure our state's financial future. New development is key to a more prosperous state. Increasing taxes is not the way to do this. In fact, it has the opposite effect.

HB 111, which is before you today, is the second bite out of SB 21. Last year's HB 247 greatly reduced the value of North Slope tax credits and the GVR (gross value reduction). This has significantly changed the economics and raised the hurdle considerably for new fields and projects. This reality coupled with this year's proposed tax code changes is having a chilling effect on what's going on up North. I see it in the number of our members who are out of work.

While I sing the praises of SB 21, I realize the law is less than perfect. I think we all recognize and understand the need to modify North Slope NOL credits. We cannot meet these financial commitments given the state's fiscal problems. A solution for this issue is needed, and your consultant identified a way that allows companies to recoup their costs while eliminating the cash purchase by the state. Whether it is his recommendation, or another solution, there is a way to "fix" NOL credits while not placing undue harm on the industry. Let's fix this and leave the rest alone to keep working for all of us. Given that in FY 2016, oil and gas revenue accounted for 72% of all unrestricted revenue, we should be careful about fixing parts of the system that are in fact working.

I hope the committee will come together and meet in the middle. Together, we can move closer to a much-needed fiscal plan while incentivizing production and putting Alaskans to work.

I am also concerned by Section 26 of CSHB 111, which would establish a new requirement, necessitating pre-approval by the Department of Natural Resources of lease expenditures to qualify for a potential net operating loss deduction. At the time of expenditure, the industry generally does not have sufficient information to know if they will experience a net operating loss. As a result, this new requirement would mean that essentially all proposed investment would need pre-approval from the Department. Not only would this result in significant delays for projects, it would increase the administrative burden on the Department, which is discussed in the Department's "indeterminate" fiscal note. I would therefore request that the Committee ensure that the State does not establish an unnecessary and burdensome pre-approval process.

As a whole, House Bill 111 could render many potential projects currently under consideration uneconomical. This bill is not the answer to the state's fiscal problems. That's why I'm concerned about the economic risks associated with HB 111, which is not

in the state's best interest. If HB 111 passes, industry, the state's treasury, and the working men and women of this great state will be the losers.

I strongly urge the members of this committee to limit the reforms to the state's oil tax code to fixing the cash tax credits that we simply can't afford. That's a smart fix, and it's all that is needed. Doing more would limit economic opportunities for Alaskans while sending the wrong message about our state's business climate.

Thank you for tackling our state's fiscal crisis. We know from our state's past that – to build a more prosperous state for Alaskans – we need to expand new oil and gas production to fuel our economic engine, our jobs, and our economy.

Thank you for your time and consideration.

Best,

A handwritten signature in black ink that reads "A.J. Merrick II". The signature is written in a cursive, slightly slanted style.

A.J. "Joey" Merrick, II

