

**Testimony of Richard A. Fineberg on State Budget Issues
House Districts 1, 4 and 5 Joint Constituent Meeting
May 14, 2015 ***

Since the discovery of the nation's largest oil field at Prudhoe Bay, state budget issues have been closely linked to unresolved petroleum taxation issues by our extreme dependence on that revenue. Because of this linkage, understanding petroleum revenue is therefore necessary to the formulation and execution of state petroleum revenue and budget policies.

But quantifying petroleum revenue is a complicated subject that creates chronic confusion and clouds perspectives, preventing understanding of (a) petroleum profitability and (b) the fiscal aspects of public policies that enable the execution of government services.

This special session hiatus creates the possibility for legislators to attain clarity on the chronic problems of petroleum revenue quantification that will enable Alaska to establish long-term policy goals for government service.

For this reason, I have identified seven process fixes necessary to (a) improve understanding of petroleum quantification issues, which will (b) enable formulation and execution of long-term government service policies:

1. Focus on industry profitability – a subject essential to policy deliberations that is notably ignored by some esteemed state economic analysts.
2. Focus on conversion of fiscal year data to calendar year data to permit understanding of the relationship between government “take” and industry profitability, as well as timely assessment of global trends in production costs, supply and demand.
3. Focus on total net revenues, an important economic element, without which percentages of government “take” are virtually meaningless and liable to be misleading.
4. Focus on the degree of corporate consolidation of petroleum production facilities and operations, limitation of which may be necessary to assuring competitive economic environment that will attract potential investors in Alaska petroleum development.
5. Focus on the functioning of the state petroleum auditing program, which should be instructed to use the first four guidelines above to provide a framework for examination of the following two cost elements that may include a profit element but are normally subtracted from commodity revenues to determine total net revenues.
6. Focus on field cost accounting to ensure that excessive field costs do not undermine a competitive economic environment.
7. Focus on correct accounting of transportation costs in order to determine whether transportation profitability adds to or subtracts from production profits (depending on ownership overlap between production and transportation operations) in order to assure a competitive economic environment.

For three fact-oriented reports on recent Alaska North Slope petroleum policy issues, see “Aftermath of the SB 21 Referendum” (April 8, 2015), posted on my web site home page at <http://www.finebergresearch.com>. Many articles previously posted on this web site cover issues that illustrate the importance of the focus elements listed above.

* 2nd revision to oral testimony of May 14, 2015 (May 20, 2015).

From: Rep. Steve Thompson
Sent: Friday, May 22, 2015 2:35 PM
To: Helen Phillips
Subject: FW: Pass a budget without Medicaid expansion

Please post

-----Original Message-----

From: Jon Mark Stickland [mailto:jmsopco@hotmail.com]
Sent: Friday, May 22, 2015 1:27 PM
To: GOV.AllLegislators@alaska.gov
Subject: Pass a budget without Medicaid expansion

Jon Mark Stickland
18430 Kittiwake Circle
Anchorage, AK 99516

May 22, 2015

Dear Alaska Legislature,

I am reaching out to you today to urge you to pass a budget that does not include Obamacare's Medicaid expansion.

Medicaid expansion has been a failed experiment in states across the country. Taxpayers will be put on the hook for millions of dollars - placing funding for roads and schools at risk, possibly leading to tax increases, or both.

With the federal government \$18 trillion in debt, why should we add more? You have the chance to vote for a budget that would cut spending from the last fiscal year and also stop Obamacare's Medicaid expansion. Please stop Medicaid expansion.

Thank you.

Sincerely,
Jon Mark Stickland

Hello, my name is Sarah Hetemi and I am here to testify for a sustainable budget.

Like most Alaskans, the senate majority understands the situation we are in today – we are in a fiscal crisis. A handful of legislators along with the Gov. seems to have forgotten this. More state spending is simply not an option at this point, we need to live within our means and Alaskans know that. We have a \$4 billion deficit, and likely to face one just as large next fiscal year. State budget reserves should be used to aid in the transition to a sustainable budget. A sustainable budget should match spending levels to long-term revenues.

It sickens me that topics such as lucrative pay increases to certain state union members and Medicaid expansion has even been a discussion this year. Alaska cannot afford such actions.

The majority of Alaskans support reducing government spending. Thank you!

From: Rep. Steve Thompson
Sent: Friday, May 22, 2015 2:35 PM
To: Helen Phillips
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Please post

-----Original Message-----

From: Tim Clark [mailto:tjnak@gci.net]
Sent: Friday, May 22, 2015 12:27 PM
To: GOV.AllLegislators@alaska.gov
Subject: Pass a budget without Medicaid expansion

Tim Clark
7206 Zurich St.
Anchorage, AK 99507

May 22, 2015

Dear Alaska Legislature,

I am reaching out to you today to urge you to pass a budget that does not include Obamacare's Medicaid expansion.

Your job is to protect and defend the state and federal constitution. It is NOT to hand out free medical care to the people.

REMEMBER every dime you spend comes from the PEOPLE.

CUT THE SPENDING NOW!!!!

Medicaid expansion has been a failed experiment in states across the country. Taxpayers will be put on the hook for millions of dollars - placing funding for roads and schools at risk, possibly leading to tax increases, or both.

With the federal government \$18 trillion in debt, why should we add more? You have the chance to vote for a budget that would cut spending from the last fiscal year and also stop Obamacare's Medicaid expansion. Please stop Medicaid expansion.

Using the excuse that this creates jobs is misleading at best and an outright lie at worst. Government funded jobs COST many times more than they contribute to any economy.

Thank you.

Sincerely,

Tim Clark

May 22, 2015: Testimony on the budget before the House Finance Committee**Judy Andree from Juneau, Representing the League of Women Voters of Alaska**

The League thanks Representatives Edgmon, Foster, Colver, Stutes, LeDoux, and Seaton for their letter protecting the Permanent Fund. We also applaud House Speaker Chenault and Minority Leader Tuck for their continuing work on a budget compromise.

A true democracy requires the free exchange of ideas and healthy, civil debate on public policy in an open and transparent manner. This is how the best public policy is crafted. In a democracy, majority rule cannot be a supreme power onto itself. Compromise is essential.

In addition to compromise, education is the foundation of a functioning democracy, and democracy requires that public education be a top priority. Thomas Jefferson wrote, "If a nation expects to be ignorant and free, in a state of civilization, it expects what never was and never shall be." Unfortunately at the time this only referred to Euro-American men, but we have fixed that because we listened to the voices of all the people.

The League supports Medicaid Expansion. It is an example of a 60% majority supporting the 40,000 Alaskans who are in the minority when it comes to health care coverage.

The League supports the basic democratic tenets of tolerance, cooperation, transparency, and compromise.

The League supports the exercise of free speech in the form of testimony.

The League supports the full financial funding of our system of public education, the underlying foundation of our democracy. We also support curriculum that helps these future citizens stay healthy and safe through such measures as the Alaska Safe Children's Act. Please pass a clean Erin's and Bree's Law.

It has been a difficult session given the budget crisis. But good public policy and good problem-solving require the hearing of all involved, the serious consideration of their ideas, and respectful collaboration. This is the only way to run a government of, for and by the people.

5-22-15

House Finance Cmte.

Honorable Senators and Representatives,

I am very concerned with the partisan brinksmanship being exhibited by the legislative and executive branches of our State government. Not many years ago the legislature had bipartisan leadership that was able to work out differences of opinion and reach agreements that were in the best interest of the peoples of Alaska.

What we are experiencing now is the end result of Governor Parnell's decision to kill the bipartisan caucus and replace it with single party leadership more inclined to rule than to govern. Alaska needs the centrists' of both parties to reject the overtures of those members that will not reach across the aisle for the good of the people.

The election of the Walker - Mallot ticket is a clear indication that the people of Alaska want bipartisan representation. We are stronger if we work together and govern with a balanced approach in dealing with the vexing issues we are confronted with.

You need to stop this self-serving bigoted infighting and start acting like adults.

Everett Richards
Homer, Alaska

 Richards