HB 111
Public Testimony
Documents in Opposition

1. Garvan Buccaria
2. Leonard Peck and Valerie Luczak
3. Carl S. Benson
4. Mark Ouellette
5. Donald M. Bullock, Jr.
6. Jim Beverage
7. Zachary Blake Young
8. Julie Lawrence
9. Rob Bowman
10. Ed Hendrickson
11. Daniel Green
12. Chris Osowski
13. Arlene E. Reber
14. Jerome DeLaCruz
15. Ron Fiscus
16. Per Wangstrom
17. Jimmy Ashton
18. Mike Beck
19. Scott Collins
20. Dan Howard
21. Barry Tibbitts
22. Dan Howard
23. Shaun Sulley
24. Christian Wilkins
25. Wendy Martin
26. Kevin Greenfield
27. Kimberly Howard
28. Tyrell Amberg
29. Tyrell Amberg
30. Mike McConahy
31. Dawn Patience
32. Dan Lewis
33. Garrett McKee
34. Liz Jolley
35. Ron & Marji Illingworth
36. Jeannette Shifflett
37. Becky Cook
38. Sarah VonPaul
39. Jonathan Coberly
40. Greg Hobbs
41. Werner Schinagl
42. Lorali Simon
43. Randy Greenway
44. Eileen Floyd

45. Whitney A. Noziska
46. Kenai Chamber of Commerce

(1)

Testimoney HB111 March 25 2017

I basically oppose HB111(RES)

#2 "Our oil" benefits no one if it remains underground. We should continue to stimulate ~~by~~ the petroleum industry incentivize production, and encourage locating more fields with seismic exploration, involving new refined technology.

#1 Integrated Majors may benefit even when oil prices are low because they continue to gain on pipeline charges they ~~benefit~~ pay but benefit through their corporate structure that loophole needs correction

#3 Stimulate ~~[illegible]~~ productive wildcatters by continuing their incentives

The problem is Governor Walker failing to pay incentives legislators have previously allocated

How do you compell this Governor to pay our bills!

1. Cut his LNG program - ~~[illegible]~~ 100% including staff instate out-side + internal
2. pay our bills by re-appropriating all LNG budgeted funds

[signature]

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(2)

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A POM was successfully sent

From:

Garvan Bucaria

To:

All Legislators

Subject

The message was sent in reference to:
Oil & Gas

Message

The message contained the following text:
Have you heard: REI (Japanese LNG company) backed out of a deal with the Matsu Borough to establish an LNG facility at Port Mackenzie because global natural gas prices are too low ie; cheaper sources elsewhere. Now is time to cut Governor Walker's program. zero out his LNG budget.

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A POM was successfully sent

From:

Garvan Bucaria

To:

Rep. Foster, Rep. Gara, Rep. Grenn, Rep. Guttenberg, Rep. Kawasaki, Rep. Neuman, Rep. Ortiz, Rep. Pruitt, Rep. Seaton, Rep. Stutes, Rep. Thompson, Rep. Tilton, Rep. Wilson

Subject

The message was sent in reference to:
HB 111 (Oil & Gas Production Tax;payments;credits)

Message

The message contained the following text:
Mr. Folley and Mr. Hastings testimony was revealing, incentives work, constantly changing tax laws don't. Legislators must promote oil production by retaining incentives, don't kill the goose that lays the golden eggs. Nix Walker's LNG, payoff incentive rewards post hast.

Begin Another POM | Logout

Oil experts have testified that other oil producing countries have learned to make their contracts variable and not written in stone, to protect themselves from the ever changing value of oil. Alaska needs to pay heed. Different contracts may be written in a single year to deal with the fluctuating prices and availability, as the industry is always changing...We were duped by an oil lobbyist governor, with oil industry employees in the legislature, as well as fancy tv and radio ads, paid for by the money subsidies given to the industry by the state, to sway the minds of the people, without a thorough vetting of what was in this bill and what it meant at lower prices...paying to give away this finite resource. We watched a few years ago, as amendments that would've protected Alaska and it's people from the results of low prices be shot down in a Republican led committee...who were convinced that the only way the oil was going was up...and the industry benefitted from SB21, more production and credits for extraction on the backs of the needs of the people in this state...(Reducing the permanent fund to pay for these breaks) Oil may never get over $60 a barrel, more likely MUCH lower, and we should adjust these contracts ASAP, for the low end, in response to the glut of oil on the world market.

thank you, Leonard Peck and Valerie Luczak

3

The Alaska Legislature is seeking advice. Here is mine.

Let's follow the governor's plan of (1) adjusting tax breaks and credits to the oil industry, (2) broad-based taxes, and (3) use some earnings from the Permanent Fund's Earning Reserve Account for their original purpose.

Clearly, continuing to cut the state government cannot solve our budget problem.
Adjusting oil industry tax breaks must be first because people don't want to pay an income tax that goes to Exxon.
And paying 85% of the oil industry's exploration costs is embarrassingly stupid! Think of it. For every dollar of exploration costs, the industry only kicks in 15cents.

We have some "low hanging fruit" that makes it easier for Alaska to deal with a budget gap than it would be for any other state. Our motor vehicle fuel tax has not been adjusted in more than half a century in spite of inflation. At 8 cents per gallon it is the lowest in the nation. If it were doubled it would still be a dime below the national average; tripling it would bring it into line with the other states.

I agree fully with the State re-installing its income tax at 15% of Federal income tax, as it was. I am totally opposed to a statewide sales tax.

A statewide sales tax would be costly and difficult to manage with a few cities and many widely scattered, small villages. Administering it would require a whole new agency. It is regressive; the poorest people pay the same tax on a pair of socks, as do the wealthiest. Some communities already have a sales tax and adding the statewide tax would complicate their lives. We could still have problems with merchants collecting the sales tax and pocketing it for their own use.

We never had a statewide sales tax, but we DID have a Territorial and a State income tax and it served us well. In addition to giving the Territory the means to deal with domineering fishing and mining interests, it paid for the Constitutional Convention of 1955, laying the foundation for Alaska Statehood. I have been told this by two members of that Convention, namely the late Judge Thomas B. Stewart and Dr. Victor Fischer. It is also well recorded in the marvelous book *College Hill Chronicles* by T. Neil Davis.

In contrast to a statewide sales tax, the income tax is easy to administer. Federal tax records are available, so the state needs only to apply a percentage of the amount paid to IRS. This is the simplest state income tax calculation in all the 50 states. All the individual does is send a copy of the IRS Form 1040 and mail 15% of the bottom line amount to the State of Alaska. Money paid as state income tax is deductible from the federal IRS tax, keeping more Alaskan money in Alaska.

With the income tax, those for whom the dividend means the most would pay the least, and those for whom the dividend means the least would pay the most.

People in Alaska could again proudly say "I am a tax payer" and "I am a citizen of Alaska," not just a resident. The pride in this would offset any cost.

The legislature asked for advice and this is my contribution.

Carl S. Benson

4

I Mark Ouellete a legal resident of Palmer Alaska oppose House Bill 111. This bill will kill jobs in Alaska and future development, which defeats the purpose of the bill.

Mark Ouellette

5

DONALD M. BULLOCK JR.

900 1st St. Apt 9 Douglas AK 99824-5402

March 25, 2017

House Finance Committee housefinance@akleg.gov

RE Opposition to HB111/CSHB 111(RES)

Co-Chairs, Vice-Chair, Members of the committee:

I strongly oppose HB 111/CSHB 111(RES). I also oppose the approach to amending the current oil and gas production tax before each member of the committee reasonably understands the nature of the oil and gas industry and how the current oil and gas production tax operates.

I am not employed by a person or company, and my only interest in the oil and gas industry is through any investment by the State's retirement system or the Permanent Fund Corporation.

My opposition is based on my experience as an Alaskan since 1955, as an employee of the Alaska Department of Revenue for 17 years, and on my familiarity with the evolution of the State's oil and gas production tax, starting in 1977.

The approach in this letter is to highlight some of the issues the committee has heard. My comments are in the context of oil, but many of the concepts also apply to natural gas.

"It's our oil" and "fair share"

While the oil underlying state lands belongs to the state, other oil and mineral interests are owned by the federal government, regional native corporations, and possibly individuals that held the mineral interests before statehood. At best, "our oil" only references the oil underlying state land.

The state is not a production company, and would probably do poorly if it had chosen to be an explorer or producer. Under the Alaska Lands Act (AS 38.05), the state offers leases to those that have the ability to develop and produce the oil. In exchange for a lease, the state receives bonuses, rents, royalty sales proceeds,

royalties, and profit shares. Part of these receipts are deposited in the Alaska Permanent Fund under the Alaska Constitution and statutes. Those receipts are what the State receives as the owner of the resource. Under the leases, the lessee receives the remaining oil and bears the costs of production, including the production of royalty oil.

Under the leases, the State may receive oil or the value of oil that represents the state's royalty interest. The oil received by the state is sold under contracts approved by the legislature. Thus, once oil is subject to leases, the oil that remains "our oil" is our royalty share.

The fair share of oil is the contractual amount in the state leases, usually one-eighth share of production. Whether that is a fair share of production can be argued, and some leases are based on one-sixth share, a net profit share (share after recovery of costs), or other percentage. After 2021, the State and producers may agree that the royalty in gas will be paid to the state as gas rather than value. (Similarly, the tax on gas may also be paid with gas rather than dollars.)

"It's our oil" and "fair share" discussions are only legitimate in the context of the original ownership of oil and the interest in oil production the state receives when that oil is produced.

<u>The oil and gas production tax (AS 43.55) is a tax.</u>

The "our oil" and "fair share" arguments for setting tax rates are inconsistent with the nature of a tax imposed on producing oil. The production tax is a tax on the business of production, just as fisheries taxes are based on engaging in the fisheries industry, and mining taxes are imposed on mining activity. Not dissimilar is the tax imposed on real estate in a municipality. Taxes are not imposed based on any sort of "fair share" or ownership, but rather on the burden and benefits exchanged between a taxpayer and the taxing government. The municipality does not own your house, but a share of its value is paid as tax. Similarly, the production tax is based on the value of taxable production, independent of the ownership of the resource.

Alaskans should watch the legislature's approach in HB 111 because, if an income tax is imposed, Alaskans could foresee many changes and instability in any income tax, in a similar manner to the approach taken in oil and gas production taxation.

<u>Percentages</u>

Beware of percentages used to compare Alaska's oil and gas taxes to the taxes imposed by other jurisdictions. A percentage begs the question, "a percentage of what?"

Taxation is limited to activities within the boundaries of the State. The production tax is imposed when oil is produced. On the North Slope, the point of production is pump station one. The oil is valued there—the gross value at the point of production—and that value is part of the calculation in determining the value to which the production tax applies. Lease expenditures are deducted from gross value in order to determine production tax value. Production tax value is the value subject to the tax rate in AS 43.55.011(e) and gross value at the point of production is the subject of the tax in AS 43.55.011(f).

The point of production on the North Slope is quite a distance from the majority of the market for that oil. The destination sales or transfer value is reduced by the transportation costs between the North Slope and the point of sale or transfer. Transportation costs include the TAPS tariff and and tanker costs. Some destinations require additional costs, such as lightering in San Francisco. Lightering involves transferring oil from a tanker onto a smaller vessel for transport in waters too shallow for the large tanker. According to the fall Revenue forecast, the costs of transportation are a bit under $10 a barrel.

Looking at the North Slope, you can see how far North Slope oil is from its market. Compared to other oil produced in the United States, Alaska's oil likely has the lowest wellhead value for similar oil than that in any other jurisdiction. Because of this, when comparing percentage tax rates, the value subject to tax in our State is lower than other states.

Production volume

Oil prices are only one factor in determining the value of Alaska oil production. Don't focus only or even primarily on price.

The price reported is a dollars per barrel amount. Of course, the other factor is the volume of production—dollars per barrel for how many barrels?

Oil is a nonrenewable resource. No new oil is being made, but oil may be discovered in new areas and new reservoirs. New discoveries are required to increase production or slow overall declining production. Credits offer incentives for new exploration, development, and production.

Volume of production is critical for ensuring TAPS receives adequate oil to ensure the proper and efficient operation of the pipeline. Proper operation relates to the heat of the oil, quantity, viscosity, and other factors related to flow and capacity. When TAPS pump station one failed several years ago, the pipeline came close to being disabled as the oil cooled in the line. Reduced volume also means there are fewer barrels paying a tariff to support the operation of the pipeline. It is possible that transportation costs may increase as the volume decreases. Increasing transportation costs reduces gross value at the point of production as well as the production tax value.

"Profit" and "Lease Expenditures"

This advocates of increasing taxes on oil and gas production use the word "profit" in many arguments. However, production tax value, the value on which the tax is imposed, does not evidence "profit." Production tax value does no more than represent the the amount of gross value remaining after deducting allowable and limited lease expenditures.

Allowable lease expenditures are defined in AS 43.55.165. In addition to recognizing allowable lease expenditures, that section also lists many expenses related to the business of producing oil are are not deductible when determining production tax value. Disallowed expenditures are listed in AS 43.55.165(e), many of which would be deductible when determining the profitability of producing oil in Alaska.

Using the word "profit" in the context of what is subject to the production tax is misleading.

Lease Expenditures

Lease expenditures are identified in AS 43.55.165. Primarily, "lease expenditures" include the costs on a lease that are incurred upstream, that is toward the actual well, from the point of production.

The value of oil and the cost of production may vary. The quality of oil varies, with heavier (lower API gravity) having less value than lighter oil. Some oil may be more expensive to bring to the surface because of the necessity of production enhancement techniques. Enhanced recovery may require heating the oil, injecting gas or water to pressurize or drive the oil, separating from the oil components that may not be introduced into the pipeline, and other means and techniques. Enhanced recovery increases production costs, reduces production tax value, and reduces the return to the producer.

In addition to increasing costs of bringing oil to the surface, the cost transporting oil from the wells to TAPS increases with distance. These costs must be considered when determining the economic viability of new production. As examples, the distance from Point Thomson and Milne Point fields to pump station one increase transportation costs above the point of production, i.e. increase lease expenditures.

Lease expenditures, a deduction when determining production tax value, increase as reserves farther from TAPS are developed and as enhanced recovery requirements increase.

Who is Alaska's Competition?

We have seen a lot of modeling and comparisons between Alaska's oil resource development and taxation regime and those of other States and countries. But, who are we actually in competition with?

Alaska has certain advantages. Alaska is part of the United States and provides political stability, safety, and health and welfare benefits to companies and workers.

Much of the infrastractureure is already here, though may require considerable enhancement and maintenance. Oil is transported in a heavily regulated pipeline and transported to U.S. ports in U.S. ships that offer a higher level of safe transport.

But, Alaska also has a number of disadvantages. The cost of production is very high. North Slope fields are operated in the face of a harsh climate, distances from market and supply resources, and high labor and energy costs. Operators of the fields must also provide housing facilities for workers that are rotated in and out for work.

It is not helpful to see a list of production states and countries and Alaska's place on that list based on relative government take or tax rates. It would be more helpful to use factors unique to Alaska and to identify those jurisdictions that are truly the State's competitors.

Another aspect of competition, particularly for companies that operate worldwide, is bang for the buck—where can an investment be made that provides the greatest return? In this competition, the competition is economic, and production companies must determine where to invest. If increasing taxes, royalty, and regulation costs make Alaska less attractive than investment in other parts of the world, Alaska will be less competitive. For example, look at increased gas production off Australia and East of the African Continent where companies doing business (or formerly doing business) in Alaska have increased investment.

Tax Credits

There is much discussion about tax credits. Most of the discussion has been about the cost of the credits. However, cost to the State should only be part of any credit analysis. The other part is whether the credits are producing the intended results. The State has benefited from increased and new production that have been attributed to credits. Don't kill credits because of cost without a consideration of the positive effect the credits have on oil production.

A deduction such as a lease expenditure, and a credit to a producer or explorer should be recognized as investments by the State. The Investment may be in the form of a cash payment when funds are available, or a lower future tax payment when the credit is applied. As an investment, the deduction or credit should be analyzed under a cost/benefit approach—if we invest this much, what will our return be in the future. Some investments will produce favorable results in the short term, others in the future or over time. The amount of the investment must also be considered—can the state afford it?

Any credit discussion must address the benefits of the credit to the state in the form of increased production or a slow down in the decline of production. Above all, the effect of credits on the flow of oil in TAPS must be considered. Credit costs in the form of cash or reduced tax receipts are factors, but not the only factors to be considered..

Cash payments for credits

Credits that may be applied under AS 43.55.023 and AS 43.55.025 may be taken several ways. Eventually, all of these credits could reduce the State treasury because of cash payouts or reductions in tax payments as the credits are taken.

Tax credits under these two sections may be held by the person qualifying for the credit, sold to another taxpayer, or sold to the state with payment out of the fund created in AS 43.55.028. Various conditions are imposed as to how the credits may be taken against the production tax, how a transferred credit may be taken, and how, when, and if a credit may be sold to the state for cash. Transferable credits keep their face value and do not earn interest. Also, the credits do not expire.

Focus on the cash payments for credits out of the oil and gas tax credit fund. Read AS 43.55.028 from the perspective of what money is in the fund and how the State may use money in the fund to buy credits eligible for purchase. Note that the fund is not a dedicated fund. Money in the fund must be appropriated into the fund. One source identified as a source for an appropriation is identified in AS 43.55.028 (b)(1) and (c). The identification of a source s not a dedication of that money to the fund; AS 43.55.028(h) states that nothing in the section creates a dedicated fund. In fact, Art. IX, sec. 7, Constitution of the State of Alaska prohibits the statutory dedication of any money for the payment of tax credits. Nevertheless, some have argued that a percentage of production tax receipts is dedicated and represents the minimum amount that must be available for the purchase of credits in a year.

The beauty of identifying a percentage of production tax received as a source for appropriation is that the amount of money available for appropriation rises and falls with production tax revenue. As production tax collections decline, there is less money available in the identified source. However as the West Coast ANS price drops below $60 a barrel, and the need for incentive credits increases, the percentage increases. In other words, the source for appropriation increases or decreases based on production tax revenue and the need for increased production incentives increases when prices are lower and more oil production is needed .

AS 43.55.028 recognizes the possibility that there may not be enough money appropriated into the fund to pay for all credits and certain corporation income tax refunds. AS 43.66.028(g) provides for a mechanism to allocate available funds when there is insufficient money to pay for all credits and refunds.

Credits that are not purchased do not disappear. Those that are not purchased and are transferable may be sold to another taxpayer that can use them or be held until the person can apply the credits agains a tax liability.

Because the face value of credit certificates does not increase with time, the future cost to the state if purchased, or loss to the state because of a lower future tax payment, does not change. Consider the analogy of a zero interest loan such as that available on some cars—what is the advantage of prepaying the loan? Why is it necessary to cash out a credit now rather than delay payment or application of the credit in the future.

Of course, based on the State's past revenues credits often have been purchased and at the full amount. Persons holding credits are claiming an entitlement for purchase by the state and payment of the full amount of the credits. However, the law—AS 43.55.028—makes the money available for purchase limited to appropriations and other conditions. The same statute recognizes, through the allocation provision, that there might not be sufficient money for any or all credit purchases in a year.

Six years to audit?

HB 111 and other changes to the production tax, including ACES and SB 21 have been made without completion of audits that could show how the tax being amended was working.

Before 2007, the Department of Revenue had three years to audit production taxes. In 2007, AS 43.55.075 was enacted to give the department six years to audit production taxpayers. Recent audits have taken the full six years, and appeals, including appeals to court, take additional time to determine the amount of tax actually due.

Why such a long period? When the audit period was extended, the Department of Revenue claimed a shortage of auditors and resources. Audit resources were enhanced, in part, by the legislature providing authority to hire audit masters. However, the longer period was still needed because of the complexity of the tax scheme, particularly the audit of lease expenditures and expenditures for credits.

As noted above, lease expenditures that may be deducted or excluded for determining production tax values are identified in AS 43.55.165. Lease expenditures must be categorized as allowable or not allowable based on category and location of expenditure, but must also be examined as to whether the costs are "ordinary and necessary costs for exploring for, developing, or producing . . . oil or gas deposits." AS 43.55.165(a)(1)(B)(ii). Other issues for identifying sales prices and transfer prices and values, as well as transportation costs, largely have been resolved in royalty litigation. However, lease expenditures were new factors introduced in PPT in 2006. Before PPT, the cost of production under the previous production tax was an amount expressed in terms of barrels of oil per well day; initially it was a presumed amount and ,at the end, a fixed volume of production per well day.

The difficulty of having lease expenditures being a key element in the determination of the production tax is complicated in CSHB 111(RES). Under sec. 26 of the CS, the Department of Natural Resources must predetermine allowable lease expenditures for the purpose of carrying forward net operating losses. This new requirement makes the tax even more cumbersome and increases the burden on the state and imposes additional delays and burdens on taxpayers. Bad idea.

The production tax is an annual tax with estimated payments

Under AS 43.55.011(e), the production tax is levied on "oil and gas produced each calendar year from each lease or property." AS 43.55.020(a) provides for monthly installment payments to pay the tax expected to be due for the calendar year.
Attempts to change the installment payment to anything other than a payment based on the calendar year tax liability is inconsistent with the period in which the tax is imposed under AS 43.55.011(e).

Note, before April 1, 2006, the production tax was imposed monthly rather than on a calendar year basis. The monthly scheme meant that there were 12 returns a year, with each subject to the then 3-year period for auditing and making assessments.

Summation

I strongly oppose both the substance of the proposals in HB111/CSHB 111(RES) and the piecemeal approach to amending the current production tax. Increasing the tax burden under an "our oil, our fair share" rhetoric is substantively invalid. Also, increasing taxes because of revenue shortfalls rather than a benefits/burdens approach to an industry is a poor approach to tax policy.

The production tax is a tax on the activity of a person and not limited to only a tax on production from state lands. The "our oil, fair share" rhetoric fails further with regard to production that is not from state land.

Both industry and the state need to have a production tax scheme that is predictable for investment purposes and state revenue projections.

Donald M. Bullock Jr.

Please do not pass HB 111 out of the House Finance

Committee. Sincerely yours,

Donald M. Bullock Jr.

(6)

Dear House Finance Committee,

My name is Jim Beverage, I am a petroleum engineering student at the University of Alaska Fairbanks and I am representing myself with this written testimony against HB 111. I came to Alaska for the first time one week before classes started and I in essence started my life over at that time. I made new friends. I went to places and I have seen things I never dreamt I would. I continued to better myself through education as well as hard manual labor I have found for work to support myself, but the support from my fellow Alaskans is the reason why I wish to stay. I want to make Alaska a better place to live, but the best I can do for now is support my fellow man and offer you my opinion.

I was at the Fairbanks LIO from 10am to roughly 1pm listening to the verbal testimonies and I chose to write mine instead due to the two minute time frame per speaker. I found it interesting to listen to the various testimonies, both for and against HB 111, and here's my two cents. I don't want to bash the fact this bill proposes the 7th change to Alaska's petroleum production tax in the last 12 years, nor how this perceived unreliability of Alaska as a business partner detracts prospective investors. I don't want to repeat "detrimental", "elephant in the room", "this bill goes too far", and "don't kill the goose that lays the golden egg" that appeared in some of the verbal testimonies of opposition today.

Albeit I agree with these arguments, I am by no means educated enough on these matters to make a ruling on the best course of action, but thankfully you are. My past work experience lies more in the residential construction industry, not in legislature or the public process. I could build you a house from the ground up, literally, but in this matter I can only offer my opinion that HB 111 will not help make Alaska my permanent home.

Several of my petroleum engineering classmates provided their verbal testimonies today, but I don't think they mentioned how few of us are left. Many of our fellow petroleum classmates switched majors, mainly to mechanical or civil, because they lost all faith in the petroleum industry. We, the students that chose to stay, did so because we still believe in the industry that has been the backbone of Alaska's economy for the last four decades. I still believe in the niche engineering field I chose to pursue as my career, which was only offered at 19 universities in the United States when I first started in at UAF, will provide the means to support the people I love. I also believe that if the oil companies operating in the state cannot do so because of the tax structure and other economic forces, those companies will leave Alaska.

I would like to thank you for your service to our State and for acknowledging my testimony against HB111.

Jim Beverage, 03/25/2017

7

Let it be known that I Zachary Blake Young am in strong opposition to HB 111. As a hard working, law abiding American citizen I feel it would be detrimental to the future of the Alaskan economy. It is my civic duty to strongly urge you to reconsider the inevitable consequences that would accompany the passing of this Bill. As a husband and father of 2 wonderful kids, I have solely relied upon oilfield payroll checks to provide them any and all things needed to survive in a such a tough economy.

8

My name is Julie A Lawrence and I am an Alaska resident and voter in the Kenai Peninsula district.

I want to voice my opposition to HB 111 and ask my representative to vote NO.

Thank you,

Julie Lawrence

9

Hello there, I want to be heard and counted as an Alaskan resident that I oppose HB 111. Completely and absolutely oppose it's passing.

Thank you,

Rob Bowman

10

To our elected representatives in the House,

We can, and must do better.

HB111 is misguided. You are proposing to raise taxes on the oil industry at a time when these companies are struggling. Projects are being cancelled, jobs are being cut, wages frozen, benefits reduced, contractor companies pulling out, and union workers leaving the state. In good times, these oil and gas companies provide almost 90% of the State's revenue. In times like this, they provide about 67%...even though most of these companies are LOSING money. And you think this is the time to raise taxes on the industry?

For our kids and grandkids, it is time to think long term.

The key to a prosperous future is to encourage investment, not chase it away. Alaska is one of the most expensive places to do business in the US. Raising taxes just makes Alaska a less competitive place to investment – and make no doubt about it, Alaska competes with other locations around the U.S. and the world.

God's gift to Alaska is it's natural resources.

So let's develop those discoveries. Let's find more oil. Let's hire more workers. Let's grow the pie. Let's generate more revenues for the public and private sector. And let's put more oil in the Trans Alaska Pipeline.

Let's encourage investment, not drive it away. Don't pass HB111.

Sincerely,

Ed Hendrickson

11

To whom it may concern.
I oppose the passage of the HB-111. Please do not support this bill. I feel that it will kill jobs at a point that the state of Alaska needs to create more jobs.
Respectively:
Daniel Green

Greetings, Members of the Finance Committee:

12

As a 50 year resident of this state who has raised two generations of Alaskans now, I find myself putting on my best behavior in front of you as I am about to speak in defense of the oil industry on this new attempt to further increase taxes on an already overburdened industry rather than implement some responsible spending cuts and future limits.

However, I can't help but be blunt in saying I am literally furious with you all for even considering this, especially in light of the halfhearted at best efforts towards curtailing our out of control, obscenely unsustainable, spending addictions in this state.

I am not an easily mislead individual, but the fact is that even SB21 as it now stands is the equivalent of ACES on steroids which was passed in such a kneejerk fashion in order to make some grandstand attempt to soil the good name of our business partners, the oil companies who process and bring our oil to market for the mutual benefit of the state and their stockholders. SB21 only barely corrected the poorly chosen directions, and has not been given enough time to show its true benefits to the shortsighted who cannot already see that while in a depressed oil economy, Alaskan investments have continued rather than disappeared as they largely have in these companies other domestic holdings.

I pray you don't take offence for me speaking my piece, and that you see the wisdom of keeping the one major economic contributor we have, strong and confident we intend to do our part to keep this mutually beneficial business relationship at its same level of trust and commitment.

Sincerely,

Chris Osowski

Anchorage, Alaska 99507

WHAT CONOCOPHILLIPS HAS ALREADY SAID ABOUT HB111:

- Total cost matters. HB111 moves Alaska in the wrong direction by increasing taxes in an already high cost environment.

- HB111 makes Alaska less competitive and could drive investment to other places.

- If passed, HB111 will be the seventh oil tax law change in 12 years and the third since 2013. Stability matters.

- Under SB21, the State always has the highest percentage of net revenue. In fact, when industry is losing money, the State still has positive revenue. HB111 would simply increase State take even higher.

- In 2016, COPA made $233 million in adjusted net income. We incurred $490MM in estimated taxes and royalties to the State ($537MM when the federal piece is included) – over twice our earnings. We have been a significant contributor to State revenues, even at current low oil prices. Since 2007, we have paid over $26 billion to the State in taxes and royalties and over $34 billion when the federal government is included.

- Increasing taxes could result in less investment, less production, less revenue to the State and fewer jobs. Every oil company job supports about 20 jobs in the State economy.

- The oil industry has historically provided about 88% of the State's General Fund. Even at today's low oil prices, the industry is still providing about 67% of the General Fund revenues. Attempting to balance the State's budget through increased oil taxes will not fix the budget deficit, but will hurt the State when industry investment declines.

- SB21 has placed Alaska in a competitive position and is working. Since its passage in 2013 (and approved by voters in 2014), it has spurred increased investment, production, jobs and revenue to the State. Let it continue to work.

- Do not pass HB111.

13

#1. Alaska does not have a budget crisis, we have a revenue crisis,
#2. While the price of oil dropped 62%, production tax revenues fell 109%. Even worse, after credits are paid, Alaska oil revenue collapsed to minus -$0.5 billion in 2017,
#3. In 2016 oil companies produced $8.4 billion of Alaska oil yet we netted only $0.9 billion after credits were applied. That is $1.9 billion less than Alaska would have received as fair share owners of the oil produced. That amounts to slightly over half of the current Alaska budget deficit that has been growing each year despite billions dollars of cuts to the budget,
#4. Alaskans are not getting the fair share that industry historically promised. In 2017 we should have received $3.6 billion (33%) instead of the paltry $0.1 billion (8%),
#5. The solution is to replace the current overly complex oil tax system with a simple progressive gross-market tax (with adjustments for major and minor fields),

Additional points if you have time:

- SB21 and ACES are based on net profit and should be based on gross production profit,
- The complexity of SB21 and ACES require auditing and legal costs which the Legislature has not funded.
- Net taxing is dependent on oil company secret internal information not readily available to Alaska. This allows oil companies to artificially influence tax rates in their favor and at the expense of Alaska.

Thank you.

Arlene E Reber

Anchorage Ak 99517

14

Passing HB 111 would significantly change oil & gas investment in Alaska which would negatively impact Alaska's economy with less opportunity for oil & gas industry employment. This is essentially cooking the goose that has laid the golden eggs for Alaska for the past 30 years.

- Total cost matters. HB111 moves Alaska in the wrong direction by increasing taxes in an already high cost environment.

- HB111 makes Alaska less competitive and could drive investment to other places.

- If passed, HB111 will be the seventh oil tax law change in 12 years and the third since 2013. Stability matters.

- Under SB21, the State always has the highest percentage of net revenue. In fact, when industry is losing money, the State still has positive revenue. HB111 would simply increase State take even higher.

- In 2016, COPA made $233 million in adjusted net income. We incurred $490MM in estimated taxes and royalties to the State ($537MM when the federal piece is included) – over twice our earnings. We have been a significant contributor to State revenues, even at current low oil prices. Since 2007, we have paid over $26 billion to the State in taxes and royalties and over $34 billion when the federal government is included.

- Increasing taxes could result in less investment, less production, less revenue to the State and fewer jobs. Every oil company job supports about 20 jobs in the State economy.

- The oil industry has historically provided about 88% of the State's General Fund. Even at today's low oil prices, the industry is still providing about 67% of the General Fund revenues. Attempting to balance the State's budget through increased oil taxes will not fix the budget deficit, but will hurt the State when industry investment declines.

- SB21 has placed Alaska in a competitive position and is working. Since its passage in 2013 (and approved by voters in 2014), it has spurred increased investment, production, jobs and revenue to the State. Let it continue to work.

- Do not pass HB111.

Instead, focus on reducing or eliminating the PFD payouts to Alaska residents after taking all necessary and reasonable steps to reduce spending. PFD payout of $1,000 per person is minimal compared to the cost to staff and fund the PFD administrators to manage this program. This is not sustainable. By using the funds in the PFD account wisely, Alaska can be sustainable for many years, even in a low oil price environment and without changing oil tax law, without state income tax.

Jerome DeLaCruz

15

To Whom It May Concern:

My name is Ron Fiscus and I have been living in Alaska since birth with, I have never lived outside of Alaska at any time in my life. I was born in 1970 so I do have some fairly long term history of the business cycles in Alaska. I have also worked in the private sector starting at age 14 (full time after graduating from high school). In addition to my life and private sector work I have owned and operated a small business starting in 1995 (residential apartment rentals). In this time I have grown in my private sector career starting as an aircraft cleaner for Era Aviation (Ravn Alaska) to the position of Director of Maintenance, before retiring from Era after 23 years. I have also grown my rental properties from the original 4 units to 50 units in about 22 years. I currently work full time as a Boeing Maintenance Coordinator for ConocoPhillips Alaska. I have a wife and three young boys that work with me to handle the rentals and have ambitions to continue living, growing, and taking over the business in Alaska. I feel I need to state my position to establish that I have some knowledge of business management and also that I do in fact work for an oil company. While this could be seen as a bias position, I would rather think it gives me a deeper understanding of the oil and gas business in Alaska in addition to my private sector and business experience. It would be my humble opinion that my life experience in Alaska, business experience, and oil and gas industry knowledge exceeds the average Alaskan.

Since I have spent so much of the readers time trying to give some background to why I feel I can have some credibility to make statements regarding such an important topic as HB111, I will cut to the chase.

I strongly oppose HB111. I think if passed, HB111 would have a very negative effect on the State of Alaska, its businesses and residents.

Sincerely,

Ron Fiscus

Anchorage, Alaska 99502

16

Let's keep oil and gas taxes stable to attract new development.

Per Wangstrom

17

I am against HB111, I believe this is a short cut for Alaskas Politicians to avoid having to do real work, and instead further tax an industry that is already crippled.

How many people that work in oil & gas have lost their job? How many downstream jobs have been lost or are feeling the pinch because of the downturn? I know too many of these people. HB111 is the states way of saying they don't care about those people, or the ones who will be laid off if this bill passes. This bill will make Alaskas downturn last even longer.

Stop going after oil & gas, sharpen your pencils and get to work finding real solutions, do what you were elected to do, or step aside and let someone with a stronger work ethic in to do it for you.

Jimmy Ashton

18

Greetings,

I'm writing in opposition to HB111 and urge the committee to table this legislation. I propose the committee explore other revenue sources (sales or income tax) instead. And to look for and cut unnecessary spending.

Regards,
Mike Beck
Kenai AK 99611

Please do not pass HB 111.

Increasing taxes makes Alaska less competitive and will reduce oil industry investment in Alaska. That will significantly reduce jobs in Alaska, reduce future production, and ultimately result in less royalty and tax payments to fund State government. The industry is struggling to remain profitable. At the same time, the State of Alaska (under the current royalty and tax structure) already receives most of the wealth created by North Slope oil production.

All Alaskans benefit from a strong oil industry. Increasing taxes on the industry will hurt all Alaskans and will not provide enough revenue (even in the short term) to significantly reduce the state deficit.

In place of increased taxes, I ask that the legislature:

1. Implement additional significant, structural, and sustainable reductions in the scope/cost of state government.

2. Use the permanent fund earnings to close the deficit. By using the permanent fund in that way, all Alaskans have a strong vested interest in how state government is managed and funded.

Thank you,

Scott Collins

Anchorage, Alaska

20

Dear HFC

This bill not only impacts the Oil and Gas industry but every other business that provides a service to the industry. Small Business retailers, transportation and logistic companies, and food services just to name a few. Another aspect overlooked is the vast charitable contributions companies make to our great state. ConocoPhillips alone is a long time sponsor of the Anchorage Opera, the Anchorage Museum, Anchorage Parks and recreation Westchester Lagoon Family Skate and the Anchorage Concert Association's Nutcracker Community Performance. They are a major sponsor of The Mount Marathon Race in Seward as well as the presenting sponsor of UAA's Mayor's Marathon, which brings in people from all over the globe. ConocoPhillips has been giving to our community for a long time. Now is not the time to bite the hand that feed you.

Some of you sitting in this room today already have you minds made up about this bill, there is nothing I could probably say to persuade you. You have all heard the arguments from the companies that reject this bill so I wont even bother going into it. What I will say is. We both know that this bill if passed does absolutely nothing to help with the sate budget. Its only a dent in the obstacle ahead of us. If passed you could even make cuts to police, fire, schools, create an income tax and a sales tax and we could not fix the deficit. There is only one thing that will get us out of this crisis and its called a restructuring of the Permanent Fund. This is a hard decision to make, all I ask is that you do what is right of the Alaskans you represent and to not make decisions based on fear of your next election.

Regards
Dan Howard

21

I as an Alaska resident oppose this bill. It's not good for any of us. Barry

Barry L. Tibbitts MICP

Deputy Fire Chief / Safety Coordinator

Sumitomo Metal Mining Pogo LLC

22

Dear House Finance Committee

I'm writing you today to provide my public testimony regarding HB111. I must first state that I work in the oil and gas industry for ConocoPhillips. My career started off in the North Slope of Alaska for ASRC. After several years on the slope I decided to go to North Dakota and give the Shale Boom a try. During this time my wife and newborn baby resided in Alaska. This was not an easy decision for me to make but it was the most beneficial to my family. My time in North Dakota also took me to Montana, Louisiana, Ohio, West Virginia, and Pennsylvania. What I soon found out is, there is nothing else like Alaska, and I don't mean as far as natural splendor. Throughout the North Slope there is a pride and dedication to the work we do. The standard of safety evoked throughout the field I why I couldn't wait to get back. I truly feel safe on the North Slope.

I feel that intro is important to this matter because above all, safety is the one thing we cant allow to slip away. Introducing new tax law now will have negative impacts on all O&G companies. I feel confident that my company's dedication to our safety culture is constant but I can't speak for every producer. When this bill was first announced the Alaska Oil and Gas Association released a statement saying "Todays bill if passed would represent the 7th oil tax law change in 12 years. Combine that reality with the governors repeated veto's of the earned tax credits, and Alaska looks like an unreliable, unstable, and unpredictable business partner." Is this the type of competitive market we are willing to create? We are at a huge disadvantage when competing with lower 48 markets. There is not a single producer in the lower 48 that has to travel 800 miles just to get its product ready to ship. Once there the product is loaded on to a tanker and travels anther 2500 miles just to reach is refining destination. We are not on a equal playing field with the unconventional drilling producers of the lower 48. Couple the harsh conditions and geographical location of North Slope oil and gas and its actually amazing that we are competitive.

This bill not only impacts the Oil and Gas industry but every other business that provides a service to the industry. Small Business retailers, transportation and logistic companies, and food services just to name a few. Another aspect overlooked is the vast charitable contributions companies make to our great state. ConocoPhillips alone is a long time sponsor of the Anchorage Opera, the Anchorage Museum, Anchorage Parks and recreation Westchester Lagoon Family Skate and the Anchorage Concert Association's Nutcracker Community Performance. They are a major sponsor of The Mount Marathon Race in Seward as well as the presenting sponsor of UAA's Mayor's Marathon, which brings in people from all over the globe. ConocoPhillips has been giving to our community for a long time. Now is not the time to bite the hand that feed you.

Some of you sitting in this room today already have you minds made up about this bill, there is nothing I could probably say to persuade you. You have all heard the arguments from the companies that reject this bill so I wont even bother going into it. What I will say is. We both know that this bill if passed does absolutely nothing to help with the sate budget. Its only a dent in the obstacle ahead of us. If passed you could even make cuts to police, fire, schools, create an income tax and a sales tax and we could not fix the deficit. There is only one thing that will get us out of this crisis and its called a restructuring of the Permanent Fund. This is a hard decision to make, all I ask is that you do what is right of the Alaskans you represent and to not make decisions based on fear of your next election.

Regards

Dan Howard

23

Dear sirs or maams,

I wanted to send a note to express my disapproval of HB 111, a bill that would do nothing but stifle future oil development in the state. The key oil players continue to explore and make huge announcements that will likely benefit all Alaskans, but this could potentially cease if it becomes less profitable for oil companies to invest here. Let's help protect the bread and butter of Alaska and not mess with the existing tax structure.

Thank you.

A concerned citizen,

Shaun Sulley

24

Good Morning,

I would like to take a moment to share my thoughts on the upcoming vote on HB111, the oil tax bill. I have lived in Alaska for around 50 years now and have seen many changes as I grew up in Anchorage. Our state has benefitted greatly from the discovery of oil and the construction of the pipeline. We grew used to large PFDs and a budget that grew bloated on wildly inflated oil prices. Even then, people argued over the taxation of the oil and its producers. I feel that people are over entitled these days, having grown fat off the golden goose. I will admit that I lean libertarian more then democrat or republican but surely you realize some things are just unsustainable in our current financial climate. Even worse is a legislature that wants to change the rules whenever the winds change. Companies need stability to plan for the long term. There is the far right and the far left and then the truth probably lies somewhere near the middle. Oil has been great for the State of Alaska and can continue to be for decades, but we need to be reasonable. I cannot in good conscience support HB111 and hope that you will consider the future of our great state when you vote on this bill and not individuals and groups who have their own interest in mind as they shout at the top of their voice. Yes, we are experiencing pain right now, yes there are hard times ahead, but strangling the golden goose is not the answer. We must nurture and raise the economy for the long term. Thank you for your time.

Christian Wilkins

Palmer, Alaska

25

As a (mostly) lifelong Alaskan who has built a career in the oilfield, I urge you to reject HB111.

Total cost matters. HB111 moves Alaska in the wrong direction by increasing taxes in an already high cost environment.
HB111 makes Alaska less competitive and could drive investment to other places.
If passed, HB111 will be the seventh oil tax law change in 12 years and the third since 2013. Stability matters.
Under SB21, the State always has the highest percentage of net revenue. In fact, when industry is losing money, the State still has positive revenue. HB111 would simply increase State take even higher.
In 2016, the company I work for made $233 million in adjusted net income. We incurred $490MM in estimated taxes and royalties to the State ($537MM when the federal piece is included) – over twice our earnings. We have been a significant contributor to State revenues, even at current low oil prices. Since 2007, we have paid over $26 billion to the State in taxes and royalties and over $34 billion when the federal government is included.
Increasing taxes could result in less investment, less production, less revenue to the State and fewer jobs. Every oil company job supports about 20 jobs in the State economy.
The oil industry has historically provided about 88% of the State's General Fund. Even at today's low oil prices, the industry is still providing about 67% of the General Fund revenues. Attempting to balance the State's budget through increased oil taxes will not fix the budget deficit, but will hurt the State when industry investment declines.
SB21 has placed Alaska in a competitive position and is working. Since its passage in 2013 (and approved by voters in 2014), it has spurred increased investment, production, jobs and revenue to the State. Let it continue to work.

The oil industry should not bear the brunt of Alaska's problems and our taxation structure should be fair and reasonable.

thank you,
Wendy Mahan
Palmer, AK

26

House Finance Committee

Juneau, AK 99801

Re: House Bill 111

Members of the House Finance Committee,

Please accept this letter of opposition to HB 111, on behalf of myself and my family. My family owns and operates a placer mine in the Interior of Alaska. While we don't work in the oil industry, a healthy oil and gas industry is crucial for a healthy mining industry, and crucial for Alaska.

I believe it is vital for Alaska to have an oil and gas policy that incentivizes the industry to continue to invest in our state. HB 111 is not that kind of policy. Rather than encouraging oil investment, it is the 7th change in 12 years and will push Alaska to the bottom of the competitive rung. This will drive away new investment dollars, forcing more job loss, deceasing oil production and deterring investment in Alaska's oil fields.

Alaska cannot control the price of oil, but it can control what kind of business climate we create here: one that encourages continued investment and more oil for TAPS. I want a strong and thriving economy in Alaska for years to come.

I urge you to consider my comments and vote against HB 111. Thank you for your time.

Sincerely,

Kevin Greenfield

Anchorage, AK 99502

27

To all

I hope we take a longer look at this bill. The more and more we tax oil companies, the more we are going to see large oil and gas companies leave our great state. Along with all the jobs they provide directly, they also support local companies indirectly and bring people to our state to invest in our economy. When these companies leave, we will have a bigger whole within the economy to fill and will also be dealing with oil companies who dont take the safety of working on the slope like these long standing companies have. On top of everything else these companies invest in donations and support throughout our entire state; hospitals, zoos, community outreach, etc. Please reconsider and put in the effort to really find a solution vs. Using a scapegoat tactic of taxing the oil companies. 7 different tax bills passed over the course of 10 years seems excessive and makes us seem like a state that doesn't want solid companies to come invest in us.

Kimberly Howard

28

Members of the House Finance Committee,

Thank you for the opportunity to provide comment on this important issue. For the record, I strongly oppose House Bill 111 and urge you to vote no tomorrow.

Tyrell Amberg

Owner

QA Services, Inc.

Anchorage, AK

29

House Finance Committee
Juneau, AK 99801

Re: House Bill 111

Members of the House Finance Committee,

Please accept this letter of **opposition** to HB 111 on behalf of myself, my family, and my employees. My name is Tyrell Amberg, and I operate an independent welding inspection company with 6 employees, based in Anchorage. We rely on a successful oil and gas industry to keep our company afloat. With low oil prices and decreased investment in the contracting sector, we are barely keeping our heads above water.

My business has weathered the ups and downs in Alaska for the past 30 years. Right now, times are tight. While it might be tempting for the Legislature to collect every dollar possible from the oil producing corporations, when you do so, it makes those of us anchored here - Alaskan-owned companies that function on providing services to oil companies - feel the pain.

Aside from impacting my business, and the hard-working Alaskans I employ, raising oil taxes makes Alaskan projects less competitive with the rest of the world and takes away from the investment capital required to expand existing operations and discover new fields. In the long run, increasing taxes on the industry will do more harm to Alaska's economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans—including small businesses like mine.

Alaska must have an oil and gas policy that incentivizes the industry to continue to invest in our state and look to my company for service and support. HB 111 is not that kind of policy. Rather than encouraging oil investment, it is the 7th change in 12 years and chases oil companies out - resulting in less investment, less production, fewer jobs, and a deepening recession for those of us who want to live here.

Thank you for the opportunity to provide comment today in opposition of HB 111. I urge you to consider them and vote NO on this bill.

Sincerely,

Tyrell C. Amberg
QA Services, Inc.
5610 Silverado Way Suite A-11
Anchorage, AK 99518

30

To whom it may concern:

Why are you trying to make changes to the oil taxes again? You are creating a very unstable environment that will hurt future oil investment in the state. Please reconsider your current stance on oil taxes.

Sincerely

Mike McConahy

31

Chairman Foster, members of Alaska House Finance Committee,

I am writing to voice my opposition and urge you to vote no on HB111N. As the price of oil has dropped, I've watched members of my own Alaska family, make very difficult decisions. I believe the current tax system gives Alaska an opportunity to restore jobs, attract more investment and increase oil production.

Last year my dear friends, lifelong Alaskans and parents of two teenage daughters, left the state after their father's company in Anchorage experienced layoffs. His was one of the many indirect jobs that is supported by oil and gas investment. His company sells chemicals and liquid gas, their largest customers are support industry companies doing work in the North Slope oilfields. Earlier this month my husband, a third generation Alaskan, left his job with an oilfield service company after 18 years.

Many companies have been impacted from in the past year by low oil prices. I myself am employed in the oil and gas industry, and have built a 20 year career here. Now is not the time to change oil taxes, give the existing tax system time to work. This proposed HB111N bill will cost more jobs, and does nothing to enable new explorers to develop and produce new discoveries.

It is time for the finance committee to think beyond the next election and consider the next generation of Alaskans. I am a resident of Alaska House District 18, Anchorage.

Dawn Patience
Anchorage, AK 99508

32

Bad idea to raise tax on an industry just paying its bills in Alaska now.

No capitol spending, no rigs more job layoffs all to come if you pass HB 111. And a loss of my vote for my local reps that vote yes.

Dan Lewis

(33)

To whom it may concern,

I would like to express my opinion regarding HB111. I do not believe it is in the best interests of Alaskans to create an unstable tax regime for oil companies in Alaska.

We should be looking to live within our means, e.g. adjusting the state budget, not increasing taxes on the industry that has paid Alaska's bills for the last 35 years. Maybe the State should continue trying to cut costs, like everyone else has had to. It's important that we remain competitive for global investment. I think we could amend some of the tax incentives, like the NOL credits, but a wholesale tax increase is asking for reduced investment and ultimately lower production.

SB21 already provides the highest percentage of net revenue to the State. Please consider the negative impact that another tax revision will have on the economic outlook for Alaska. It won't just affect employees in oil and gas, but also countless thousands depending on continued investment here.

Regards,
Garrett McKee

34

Please do not pass HB111. This bill is detrimental to the future of Alaska. This bill will make Alaska's resource a less competitive locations compared to the rest of the world. Any smart business would choose to invest in a location that is stable and where the money makes a return. This bill further confirms Alaska is an unstable fiscal climate and not a place to invest. Find other smart ways to close the budget gap. The permanent fund is the best place to close this gap. Alaskans pass on a significant portion of this payout yearly to the federal government through taxes. Why can't the state use the money to fund the state budget? Please refocus your attention to restructuring he PFD.

Be smart legislators and think long term. The oil companies will invest significantly less if this bill is passed, oil will decline, the pipeline will not have enough oil and the state will be in a worse situation.

Please don't pass HB111!

Regards,
Liz Jolley

35

I am providing the below comments regarding HB 111

1) I am concerned about the inclusion of provisions of this bill which would restrict access to agreements from the public and which would, in essence, allow the business of the State to be conducted in secret. While I am aware that some items need to be kept confidential because of proprietary rules, any and all agreements by the State with a commercial entity should be able to be reviewed by the public as needed at any time. Secrecy is not in the public's interest.

2) I am, also, concerned about the corporate welfare approach evident in this bill as well as other bills dealing with the oil industry. It is time to review all policies relating to corporate welfare be they tax incentives or any other type of financial support. Our State financial situation is such that all entities doing business with the State need to assist in the resolution of our financial situation. Giving away limited monies in the "hope" of later acquiring some undefined benefit to the State is questionable in a time of restricted finances.

Thank you for your consideration.

Ron

Ron & Marji Illingworth

North Pole, Alaska

36

March 24, 2017<?xml:namespace prefix = "o" ns = "urn:schemas-microsoft-com:office:office" />

Dear Legislators,

I'm a near 17-year Alaskan resident. Both my husband and I have been employed in the oil industry for over 15 years. I work at ConocoPhillips and my husband works at Alyeska Pipeline Service Company. We are raising our two Alaskan-born sons here and it's our dream to retire in Alaska, after long and prosperous careers here.

However, once again, we are faced with another proposed change to the Alaska oil tax structure that will threaten our companies, our careers, our children's well-being, and our dreams of prospering in Alaska. I know my company has provided testimony in opposition to HB111. I stand by that testimony. I am reaching out to you, as one of many Alaskans that will be negatively impacted, not just the oil companies, if HB111 is passed.

My husband and I have managed to weather the storm of fluctuating oil prices over the last 10 years or so. We are particularly grateful to survive the last two to three years of low oil prices; we've had to adapt to significant company staff and cost reductions. Personally, I've gone through two major layoffs where I was the single remaining worker in my area of expertise and responsibility. We've had to work harder to do more with less; but we've met the challenges and today the outlook is a little more positive, despite the continued low cost (of oil) environment. I am committed to my company and I'm not above being simply happy to still have a job, especially if it means I can continue to live and raise my children in Alaska.

HB111 will increase taxes on an industry already cutting to the bone. The only reason we've had some positive returns is because of dedicated Alaskan employees (like me and my husband) who have increased operating efficiencies, renegotiated contracts, reduced staff, and changed spending practices to save money. For my company, this was achieved in addition to an excellent safety and environmental record. It's challenging both operationally and regulatory-wise to produce and transport oil in Alaska; it's EXPENSIVE compared to most other places. HB111 will make Alaska less competitive within my company's investment portfolio; after all, it's a business and at the end of the day it's driven by the best return on investment. HB111 will not give the best return on investment; it may increase revenue to the State, but in the long run, it will further reduce revenue for oil companies, which will lead to less investment in Alaska and will ultimately hurt the State, along with me and my family and the many Alaskans who work in the oil industry. **Do not pass HB111**.

I support the proposal to restructure the Permanent Fund Dividend (PFD) in lieu of changing the oil tax structure. The House and the Senate should prioritize restructuring the PFD above changing the oil tax structure. My family and I have enjoyed the benefits of the PFD; my husband and I invest our PFD in our retirement fund and our kid's PFD in their college fund. We consider the PFD a privilege, not a right. We are happy to reduce or give up the PFD to address the State's budget crisis instead of changing the oil tax structure. Changing the oil tax structure places an unjust burden on the oil industry; I'd rather lose the PFD than lose my job. **Do not pass HB111**.

Listen to the people you're elected to represent and listen to the oil companies who have a keen understanding of the global oil market and the significant (negative) impact HB111 will make in Alaska.

- Total cost matters. HB111 moves Alaska in the wrong direction by increasing taxes in an already high cost environment.
- HB111 makes Alaska less competitive and could drive investment to other places.
- If passed, HB111 will be the seventh oil tax law change in 12 years and the third since 2013. Stability matters.

- Under SB21, the State always has the highest percentage of net revenue. In fact, when industry is losing money, the State still has positive revenue. HB111 would simply increase State take even higher.
- In 2016, COPA made $233 million in adjusted net income. We incurred $490MM in estimated taxes and royalties to the State ($537MM when the federal piece is included) – over twice our earnings. We have been a significant contributor to State revenues, even at current low oil prices Since 2007, we have paid over $26 billion to the State in taxes and royalties and over $34 billion when the federal government is included.
- Increasing taxes could result in less investment, less production, less revenue to the State and fewer jobs Every oil company job supports about 20 jobs in the State economy.
- The oil industry has historically provided about 88% of the State's General Fund. Even at today's low oil prices, the industry is still providing about 67% of the General Fund revenues. Attempting to balance the State's budget through increased oil taxes will not fix the budget deficit, but will hurt the State when industry investment declines.
- SB21 has placed Alaska in a competitive position and is working. Since its passage in 2013 (and approved by voters in 2014), it has spurred increased investment, production, jobs and revenue to the State. Let it continue to work.
- **Do not pass HB111**.

Sincerely,

Jeannette Shifflett
Anchorage, AK 99515

37

Hello -

I am a resident of Alaska, living in Anchorage. I have resided in the state for over two years and moved here as a job opportunity in the oil and gas industry. I would like to share my thoughts and express why HB111 should not be passed.

I believe that HB111 increases taxes in an already high cost environment. Alaska has a cost of supply for investment in new oil and gas projects - facilities or wells/drilling - that is well above similar opportunities in the Lower 48. It just costs more to live and do business here. This bill will just drive my company's investments to other regions.

Under SB21, the State always had the highest percentage of net revenue. In fact, when the industry is losing money, the State still has positive revenue. HB111 would simply increase the State take even higher.

The oil industry has historically provided about 88% of the State's General Fund. Even at today's low oil prices, the industry is still providing about 67% of the General Fund revenues. Attempting to balance the State's budget through increased oil taxes will not fix the budget deficit, but will hurt the State when industry investment declines. Every oil company job supports about 20 jobs in the State economy. Increasing taxes could result in less investment, less production, less revenue to the State and fewer jobs.

Raising oil taxes is not good for Alaska and will certainly drive investment elsewhere. HB111 should not be passed.

Kind regards,

Becky Cook

Anchorage, Alaska

38

To Whomever It May Concern-

My name is Sarah Von Paul and I work for Udelhoven on the North Slope. I have been working in the oil industry for almost 9 years and my dad provided for our family by working for this same company for 35 years. I sincerely hope that HB 111N will not be passed; not only would it put the financial security of families like mine in jeopardy, but it would further damage our state's fragile economy.

Please represent my opinion; I am against HB 111N.

Best Regards,

Sarah VonPaul

AK DEVS UOSS Admin

MCC Wing 6, Office 4

39

I am a resident of the state of Alaska living in Eagle River, Alaska with Oil and Gas Industry career experience and I want to express my opinion on the proposed HB111. Please do not continue to try to change the tax structure in Alaska. I believe that this continued instability in the state's tax structure will make it very difficult for Oil and Gas companies to make large investments in Alaskan assets. Alaska already takes a relatively large percentage (more than twice as much profit as the largest O&G company in Alaska) of these company's potential profit margin and I believe that it can be difficult for them to want to invest here in the first place. This added instability in the tax structure just makes these companies less likely to create jobs and send money into Alaska. The current tax structure under SB21 already has allowed for our current company lease holders to invest more into Alaska and there have been many recent major announcements of future development in Alaska as a result of SB21. Please allow for SB21 to work to bring more investment to Alaska and in turn more oil production for the state.

A consistent tax structure under SB21 is better for Alaska's future.

In order to fix the state's budget issues I suggest that you take a strong look at the entitlements that this state offers and let the people pay taxes for them if they truly wish to keep them all. The state should be living within its means and position its budget and entitlements for a median oil price closer to $40-$50 per barrel so that it can sustain itself through the hard times. The Oil and Gas industry is a very cyclical industry and our state's budget cannot be designed to only thrive in a high oil price environment.

Thanks you for your time,

Jonathan Coberly

40

To the House Finance Committee:

I am writing to express my lack of support for House Bill 111. In the interest of full disclosure, I do work for the oil and gas industry in Alaska and have for the majority of the last 29 years.

That said, I am also Alaskan born and raised and have lived out of state for only four years of that time.

The constant change and threat of change in taxation of oil and gas resources in Alaska has been ongoing for my entire career.

I am disappointed at the short sightedness of those in the current legislature that are again wanting to raise taxes at a time shortly after the state has continuously collected oil tax income while most oil companies have been operating in Alaska at a loss at some point over the last two years.

Governor Walker constantly comments that in these economic times, the state needs to broaden its income sources. Income sources will never be broadened in Alaska with new large industry due to its remoteness, and the fact that an almost 30 year history shows that the most successful industry in the state has not had a stable tax regime.

I will re-iterate my non-support of HB111. Yet another change in taxation of oil and gas resources in Alaska makes no sense now or in the future. With the current volatility of oil prices, and no sign of future upward growth, development and production of future projects should at least rely on a stable taxation structure and not a volatile one that changes almost annually.

Thank-you for your time!

Greg Hobbs

41

Dear Sir / Madam,

I would like to take this opportunity to submit my opinion around HB111 Oil & Gas Production Tax; Payments; Credits.

As the Production Manager of the Greater Prudhoe Bay area, I feel that this is a topic that is close to my heart and I would like to highlight that last year – for the first time I can remember since coming off plateau – as the North Slope Producers, we have increased the volume that has been delivered through TAPS. We have also, for the first time since we came off from plateau production in Prudhoe Bay, held production virtually flat – a testimony to the great people we have working in our operations, but also a testimony to the mutually respectful relationship and understanding BP has with the State of Alaska.

With the changes you propose in HB111, I am very afraid that it will have adverse effects on the oil and gas production you will see delivered in the State of Alaska, and ultimately it will adversely impact the income of the State of Alaska – as the changes proposed are will:

- adversely impact the oil and gas business in Alaska
- as a consequence reduce production through TAPS
- discourage North Slope exploration
- shorten the economic life of the North Slope fields

In BP Alaska, whenever the business climate changes, we look for ways to become more efficient. However, there is a limit to that and we can only cut our spend so much before becoming an uncompetitive business.

I would encourage the State of Alaska to look to our BP Leadership, who have delivered a great amount of transition during times of change and follow their example of finding ways to eliminate wasteful spending, and find ways to increase income in other ways than draining that pond that feeds you for the long term. We have multiple examples of efficiency improvements and I am convinced that our Alaska Leadership Team would be more than happy to engage with you in a dialogue and share learnings – so that you can benefit from this when looking for ways to reduce the State budget spending.

Coming from a very different background, personally I have always been impressed with the bright talent in Alaskan politics and the ability to see the bigger picture. I am convinced that also this time you will find ways that benefit the State of Alaska for the longer term and not bring the State into a downward spiral. I also understand that you have many clients (the whole population of Alaska) to serve and you cannot keep everyone happy, however the proposed HB111 would in my mind not benefit anyone and would lose the talent of great people working in our industry in Alaska to other States.

I hope that my humble opinion will get heard and that we can continue on our way to bring more oil and gas to the State of Alaska to ensure prosperity in the long term.

Respectfully,

Werner Schinagl

42

Co-Chairmen Foster & Seaton, and Members of House Finance:

Oil tax reform in 2013 made Alaska more competitive and a more attractive place to invest. Oil companies have responded with over $5 billion in new projects. Alaska saw no production decline in 2014, a slight dip in 2015, followed by the first production uptick in 14 years in 2016. Oil tax reform played a significant role in the production increase in 2016.

It is difficult to believe that the Legislature is once again considering changes to Alaska's oil tax policy. The oil industry has seen massive layoffs over the past few years, yet HB 111 attempts to increase taxes on an industry that is already under duress. Raising taxes on companies that are reporting negative cash flow positions is not sound tax policy. If passed, HB 111 will be the seventh change to oil and gas tax policy in the past 12 years; these constant changes to Alaska's oil and gas taxes creates an uncertain investment climate for the business community. Your latest change, HB 247, was *just signed into law last July with many of its provisions having yet to take effect*. Perhaps you haven't heard the cry that now is the time for fiscal certainty. A vital aspect of a healthy business environment is certainty in tax policy. The Alaska Chamber is already seeing businesses holding back from making investments given the uncertainty of the State's fiscal situation. Keeping Alaska competitive on a national and global scale is critical to our long-term viability to attract investment and sustainability to keep businesses here. The tax structure enacted under Senate Bill 21 is working. For the first time in 14 years we're seeing increased oil production.

Alaska needs to keep a system in place that both brings revenue to the State and encourages investment and exploration which leads to increased production.

Alaska cannot increase oil production by increasing taxes. Alaska cannot tax away the industry's incentive to invest and still expect to have a sustainable economy. While it is tempting to collect every dollar possible from the oil industry through increased taxation, doing so makes Alaskan projects less competitive with those elsewhere and robs the companies of the investment capital they require to expand existing fields and discover new ones. In the long run, increasing taxes on the industry will do more harm to Alaska's economy. Conversely, more investment means more production, more revenue for the state, and more jobs for Alaskans.

The oil industry has traditionally accounted for 88 percent of Alaska's General Fund revenues and is the largest property tax payer in the North Slope Borough and Kenai Peninsula Borough. Even in these times of low oil prices, oil provides 67 percent of the state's unrestricted revenues and supports one-third of our economy. Under the current oil tax system, Alaska's share is higher than the producers' at every price point. In fact, the state gets paid even when companies are operating at a loss because it still collects royalties, property tax, and a gross production tax.

Raising taxes and eliminating tax credits could slow or stop investment. Alaska needs that investment now more than ever to keep oil production up to protect Alaskan jobs and businesses as well as the revenue that production generates for the state.

Sincerely,

Lorali Simon

43

My name is Randy Greenway and I oppose HB 111.

Regards

Randy Greenway
Manager of Major Projects
Udelhoven Oilfield System Services, Inc.

94

Dear Finance Committee,

Please stop trying to change the oil and gas taxes. We've seen enough changes over the past decade and they have resulted in uncertainty, loss of jobs and revenue to our state. I strongly oppose House Bill 111.

Eileen Floyd

Anchorage, AK 99515

45

Dear House Finance Committee,

Facts show that Alaska is being exploited by oil and gas companies without proper compensation. Why are Alaskans giving these companies a better deal to take our resources than they receive elsewhere (i.e. Iraq)?

Given the state of our budget, we can't afford to let them make the exorbitant profits they have been reaping. We have only received .1 billion of what should be $3.6 billion if we went by historical agreements of 1/3 the profit share.

SB21 and ACES are unfairly complex and fail to keep Alaskans' interest in the forefront.

I support a simple gross market tax on oil production. It is the only way to ensure that we are exchanging our precious resources for what they are actually worth.

Regards,

Whitney A. Noziska

Juneau, AK 99801

46

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www.KenaiChamber.org

"Connecting Businesses
On the Kenai since 1954"

February 28, 2017

Representative Geran Tarr
Representative Andy Josephson
House Resources Committee Co-Chairs
Alaska House of Representatives
State Capitol, Rm 124
Juneau, Alaska 99801

Re: Opposition to House Bill 111 – Oil & Gas Production

Dear Representative Tarr and Josephson,

The Kenai Chamber of Commerce & Visitor Center (KCCVC) opposes the current version of House Bill 111, which would once again change Alaska's oil and gas tax structure.
The mission of the KCCVC is to promote, support and advocate for our members and our community, and to strengthen the economic climate of the Kenai area. We have over 400 members consisting of individuals, non-profits and businesses large and small. The KCCVC has already seen Kenai area businesses holding back investment(s) and reducing spending given the uncertainty of the State's fiscal situation. KCCVC believes that keeping Alaska competitive on a national and global scale is crucial to the long term sustainability and stability of the Kenai area, and Alaska as a whole.

The Kenai area and local businesses are already working through adjustments related to the latest oil and gas tax change, House Bill 247, which was signed into law in 2016. The continual changing of the oil and gas taxes in Alaska over the last decade is not conducive to promoting business or the economy of the Kenai area.

The KCCVC opposes efforts to increase oil and gas taxes and supports the Alaska Legislature promoting a positive investment climate Statewide that provides for stability and certainty for oil and gas business.

Sincerely,

Johna Beech

Johna Beech
Kenai Chamber of Commerce & Visitor Center
President/COO