

HOUSE FINANCE COMMITTEE  
March 24, 2011  
5:09 p.m.

5:09:17 PM

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 5:09 p.m.

MEMBERS PRESENT

Representative Bill Stoltze, Co-Chair  
Representative Bill Thomas Jr., Co-Chair  
Representative Anna Fairclough, Vice-Chair  
Representative Mia Costello  
Representative Mike Doogan  
Representative Bryce Edgmon  
Representative Les Gara  
Representative David Guttenberg  
Representative Tammie Wilson

MEMBERS ABSENT

Representative Reggie Joule  
Representative Mark Neuman

ALSO PRESENT

Representative Mike Chenault; Representative Mike Hawker; Senator Cathy Giessel; Mary Graham, Self, Juneau; Barbara Huff Tuckness, Director, Teamsters Local 959, Juneau.

PRESENT VIA TELECONFERENCE

Jerry McCutcheon, Anchorage; Michael Jespersen, Anchorage; Matthew Fagnani, Anchorage; David Gottstein, Anchorage; Jeanine St. John, Anchorage; Paul Kendall, Anchorage; Barbara Winkley, Anchorage; Robert Buch, Anchorage; Ben Mohr, Eagle River; Bob Bulmer, Anchorage; David DeLong, Fairbanks; Mark Sharp, Fairbanks; Lisa Herbert, Executive Director, Fairbanks Chamber of Commerce; Paul Metz, Fairbanks; Patrice Case, Fairbanks; Geoffrey Bacon, Alaska Public Employees Association, Fairbanks; Jean Trainor, Fairbanks; Buzz Otis, Fairbanks; Richard Fineberg,

Fairbanks; Gerald Rafson, Fairbanks; Richard Heieron, Chair, Fairbanks Chamber of Commerce, Fairbanks; Lorna Shaw, Fairbanks; Lorali Carter, Board of Directors, Palmer Chamber of Commerce; James Crowell, Matsu; Donna Rae Faulkner, Self, Homer; Don McNamara, Self, Homer; Bryan Clement, Self, Anchorage; Mike McGinnis, Weona Corp, Anchorage; David Baggert, Self, Anchorage; Kevin Durling, Self, Anchorage; Deantha Crockett, Self, Anchorage; Kati Capozzi, Self, Anchorage; Carl Portman, Self, Anchorage; Jed Whittaker, Self, Anchorage; Scott Thorson, Self, Anchorage; Pete Stokes, Self, Anchorage; Jason Brune, Executive Director, Resource Development Council, Anchorage; Cary Taylor, Self, Anchorage; Mike Milligan, Kodiak; David Otness, Cordova; Skip Reiersen, Seward; Mark McArthur, Eagle River; Ron Johnson; Tom Lakosh; Merrick Pierce; Tim Tilsworth, Fairbanks; Cynthia Cevasco, Fairbanks; Butch Stein, Fairbanks; Randy Griffin, Fairbanks; Ken Hall, Self, Fairbanks; Don Grey, Self Fairbanks; Stu Graham, Self, Mat-Su; Geoffrey Humphrey, Self, Anchorage; Roger Jenkins, Self, Anchorage; Allan Dolynny, Self, Anchorage; Deborah Brollini, Self, Anchorage; Chuck Becker, Self, Anchorage; Lynette Moreno-Hinz, Self, Anchorage; Yolanda de la Cruz, Self, Anchorage.

SUMMARY

HB 110 PRODUCTION TAX ON OIL AND GAS

HB 110 was HEARD and HELD in committee for further consideration.

#HB110

HOUSE BILL NO. 110

"An Act relating to the interest rate applicable to certain amounts due for fees, taxes, and payments made and property delivered to the Department of Revenue; relating to the oil and gas production tax rate; relating to monthly installment payments of estimated oil and gas production tax; relating to oil and gas production tax credits for certain expenditures, including qualified capital credits for exploration, development, and production; relating to the limitation on assessment of oil and gas production taxes; relating to the determination of oil and gas production tax values; making conforming amendments; and providing for an effective date."

[5:09:24 PM](#)

PUBLIC TESTIMONY FOR HB 110

JERRY MCCUTCHEON, ANCHORAGE (via teleconference), spoke in opposition to HB 110. He spoke to the duty to produce, which was not addressed in the bill. He claimed that the bill would not pass the "Harvard Test." He recalled serious questions raised in Senator Jackson's committee and predictions by the Alaska Oil and Gas Conservation Commission (AOGCC).

[5:15:37 PM](#)

MICHAEL JESPERSON, ANCHORAGE (via teleconference), testified in support of the bill.

MATTHEW FAGNANI, ANCHORAGE (via teleconference), spoke in support of the bill. He opined that there needed to be new oil in TAPS. He was a supporter of oil and gas. The industry would find a better place to do business.

[5:18:56 PM](#)

DAVID GOTTSTEIN, ANCHORAGE (via teleconference), spoke in opposition to HB 110. He wanted the oil companies to make competitive returns. He advised against selling the resource too cheaply, but wanted both the state and companies to share the profits. He thought the mechanisms of ACES worked except for progressivity, which limited upside potential. He believed the answer was to change the rate of progressivity so that it went down as prices rose.

[5:24:20 PM](#)

JEANINE ST. JOHN, ANCHORAGE (via teleconference), spoke in support of HB 110.

PAUL KENDALL, ANCHORAGE (via teleconference), testified against HB 110. He recommended putting the funding in an account and wanted full disclosure in hearings.

[5:29:12 PM](#)

BARBARA WINKLEY, ANCHORAGE (via teleconference), spoke in opposition to HB 110. She suggested setting aside funds for

infrastructure. She questioned whether the legislature was acting in the state's best interests.

ROBERT BUCH, ANCHORAGE (via teleconference), voiced opposition to HB 110. He believed investment and exploration would be status quo and that more money would not be put into the North Slope. He listed the profits of ConocoPhillips.

[5:34:38 PM](#)

Mr. Buch referred to the state constitution's stipulation that the people benefit from the state's resources.

BEN MOHR, EAGLE RIVER (via teleconference), spoke in support of HB 110.

[5:37:29 PM](#)

BOB BULMER, ANCHORAGE (via teleconference), testified in support of HB 110.

DAVID DELONG, FAIRBANKS (via teleconference), voiced opposition to HB 110. He thought the legislation would represent an unnecessary give-away to the oil companies. He opined that tariff reform was needed rather than tax reform. He referred to a former employee of ConocoPhillips.

[5:41:05 PM](#)

MARK SHARP, FAIRBANKS (via teleconference), testified against HB 110. He felt that the bill was a give-away and wanted to negotiate. He noted that the industry had given significant money to Governor Parnell, according to APOC. He urged action instead of speculation and study.

[5:45:00 PM](#)

LISA HERBERT, EXECUTIVE DIRECTOR, FAIRBANKS CHAMBER OF COMMERCE (via teleconference), spoke in support of HB 110. She felt that businesses and the entire economy of Fairbanks were affected by a decline in oil production. She felt the legislation would save the state.

[5:47:09 PM](#)

PAUL METZ, FAIRBANKS (via teleconference), voiced support of HB 110. He supported the comments of Ms. Herbert.

PATRICE CASE, FAIRBANKS (via teleconference), spoke in support of HB 110 as a business owner.

[5:48:51 PM](#)

GEOFFREY BACON, ALASKA PUBLIC EMPLOYEES ASSOCIATION, FAIRBANKS (via teleconference), testified in opposition to HB 110. He felt money would be taken from Alaska's communities and put it in the hands of oil company shareholders. He stated that APEA was not in favor of the bill.

JEAN TRAINOR, FAIRBANKS (via teleconference), testified in opposition to HB 110. She felt the bill was a give-away of savings to oil companies.

[5:53:13 PM](#)

BUZZ OTIS, FAIRBANKS (via teleconference), spoke in support of HB 110.

RICHARD FINEBERG, FAIRBANKS (via teleconference), voiced strong opposition to HB 110. He felt the significance of the decline had been exaggerated. He thought it was reasonable to expect that the tangible qualities of reserves and resources would be produced for an extended period. He thought the current ACES tax regime was not a problem. He had not heard substantive evidence that the structure should change.

[5:58:48 PM](#)

GERALD RAFSON, FAIRBANKS (via teleconference), spoke in opposition to HB 110. He supported tariff reform rather than tax reform. He thought the major oil companies were the greatest impediment to development, as they controlled the infrastructure.

[6:01:20 PM](#)

RICHARD HEIERON, CHAIR, FAIRBANKS CHAMBER OF COMMERCE, FAIRBANKS (via teleconference), testified in strong support of HB 110. He voiced concerns as a businessman that

something needed to change. He did not like frequent tax changes.

LORNA SHAW, FAIRBANKS (via teleconference), spoke in support of HB 110.

[6:05:33 PM](#)

MARY GRAHAM, SELF, JUNEAU, spoke in opposition to HB 110. She stated that the bill equated to the oil companies coming to the state for their allowance and doing their chores at a later time. She believed the state needed to diversify the economy away from oil and that it was important to think about the bigger picture.

[6:09:20 PM](#)

BARBARA HUFF TUCKNESS, DIRECTOR, TEAMSTERS LOCAL 959, JUNEAU, was in favor of the oil and gas legislation that would come out of the committee. She thought it was important to secure the revenue flow and supported the gas project. She noted that there were approximately a couple of hundred teamsters working on the North Slope. The Teamsters believed that it was important to look at the governor's proposed legislation as development in the state was down and jobs were important to the Teamsters.

[6:13:25 PM](#)

LORALI CARTER, BOARD OF DIRECTORS, PALMER CHAMBER OF COMMERCE (via teleconference), supported HB 110. He believed the bill was important for employment and that tax revenue was a major source of revenue for the state.

[6:14:49 PM](#)

JAMES CROWELL, MATSU (via teleconference), supported HB 110. He believed that it was important to bracket Alaska's taxes and to lower the tax rate. He wanted Alaska to become a state that was once again open for business.

[6:18:08 PM](#)

DONNA RAE FAULKNER, SELF, HOMER (via teleconference), spoke strongly against HB 110. She understood that the oil companies wanted to increase their profits for their shareholders. She did not understand why the governor was

in favor of rolling back ACES and taking money away from Alaskans. She felt Alaska deserved its fair share of oil and gas profits. The legislature should defeat HB 110.

[6:18:57 PM](#)

DON MCNAMARA, SELF, HOMER (via teleconference), was opposed to HB 110. He believed that the state should look at Venezuela's model. The oil companies were already making record profits and Exxon Mobil had not finished paying for the 1989 oil spill. The tax rate was 60 percent and in Norway the taxes were at 78 percent. He thought Alaska was doing well.

[6:21:39 PM](#)

BRYAN CLEMENT, SELF, ANCHORAGE (via teleconference), was in support of HB 110. He urged that the legislature pass the bill.

[6:21:55 PM](#)

MIKE MCGINNIS, WEONA CORP, ANCHORAGE (via teleconference), was strongly in support of HB 110. He believed that one of the underlying issues was about the 100,000 jobs that were at risk if the oil companies were chased out of Alaska.

[6:23:19 PM](#)

DAVID BAGGERT, SELF, ANCHORAGE (via teleconference), supported HB 110 as a person who had worked in the oil fields for many years.

[6:24:09 PM](#)

KEVIN DURLING, SELF, ANCHORAGE (via teleconference), was strongly in support of HB 110. He worked in a number of industries, including oil and gas. He had released employees the day before and it was one of the hardest days he had experienced. He believed that it was impossible to ask a business to guarantee a return.

[6:25:39 PM](#)

DEANTHA CROCKETT, SELF, ANCHORAGE (via teleconference), testified in support of HB 110. She knew people who had worked for Alyeska pipeline and she hoped that they would

continue to work there in the future. She wanted to stay in Alaska and urged support of the bill.

[6:26:51 PM](#)

KATI CAPOZZI, SELF, ANCHORAGE (via teleconference), spoke in support of HB 110. She loved Alaska and wanted to stay. She and her husband were looking to make Alaska their home and were afraid that the state may not be the right place because the current system was broken. She urged that something be done to reverse the decline.

[6:28:51 PM](#)

CARL PORTMAN, SELF, ANCHORAGE (via teleconference), testified in support of HB 110. He reported that had seen his share of Alaska's booms and busts and was quite worried about the future of his family in the state. He feared that without oil, the state would not be able to meet its long-term obligations to education and public pensions. He believed HB 110 would help Alaska be competitive.

Representative Costello thanked Kati Capozzi for her service in the military.

[6:32:11 PM](#)

JED WHITTAKER, SELF, ANCHORAGE (via teleconference), testified against HB 110. He noted that in the year 2000 there had been 6 billion people on the planet; this year there would be 7 billion people, with increased demand for commodities. He believed it was foolish to provide a tax break to oil companies that were already making huge profits.

SCOTT THORSON, SELF, ANCHORAGE (via teleconference), was strongly in support of HB 110. He believed that it was a smart move to deal with the progressivity under ACES and that Alaska needed to be competitive. He felt the cost of doing business in Alaska was high and that Alaska had some of the highest taxes, which made the state very uncompetitive.

[6:39:23 PM](#)

PETE STOKES, SELF, ANCHORAGE (via teleconference), urged the passage of HB 110 to enable the state to become more

competitive. He believed that oil had done wonders for the state. He was a licensed petroleum engineer and had worked in Alaska in the profession for the past eight years. Dipping into the Permanent Fund and introducing state income taxes would only last so long. He was worried about future generations in Alaska.

[6:43:19 PM](#)

JASON BRUNE, EXECUTIVE DIRECTOR, RESOURCE DEVELOPMENT COUNCIL, ANCHORAGE (via teleconference), testified in strong support of HB 110. He reported that the council supported a strong diversified sector in Alaska. He believed that testimony that the committee had received from Admiral Barrett the previous week had been very accurate in encouraging new production. He believed that the fair share that Alaska received in the state was the royalty. He thought the state was very fortunate that the oil companies found oil; the companies had taken all of the risk to explore for the resource. He felt a pipeline shutdown would impact all members of the council in each of the different areas (such as mining).

Representative Doogan relayed that most of the credit for the hearing in Anchorage went to Co-Chair Stoltze and his staff.

[6:49:20 PM](#)

CARY TAYLOR, SELF, ANCHORAGE (via teleconference), spoke in support of HB 110. He believed that without the investment dollars to keep Prudhoe Bay viable the state would be in trouble. He equated the situation to being on the Titanic and that someone needed to turn the wheel to divert disaster. He was concerned about the businesses of Alaska and wanted to bring investment into the state.

[6:54:47 PM](#)

MIKE MILLIGAN, KODIAK (via teleconference), testified in opposition to HB 110. He agreed with the governor that jobs and filling the pipeline were important, but had concerns about gasline development. He stated that over 65 percent of production came from state-owned facilities. He relayed history and advocated for state-owned fields.

[6:57:18 PM](#)

DAVID OTNESS, CORDOVA (via teleconference), voiced opposition to HB 110. He stated concerns about the largeness of the oil companies. He felt the companies had been making and breaking governments all over the world, including Alaska. He felt the companies held all the cards and did not trust them.

[7:01:42 PM](#)

SKIP REIERSON, SEWARD (via teleconference), spoke in support of HB 110. He opined that the progressivity element of ACES needed improvement.

[7:03:15 PM](#)

MARK MCARTHUR, EAGLE RIVER (via teleconference), spoke in opposition of HB 110. He spoke as a small business owner. He did not want to give state money to oil companies, and thought the bill would hurt the state.

[7:06:20 PM](#)

RON JOHNSON (via teleconference) spoke in opposition to HB 110. He suggested giving tax credits after production of the oil. He wanted revenue to be used to provide long-term support in the state.

[7:08:56 PM](#)

TOM LAKOSH (via teleconference) voiced opposition to HB 110. He thought the bill would be unconstitutional, as it would not use resource to the maximum benefit of the Alaskan people. He did not think production would be increased by reducing taxes. He did not want Alaska to try and compete with countries that were able to bribe oil companies. He suggested investing the money in refineries on the North Slope.

[7:14:28 PM](#)

MERRICK PIERCE (via teleconference), spoke in opposition to HB 110. He suggested dividing up the money and giving each Alaskan \$3,000, or investing the money in a gasline, resulting in new revenue and adding to the diversification of the state.

[7:19:29 PM](#)

TIM TILSWORTH, FAIRBANKS (via teleconference), voiced opposition to HB 110. He could support the bill but not without facts. He supported the oil industry and knew the state needed jobs. He questioned the number \$2 billion. He did not understand the urgency, as the state has known for many years about the decline.

[7:23:04 PM](#)

CYNTHIA CEVASCO, FAIRBANKS (via teleconference), urged support of HB 110. She had concerns about Alaska's economy. She wanted her children to be able to live in the state.

BUTCH STEIN, FAIRBANKS (via teleconference), called in support of HB 110.

RANDY GRIFFIN, FAIRBANKS (via teleconference), voiced support of HB 110. He provided history of oil taxes. He had been in favor of ELF and not in favor of ACES. He wanted Alaskans to be smart pigs.

[7:29:15 PM](#)

KEN HALL, SELF, FAIRBANKS (via teleconference), spoke in support of HB 110. He was committed to Fairbanks and to the future of Alaska. He had always worked in private enterprise in Alaska. He believed Alaska needed to be competitive.

[7:31:40 PM](#)

DON GREY, SELF, FAIRBANKS (via teleconference), vocalized his opposition to HB 110. He had worked as a financial advisor. Governor Hammond had always emphasized that it was important to remember who owned the oil originally. The oil companies looked out for their shareholders. He did not think the amount of taxation under ACES was not exceptionally heavy. He believed that making changes to existing law under ACES would be possible.

[7:36:29 PM](#)

STU GRAHAM, SELF, MAT-SU (via teleconference), urged support of HB 110. He thought the pipeline was capable of carrying 2.5 times more than it was currently. He supported

a tax regimen that would provide oil companies the ability to explore and develop. He did not believe that the state would be giving anything away but that the state was allowing the oil companies to keep money that they had earned. He believed that the financial stability of the state depended upon TAPS and the ability to produce on the North Slope.

[7:40:59 PM](#)

GEOFFREY HUMPHREY, SELF, ANCHORAGE (via teleconference), spoke against the passage of HB 110.

[7:41:43 PM](#)

ROGER JENKINS, SELF, ANCHORAGE (via teleconference), was very supportive of HB 110. He was a constituent of Representative Doogan and had been very impressed with his article in the Petroleum News. He discussed Don Young's pro-stance on the opening of ANWR.

Co-Chair Stoltze remarked that it had been very nice to hear from Mr. Jenkins.

Representative Doogan relayed that it had been great to hear Roger's voice.

[7:45:49 PM](#)

ALLAN DOLYNNY, SELF, ANCHORAGE (via teleconference), voiced strong support for HB 110. He and his family loved Alaska and he was afraid that they would not be able to remain in the state if the oil companies decided to leave Alaska.

DEBORAH BROLLINI, SELF, ANCHORAGE (via teleconference), testified in support of HB 110. She discussed the history of Alaska and felt there was no longer the luxury of substantial oil in the pipeline. She voiced concerns about her children's future.

[7:52:46 PM](#)

CHUCK BECKER, SELF, ANCHORAGE (via teleconference), voiced support of HB 110. He thanked the members of the committee for hearing the public testimony. He was afraid that ACES had exceeded its optimal therapeutic effect. He believed it was important to bring industry back to the state.

7:55:05 PM

LYNETTE MORENO-HINZ, SELF, ANCHORAGE (via teleconference), testified against HB 110. She felt as an Alaska Native that former governor Palin had created hardships for Alaska. She worked with homeless children and it was very disheartening to have to drive the children back in forth to school and to witness their hardships. She remarked that families and friends were tired of paying the middleman that was the oil industry.

8:01:54 PM

YOLANDA DE LA CRUZ, SELF, ANCHORAGE (via teleconference), was opposed to HB 110. She believed that the state wanted to give away \$2 million to the oil companies. She remarked that Sarah Palin and Sean Parnell had already given away \$500 million to the oil companies.

Vice-chair Fairclough appreciated all of the opinions that were heard during the evening.

8:05:09 PM

#  
ADJOURNMENT

The meeting was adjourned at 8:05 PM.