

**ALASKA STATE LEGISLATURE
CONFERENCE COMMITTEE ON SB 2001**

June 8, 2006

9:29 p.m.

MEMBERS PRESENT

Senator Bert Stedman, Chair
Representative Ralph Samuels, Chair
Senator Charlie Huggins
Senator Hollis French
Representative Mike Kelly
Representative Beth Kerttula

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

CS FOR SENATE BILL NO. 2001(FIN)

"An Act relating to the production tax on oil and gas and to conservation surcharges on oil; relating to criminal penalties for violating conditions governing access to and use of confidential information relating to the production tax; amending the definition of 'gas' as that definition applies in the Alaska Stranded Gas Development Act; making conforming amendments; and providing for an effective date."

MOVED CCS SB 2001 OUT OF COMMITTEE

HOUSE CS FOR CS FOR SENATE BILL NO. 2001(FIN) am H

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MOVED CCS SB 2001 OUT OF COMMITTEE

PREVIOUS COMMITTEE ACTION

BILL: SB2001

SHORT TITLE: OIL AND GAS TAX

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

05/20/06 (S) READ THE FIRST TIME - REFERRALS

05/20/06 (S) FIN
 05/20/06 (S) FIN AT 6:00 PM SENATE FINANCE 532
 05/20/06 (S) Heard & Held
 05/20/06 (S) MINUTE(FIN)
 05/21/06 (S) FIN RPT CS 5DP 1NR 1AM NEW TITLE
 05/21/06 (S) DP: GREEN, WILKEN, BUNDE, DYSON,
 STEDMAN
 05/21/06 (S) NR: HOFFMAN
 05/21/06 (S) AM: OLSON
 05/21/06 (S) FIN AT 1:00 PM SENATE FINANCE 532
 05/21/06 (S) Moved CSSB 2001(FIN) Out of Committee
 05/21/06 (S) MINUTE(FIN)
 05/22/06 (S) FIN AT 2:00 PM SENATE FINANCE 532
 05/22/06 (S) -- Meeting Canceled --
 05/23/06 (S) TRANSMITTED TO (H)
 05/23/06 (S) VERSION: CSSB 2001(FIN)
 05/23/06 (H) FIN AT 1:30 PM HOUSE FINANCE 519
 05/23/06 (H) <Pending Referral>
 05/31/06 (H) READ THE FIRST TIME - REFERRALS
 05/31/06 (H) FIN
 05/31/06 (H) FIN AT 5:00 PM HOUSE FINANCE 519
 05/31/06 (H) -- Meeting Canceled --
 06/01/06 (H) FIN AT 9:00 AM HOUSE FINANCE 519
 06/01/06 (H) Heard & Held
 06/01/06 (H) MINUTE(FIN)
 06/02/06 (H) FIN AT 10:00 AM HOUSE FINANCE 519
 06/03/06 (H) FIN RPT HCS(FIN) 5DP 1NR 3AM
 06/03/06 (H) DP: HAWKER, HOLM, FOSTER, MEYER,
 CHENAULT;
 06/03/06 (H) NR: STOLTZE;
 06/03/06 (H) AM: KERTTULA, JOULE, KELLY
 06/03/06 (H) FIN AT 8:00 AM HOUSE FINANCE 519
 06/03/06 (H) -- Meeting Canceled --
 06/04/06 (H) ADJOURN SINE DIE FLD Y6 N34
 06/04/06 (H) TAKE UP RECON SAME DAY FLD Y12 N28
 06/06/06 (H) CONFERENCE COMMITTEE APPOINTED
 06/06/06 (H) SAMUELS (CHAIR), KELLY, KERTTULA
 06/06/06 (H) VERSION: HCS CSSB 2001(FIN) AM H
 06/06/06 (S) CONCUR MESSAGE READ
 06/06/06 (S) CONFERENCE COMMITTEE APPOINTED
 06/06/06 (S) STEDMAN (CHAIR), HUGGINS, FRENCH
 06/07/06 (H) RECEDE MESSAGE
 06/07/06 (S) RECEDE MESSAGE READ
 06/07/06 (S) PPT AT 8:30 AM BUTROVICH 205
 06/07/06 (S) -- Meeting will Reconvene at 9 am 6/8
 --
 06/07/06 (S) NGD AT 9:00 AM SENATE FINANCE 532

06/07/06 (S) <Bill Hearing Canceled>
06/07/06 (H) PPT AT 11:30 AM BUTROVICH 205
06/08/06 (H) PPT AT 3:00 PM BUTROVICH 205
06/08/06 (S) PPT AT 9:15 PM BUTROVICH 205

ACTION NARRATIVE

CHAIR BERT STEDMAN called the Conference Committee on SB 2001 meeting to order at 9:29:45 PM. Representatives Samuels, Kelly and Kerttula and Senators French, Huggins and Stedman were present at the call to order.

SB 2001-OIL AND GAS TAX

CHAIR BERT STEDMAN announced CSSB 2001(FIN) and HCS CSSB 2001(FIN) AM to be up for consideration. He moved to adopt the Senate language on Item 1 - Tax Rate.

SENATOR HOLLIS FRENCH objected.

A roll call was taken. Senator Huggins and Senator Stedman voted in favor and Senator French, Representative Kerttula, Representative Kelly and Representative Samuels voted against.

CHAIR STEDMAN announced the motion failed.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 1 - Tax Rate.

CHAIR STEDMAN objected.

A roll call was taken. Representative Kerttula, Representative Kelly and Senator French voted in favor and Representative Samuels, Senator Huggins and Senator Stedman voted against.

CHAIR STEDMAN announced the motion failed and he set Item 1 aside for further consideration.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 2 - Credit Usage Floor.

CHAIR STEDMAN objected.

A roll call was taken. Representative Kelly, Representative Kerttula, and Senator French voted in favor and Representative Samuels, Senator Huggins, and Senator Stedman voted against.

CHAIR STEDMAN announced the motion failed and he set Item 2 aside for further consideration.

CHAIR STEDMAN moved to adopt the Senate language on Item 3 - Gas Revenue Exclusion.

REPRESENTATIVE SAMUELS objected.

A roll call vote was taken. Representative Kelly, Senator Huggins, and Senator Stedman voted in favor and Representative Samuels, Representative Kerttula and Senator French voted against.

[The motion failed.]

CHAIR STEDMAN called at ease at 9:32:53 PM.

9:33:18 PM

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 3 - Gas Revenue Exclusion.

CHAIR STEDMAN objected then removed his objection.

CHAIR STEDMAN announced the motion passed and so the House language on Item 3 was adopted.

CHAIR STEDMAN moved to adopt the Senate language on Item 4 - Progressivity Surcharge.

REPRESENTATIVE SAMUELS objected.

A roll call vote was taken. Senator Huggins and Senator Stedman voted in favor and Representative Senator French, Representative Kerttula, Representative Kelly, and Representative Samuels voted against.

CHAIR STEDMAN announced the motion failed.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 4 - Progressivity Surcharge.

SENATOR HUGGINS objected.

A roll call was taken. Senator French, Representative Kerttula, Representative Kelly and Representative Samuels voted in favor and Senator Huggins and Senator Stedman voted against.

CHAIR STEDMAN announced the motion failed and he set Item 4 set aside for further consideration.

CHAIR STEDMAN moved to adopt the Senate language on Item 5 - Transition.

REPRESENTATIVE SAMUELS objected.

A roll call vote was taken. Senator Huggins and Senator Stedman voted in favor and Representative Kelly, Representative Kerttula, Representative Samuels and Senator French voted against.

CHAIR STEDMAN announced the motion failed.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 5 - Transition.

CHAIR STEDMAN announced that without objection, the House language on Item 5 was adopted.

CHAIR STEDMAN moved to adopt the Senate language on Item 6 - Base Allowance.

REPRESENTATIVE SAMUELS objected.

A roll call was taken. Senator Huggins and Senator Stedman voted in favor and Representative Kerttula, Representative Kelly, Representative Samuels and Senator French voted against.

CHAIR STEDMAN announced the motion failed.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 6 - Base Allowance.

CHAIR STEDMAN announced that without objection, the House language on Item 6 was adopted.

CHAIR STEDMAN asked for a motion to adopt the House language on Item 7 - New Area Development Credit and Sunset of New Area Development Credit. The Senate bill contained no language on Item 7.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 7 - New Area Development Credit and Sunset of New Area Development Credit.

CHAIR STEDMAN announced that without objection, the House language on Item 7 was adopted.

CHAIR STEDMAN moved to adopt the Senate language on Item 8 - Transition Payment.

REPRESENTATIVE SAMUELS objected.

A roll call was taken. Senator Huggins, and Senator Stedman voted in favor and Senator French, Representative Kerttula, Representative Kelly and Representative Samuels voted against.

CHAIR STEDMAN announced the motion failed.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 8 - Transition Payment.

CHAIR STEDMAN announced that without objection, the House language on Item 8 was adopted.

CHAIR STEDMAN moved to adopt the Senate language on Item 9 - Credit for Annual Loss.

REPRESENTATIVE SAMUELS objected.

A roll call vote was taken. Senator French, Senator Huggins, and Senator Stedman voted in favor and Representative Kerttula, Representative Kelly, and Representative Samuels voted against.

CHAIR STEDMAN announced the motion failed.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 9 - Credit for Annual Loss.

SENATOR HUGGINS objected.

A roll call vote was taken. Representative Kerttula and Representative Kelly voted in favor and Senator French, Senator Huggins, Senator Stedman and Representative Samuels voted against.

CHAIR STEDMAN announced the motion failed and he set Item 9 set aside for further consideration.

CHAIR STEDMAN moved to adopt the Senate language on Item 10 - Oil Spill.

REPRESENTATIVE SAMUELS objected.

A roll call vote was taken. Senator French, and Senator Stedman voted in favor and Senator Huggins, Representative Kerttula, Representative Kelly, Representative Samuels voted against.

CHAIR STEDMAN announced the motion failed.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 10 - Oil Spill.

CHAIR STEDMAN announced that without objection, the House language on Item 10 was adopted.

CHAIR STEDMAN called at ease from 9:41:00 PM to [9:43:57 PM](#).

REPRESENTATIVE KERTTULA moved to rescind her vote to adopt the House language on Item 10.

CHAIR STEDMAN found no objection.

REPRESENTATIVE SAMUELS moved to adopt the House language on Item 10 - Oil Spill.

REPRESENTATIVE KERTTULA objected.

A roll call vote was taken. Senator Huggins, Senator Stedman, Representative Kelly and Representative Samuels voted in favor and Senator French and Representative Kerttula voted against.

CHAIR STEDMAN announced the motion passed and so the House language on Item 10 was adopted.

CHAIR STEDMAN moved that the committee seek limited powers of free conference to address the four items that were set aside. Finding no objection, he asked members to sign the letters to each body seeking limited powers.

CHAIR STEDMAN announced that the committee would return to the four items that had been set aside.

CHAIR STEDMAN addressed Item 1 - Tax Rate and moved to adopt a general tax rate of 22.8 percent and the House language on the ELF tax ceiling on Cook Inlet oil.

SENATOR FRENCH objected.

A question was called.

Chair Stedman called at ease at [9:46:42 PM](#).

SENATOR FRENCH asked the Chair to restate his motion.

CHAIR STEDMAN restated the motion to adopt a general tax rate of 22.8 percent and the House language on the ELF tax ceiling on Cook Inlet oil.

SENATOR FRENCH objected and said he felt the process was being rushed.

CHAIR STEDMAN said there is no rush.

REPRESENTATIVE KERTTULA moved to divide question on Item 1 - Tax Rate.

CHAIR STEDMAN agreed and removed his motion.

CHAIR STEDMAN moved to adopt a general tax rate of 22.8 percent using the House language.

SENATOR FRENCH maintained his objection.

A roll call vote was taken. Senator Huggins, Senator Stedman, Representative Kelly, and Representative Samuels voted in favor and Senator French and Representative Kerttula voted against.

CHAIR STEDMAN announced that the motion passed and so a general tax rate of 22.8 percent was adopted.

CHAIR STEDMAN moved to adopt the House language on Item 1 for ELF tax ceiling on Cook Inlet oil.

CHAIR STEDMAN found no objection and announced that the motion passed.

CHAIR STEDMAN moved to adopt the House language on Item 2 adjusting the floor to 3 percent.

REPRESENTATIVE KERTTULA objected.

[9:49:48 PM](#)

SENATOR FRENCH spoke to the objection saying it seems that the bill is being weakened. Reducing the floor is a particularly bad

idea in light of the fact that we're giving up much of the up side at the same time.

REPRESENTATIVE KERTTULA spoke to her objection saying 4 percent ought to be maintained because the floor really goes to the credit so already it isn't as strong as it could have been.

SENATOR CHARLIE HUGGINS stated support for the 3 percent floor saying it is "a compromise on the side of the House position."

CHAIR STEDMAN commented that some feel the tax rate is too high and some feel it's too low, but it's substantially higher than where it is today.

A roll call vote was taken. Representative Kelly, Representative Samuels, Senator Huggins, and Senator Stedman voted in favor and Representative Kerttula and Senator French voted against.

CHAIR STEDMAN announced that the motion passed and so the House language on Item 2 was adopted and the floor was adjusted to 3 percent.

CHAIR STEDMAN addressed Item 4 - Progressivity Surcharge and moved to adopt .175 percent for progressivity and using the House language.

SENATOR FRENCH objected. Speaking to his objection, he said the general direction tonight is down and away from what was a fairly moderate House bill.

[9:53:07 PM](#)

REPRESENTATIVE KELLY commented the committee was tasked with finding middle ground between the two bills and this issue strikes down the center.

[9:54:15 PM](#)

REPRESENTATIVE SAMUELS said he would generally agree with a higher progressivity and a lower tax rate....

CHAIR STEDMAN called at ease from 9:54:25 PM to 9:55:15 PM.

CHAIR STEDMAN clarified that progressivity can be expressed in percentage or not. If the percent sign is not used, the number is .00175, which is the language in the bill.

REPRESENTATIVE SAMUELS continued to say that, on this point, he would agree with Senator French about higher progressivity, but

in terms of the floor and the progressivity and the general rate this is the middle ground. He added that it's interesting that Senator French has said that it's all gone down because it's all gone up from the Senate Version.

SENATOR FRENCH responded he didn't vote for it.

[9:56:36 PM](#)

REPRESENTATIVE KERTTULA recalled the consultants said that Alaskans ought to be able to share in the high side so she was sorry to see the progressivity come down from the House version.

[9:57:10 PM](#)

CHAIR STEDMAN reiterated this compromise is half way between the Senate bill and the House bill.

A roll call vote was taken. Representative Kelly, Representative Samuels, Senator Huggins and Senator Stedman voted in favor and Representative Kerttula and Senator French voted against.

CHAIR STEDMAN announced that the motion passed.

[9:57:55 PM](#)

CHAIR STEDMAN addressed Item 9 - Credit for Annual Loss and moved to adopt 22.8 percent.

CHAIR STEDMAN found no objection and announced that the motion passed.

[9:58:40 PM](#)

REPRESENTATIVE SAMUELS motioned to report SB 2001, as amended by the Conference Committee, from committee with individual recommendations and attached fiscal notes.

SENATOR FRENCH objected.

A roll call vote was taken. Senator Huggins, Senator Stedman, Representative Kelly, and Representative Samuels voted in favor and Senator French and Representative Kerttula voted against.

CHAIR STEDMAN announced that the motion passed and CCS SB 2001 moved from committee.

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There being no further business to come before the committee, Chair Stedman adjourned the meeting at [9:59:46 PM](#).