

JOINT  
HOUSE FINANCE COMMITTEE  
SENATE FINANCE COMMITTEE  
November 8, 2007  
5:38 p.m.

CALL TO ORDER

Co-Chair Chenault called the House Finance Committee meeting to order at [5:38:44 PM](#).

HOUSE MEMBERS PRESENT

Representative Mike Chenault, Co-Chair  
Representative Kevin Meyer, Co-Chair  
Representative Harry Crawford  
Representative Richard Foster  
Representative Les Gara  
Representative Mike Hawker  
Representative Reggie Joule  
Representative Mike Kelly  
Representative Mary Nelson  
Representative Bill Thomas Jr.

HOUSE MEMBER ABSENT

Representative Bill Stoltze, Vice-Chair

SENATE MEMBERS PRESENT

Co-Chair Lyman Hoffman  
Co-Chair Bert Stedman  
Senator Fred Dyson  
Senator Kim Elton  
Senator Charlie Huggins  
Senator Danny Olson  
Senator Joe Thomas

SENATE MEMBERS ABSENT

none

ALSO PRESENT

Senator Tom Wagoner.

PRESENT VIA TELECONFERENCE

Paul Kendall, Anchorage; Michael Tavoliero, Anchorage; Bill Warren, Kenai; Jan Brophy; Tom Lakosh, Anchorage; Bret Chambers; Steve Dentor; Lawrence Bredman, Manley Hot Springs; James Fisher, Soldotna; Fred Sturman, Soldotna; Rhonda Boyles, Fairbanks; Jerry Walker, Fairbanks; Mike

Milligan, Kodiak; Donald Benson, MatSu; Eric Dompeling, The Alliance, Anchorage; Paul Laird, The Alliance, Anchorage; Jim Gilbert, President, Udelhoven Oilfield Systems, Anchorage; Maynard Tapp, Anchorage; Jeanine St. John, Anchorage; Jerry McCutcheon, Anchorage; Tara Sweeny, ASRC, Anchorage; Keith Sanders, CIRI, Anchorage; David Godstein, Backbone, Anchorage; John Shively, Resource Development Council, Anchorage; Jim Decker, Anchorage; Keith Silver, Anchorage; Harry McDonald, Anchorage; Tom Hendrix Jr., Anchorage; Bart Armfield, Brooks Range Petro. Corp., Anchorage; Matthew Fagnani, Nana Management Systems; Jim Orr, Employed by AK Public Employees Association; Marshall Byrd; Mary Whitmore; Caroline Bolar; Merrick Peirce; Frank Sepico [Many of the off-net testifiers did not identify their location].

GENERAL SUBJECT(S):

**STATEWIDE TESTIMONY ON OIL AND GAS ISSUE**

The following overview was taken in log note format. Handouts will be on file with the House Finance Committee through the 25th Legislative Session, contact 465-6814. After the 25th Legislative Session they will be available through the Legislative Library at 465-3808.

<b>TIME</b>	<b>SPEAKER</b>	<b>DISCUSSION</b>
<a href="#">5:39:16 PM</a>	Co-Chair Chenault	Convened the Joint Senate and House Finance Committees in order to hear statewide testimony on oil and gas issues.
<a href="#">5:42:00 PM</a>	PAUL KENDALL, ANCHORAGE	Referenced the testimony he submitted on file. He voiced support for PPT and added support for a gross percentage. He correlated the actual use in an average family home. Alaska is a source of natural gas. He recommended that the oil companies come forward to provide testimony. He was disturbed about the package currently before the Committee.
<a href="#">5:47:32 PM</a>	MICHAEL TAVOLIERO, ANCHORAGE	Addressed concerns with the fair share concept and the process of how that would be implemented.
<a href="#">5:50:34 PM</a>	BILL WARREN, KENAI	Testified in support of a fair share for the resources of Alaska. He supported exploration of Prudhoe Bay & supported testimony heard from British Petroleum (BP). He supported the 25% on the base tax with a high progressivity and urged movement on ANGDA.
<a href="#">5:53:59 PM</a>	JAN BROPHY, KENAI	He pointed out all the places that the oil companies make money. He warned

		that by 2030, the demand for oil will be quadrupled in order to supply the world's demand. He recommended a gross tax. The price per barrel of oil has doubled. He concluded that legislators represent Alaskan citizens not the oil companies.
<a href="#">6:59:49 PM</a>	TOM LAKOSH, ANCHORAGE	Submitted his testimony. He stressed that the committee substitute versions before the Committees are unconstitutional as is the ACES bill because it does not protect public interest.
<a href="#">6:06:44 PM</a>	BRET CHAMBERS,	Favored continuing the current PPT system to provide enough time to see if it can work.
<a href="#">6:07:50 PM</a>	STEVE DENTON,	Addressed the issue of family values and fair share. He pointed out that his family has been involved in the resource industry for many years. Mr. Denton mentioned the permanent fund opportunities and how that meets the fair share promise.
<a href="#">6:11:21 PM</a>	LAWRENCE BREDMAN, MANLEY HOT SPRINGS	Recommended taking 1% of the final number and raising the tax to fund transportation needs. The federal gas tax funds the current state transportation needs, but there are many roads that need attention. He mentioned the Dalton Highway and highway systems that support the Alaska North Slope.
<a href="#">6:16:45 PM</a>	RHONDA BOYLES, FAIRBANKS	She opined that the free enterprise system is the most successful means of achieving economic justice. Alaska needs to take stewardship of the land compatible with the unique environment. She urged that legislation be adopted that supports that platform. She worried about less production on the economic resource. She supported a fair and balanced approach and noted support for the testimony of Mr. Hanley.
<a href="#">6:21:36 PM</a>	JERRY WALKER, SELF, FAIRBANKS	Worried about potential failure of AGIA. He spoke in support of positive business and the need for fiscal security. He warned that the rules should not be continually changed. He supported the progressivity provision without change.
<a href="#">6:24:06 PM</a>	JAMES FISHER, SOLDOTNA	He recommended an increase in the tax structure to the highest possible

		number. He addressed the Gaffney Kline and Associates' analysis. He urged that the legislature take strong action.
<a href="#">6:26:45 PM</a>	FRED STURMAN, SOLDOTNA,	Spoke to fair share and reprimanded legislators for taking citizens' fair share. He urged that the budget be cut and expenses lowered. He voiced opposition to any increases in government.
<a href="#">6:28:37 PM</a>	DONALD BENSON, MAT-SU	Encouraged the members of the Committees to support the Senate Judiciary Committee version and the House Resources Committee version of PPT, which he felt brought back a fair share of Alaska revenues. He stressed the Governor's support throughout the State and maintained that ACES ensures that Alaska will be treated as a fair partner.
<a href="#">6:31:46 PM</a>	MIKE MILLIGAN, KODIAK	Drew attention to the New York Times article regarding 77% of the world's oil being held in reserve by the oil companies with no national equity. He suggested the creation of another oil company similar to ARCO.
<a href="#">6:34:56 PM</a>	ERIC DOMPELING, THE ALLIANCE ANCHORAGE, Anchorage	Spoke about the decline in production development. He observed that Alberta has seen a slow down of resource development due to an increase in taxes. He warned about dipping into the Capital Budget Reserve (CBR). He questioned the current plan. He urged that long term jobs and opportunities not be sacrificed for a short term gain.
<a href="#">6:37:54 PM</a>	PAUL LAIRD, THE ALLIANCE, Anchorage	He expressed concern regarding further raising taxes on the oil companies and how this impacts investments of oil companies. He went on to say that "fair share" means keeping oil companies operating in Alaska. He supports keeping PPT in place.
<a href="#">6:40:35 PM</a>	JIM GILBERT PRESIDENT, UDELHOVEN OILFIELD SYSTEMS, Anchorage	He said the state should not raise taxes on oil companies. He pointed out the extensive operations of the oil companies. He went on to outlined the number of contributions his employees provide to his community. He further underlined the importance of a partnership with oil companies rather than viewing the relationship as adversarial.

<a href="#">6:45:54 PM</a>	MAYNARD TAPP, Anchorage	He urged the Committee to NOT raise taxes. He stressed that any changes should make oil development more attractive.
<a href="#">6:47:33 PM</a>	JEANINE ST. JOHN, Anchorage	Defined "fair share" as good jobs & good future. She urged the committee not to raise taxes.
<a href="#">6:49:54 PM</a>	JERRY MCCUTCHEON, Anchorage	Referenced the topping plant/refining issue. He did not support supplementing companies refining plants.
<a href="#">6:52:18 PM</a>	TARA SWEENY, ASRC, Anchorage	Referenced sec. 36 and sec. 34 of HB2001. Privately owned data used for the state benefit should remain confidential. She underlined that this was a right of the company.
<a href="#">6:55:48 PM</a>	KEITH SANDERS, CIRI, Anchorage	Echoed concerns of previous the speaker regarding having to release seismic data.
<a href="#">6:57:42 PM</a>	DAVID GODSTEIN, BACKBONE, Anchorage	He noted the balance of attempting to receive fair share without dampening investment. He said the companies will not pull out of Alaska or stop investing because of a tax increase. He supported the 25% tax with .4 progressivity, and an increase penalty.
<a href="#">7:01:37 PM</a>	JOHN SHIVELY, RESOURCE DEVELOPMENT COUNCIL, Anchorage	He spoke against raising taxes on the oil companies.
<a href="#">7:06:24 PM</a>	JIM DECKER, Anchorage	He noted that he works in oil and gas industry and spoke in support of PPT. He is opposed to the proposed ACES plan. He referred to AS 43 and noted that the word "reasonable" was added before "cost". He felt this would increase litigation and have the unintended consequences of acting as a disincentive. He went on to say that government has grown considerably and can not be sustained. He felt the industry would perceive that taxes would be raised to support government. He said excess revenues should be placed in a reserve.
<a href="#">7:12:37 PM</a>	KEITH SILVER, Anchorage	He observed that he is a 45 year resident. He expressed concern over raising taxes and the potential of creating an unstable environment, which would make oil companies less receptive to exploration and development.
<a href="#">7:14:57 PM</a>	HARRY MCDONALD,	He stated he is the owner of a trucking company. He urged the committee to

	Anchorage	leave the current tax system in place.
<a href="#">7:17:40 PM</a>	TOM HENDRIX JR., Anchorage	He emphasized that he works for a company that benefits from the prosperous partnership with the oil companies. He urged the committee to pass legislation that encourages exploration and development. He did not support raising taxes
<a href="#">7:20:03 PM</a>	BART ARMFIELD, BROOKS RANGE PETRO. CORP., Anchorage	He anticipated that his company would make significant investments under PPT, but cautioned that any change to the tax would bring uncertainty. He went on to note that ACES would decrease capital expenditures by companies and companies would go elsewhere.
<a href="#">7:23:35 PM</a>	MATTHEW FAGNANI, NANA MANAGEMENT SYSTEMS	He observed that his company thrives when oil companies are thriving. He maintained that raising taxes on the industry will not aid the state and will discourage exploration and investment, which in turn effects companies like his.
<a href="#">7:27:06 PM</a>	JIM ORR, EMPLOYED BY AK PUBLIC EMPLOYEES ASSOCIATION	He referenced the provision in the bill regarding auditors and the exemption of specific employees.
<a href="#">7:31:06 PM</a>	MARSHALL BYRD	He felt that the administration's proposal of raising taxes is a emotional reaction. He supported the PPT under the current law.
<a href="#">7:34:11 PM</a>	MARY WHITMORE	She supported leaving the current law in place and did not support raising taxes. She noted that 30 days is not enough time to make good tax policy
<a href="#">7:36:00 PM</a>	CAROLINE BOLAR	Asked if Alaska is getting a fair share from any industry. She supported putting addition revenues into the Permanent Fund.
<a href="#">7:40:34 PM</a>	MERRICK PEIRCE	Noted that Alaska's crude oil is worth \$25.7 billion. He felt that the current law is not giving Alaska its fair share. He went on to express concerns about fuel costs in Fairbanks and noted that the effects on the housing market. He supported investing additional revenues.
<a href="#">7:43:20 PM</a>	FRANK SEPICO	Supported not raising taxes.
<a href="#">7:45:18 PM</a>	<u>ADJOURNMENT</u>	The meeting was adjourned at 7:44 PM

