

HOUSE FINANCE COMMITTEE
March 25, 2011
3:17 p.m.

[3:17:08 PM](#)

CALL TO ORDER

Co-Chair Stoltze called the House Finance Committee meeting to order at 3:17 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 Reggie Joule
Representative Tammie Wilson

MEMBERS ABSENT

Representative Mark Neuman

ALSO PRESENT

John Sonin, Juneau; Don Smith, Juneau; Stuart Cohen, Juneau.

PRESENT VIA TELECONFERENCE

Bob Harrison, Nikiski; William Warren, Kenai; Janice Chumley, Nikiski; Crystal Nygard, MatSu Business Alliance; Jean Woods, MatSu; Phillip Furbush, MatSu; Clarence Furbush, MatSu; Ray Tinjum, MatSu; Jim Sykes, Palmer; Marty Metiva, Self, MatSu; Peter Mooney, Port Alexander; David Hopkinson, Anchorage; George Smallwood, Homer; Katie Dawson, Homer; Dave Bachrach, Homer; LuAnne Nelson, Anchor Point; Jim Nelson, Anchor Point; Mark Mcarter, Small Business Owner, Anchorage; Ellston Laubson, Anchorage; Malcom Roberts, Backbone III, Juneau; Lora Reinhold, Eagle River; Christopher Stefanovich, Anchorage; Larry Houle,

Anchorage; Will Chinn, Anchorage; Eric Reinhold, Eagle River; Edward King, Fairbanks; Aaron Lojewski, Fairbanks; Brian Hove, Fairbanks; Ken Larson, North Pole; Linda Setterberg, Fairbanks; Bob Hunter, Eagle River; Evan Rowland, Anchorage; Lowell Humphrey, Anchorage; Mary Pignalberi, Anchorage; Roger Burns, Fairbanks; Hannibal Grubis, Fairbanks; Roger C. Burggraf, Fairbanks; Cynthia Henry, Fairbanks; Cheryl Eluska, Anchorage; Karl James, Anchorage; Kathy Gray, Anchorage; Mike Macy, Anchorage; John Lawson, Anchorage; Andrea Veach, Anchorage; Thomas Higgins, Anchorage; Michael O'Connor, Anchorage; Bruce Harland, Anchorage; Kim Griffith, Anchorage; Joseph Scott Sr., Talketna; Todd Brown, Anchorage; Jimmy Doyle, Anchorage; Dr. Hugh Fate, Anchorage; Andy Bond, Anchorage; Charlie Powers, Kodiak; Jodie Dominguez, Anchorage; Ken Widmer, Matsu; Rhonda Boyles, Fairbanks; Mike Prax, North Pole; Bart LeBon, Fairbanks; Adela Jackson, Fairbanks; Jack Focose, Kenai; Steven McGroarty, Fairbanks; Bill Johnson, Anchorage; Ray Metcalfe, Self; Steven Borelle, Executive Director, Alaska Miners Association; Roy Earnest, Self; Darlene Herbert, Self, Fairbanks; Blythe Campbell, Self; Tom Maloney, Self; Kelly Walters, Self; Deidre Cronin, Self; Janet Bounds, Self; John Shively, Self, Anchorage; Hal Gazaway, Self, Anchorage; Barbara Gazaway, Self, Anchorage; Paula Easley, Self, Anchorage; Ryan Knight, Self, Anchorage; Mike Sirofchuck, Self, Kodiak; Shannon Moore, Self, Anchorage; Neil Black, Self, Anchorage; Shannon Moore, Self, Anchorage; Brian Newton, President, Golden Valley Electric Association, Fairbanks; Alan Batten, Fairbanks; Tim O'Donnell, Self, Juneau; Bertram Smith, Self, Big Lake; Patricia Anderson, Self, Anchorage; Tom Hendrix, Self, Palmer; Kathleen Harms, Self, Mat-Su; Cheri Gillian, Self, Anchorage; Jack Crockett, 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."

[3:17:51 PM](#)

PUBLIC TESTIMONY

BOB HARRISON, NIKISKI (via teleconference), spoke in support in HB 110.

WILLIAM WARREN, KENAI (via teleconference), voiced opposition to HB 110. He called it a give-away. He thought the oil companies could tell the state was worried. He had concerns about the Trans Alaska Pipeline System (TAPS) and wanted an all-Alaska line built. He wanted the state to do business with companies interested in Alaska. He recommended considering SB 85.

[3:23:30 PM](#)

JANICE CHUMLEY, NIKISKI (via teleconference), spoke in opposition to HB 110. She believed the oil companies had enough breaks, and that there was no guarantee of additional jobs. She suggested giving the extra money to Alaskans or investing in sustained energy programs.

CRYSTAL NYGARD, MATSU BUSINESS ALLIANCE (via teleconference), testified in support of HB 110. She spoke for a group of businesses in support of the governor's proposal. She noted the decline of exploration on the North Slope. She did not think lawmakers were listening to industry.

[3:27:56 PM](#)

JEAN WOODS, MATSU (via teleconference), voiced support for HB 110. She wanted Alaska to be "open for business."

PHILLIP FURBUSH, MATSU (via teleconference), testified in opposition to HB 110. He did not think there was a correlation between state support and investment made by oil companies. He was concerned the income of companies was used for other purposes such as oil-spill clean-up. He recommended diversifying energy sources and economic development in the state.

[3:32:08 PM](#)

CLARENCE FURBUSH, MATSU (via teleconference), voiced opposition to HB 110. He did not want to give money to oil companies, but wanted to invest in the development of alternative energy.

RAY TINJUM, MATSU (via teleconference), spoke against HB 110. He thought oil companies should drill and the legislature should fill the pipeline. He recommended giving financial support when the oil got to the pipe. He recommended developing alternative energy.

[3:35:11 PM](#)

JIM SYKES, PALMER (via teleconference), spoke in opposition to HB 110. He recalled the Economic Limit Factor (ELF) tax, which was opposed by the oil companies at the time, but when it passed, they went on with business. He did not think the problem was taxes, but price. He suggested splitting the profit 50/50 between the state and the oil companies, after paying the federal government.

[3:39:15 PM](#)

MARTY METIVA, SELF, MATSU (via teleconference), voiced support for HB 110. He was concerned that diminished supply of oil would diminish the quality of life in Alaska.

PETER MOONEY, PORT ALEXANDER (via teleconference), testified in opposition to HB 110. He thought it would represent a give-away of state money. He wanted more refineries in the state.

DAVID HOPKINSON, ANCHORAGE (via teleconference), spoke in support of HB 110. He thought the measure would be good for business.

[3:44:11 PM](#)

GEORGE SMALLWOOD, HOMER (via teleconference), spoke in opposition to HB 110. He asked for consideration of SB 85 as a substitute.

KATIE DAWSON, HOMER (via teleconference), stated opposition to HB 110. She felt the oil companies were making enough money. She felt that citizens were paying for the clean-up and effects of oil. She believed that giving roll-backs was unconstitutional. She was concerned about having to give up the permanent fund dividend and the loss of federal funding. She noted that oil would run out some day and felt oil companies should be part of the solution and support green jobs.

[3:48:39 PM](#)

DAVE BACHRACH, HOMER (via teleconference), testified in opposition to HB 110. He quoted an article in a petroleum journal. He thought Alaska Clear and Equitable Share (ACES) was working, and that Alaska could not afford to give additional money. He recommending taking the money and investing in Alaska and in Alaskans jobs. He did not think oil companies would abandon Alaska with the oil at the current high price. He referred to testimony by the Office of Management and Budget (OMB) about an increase in oil exploration.

[3:52:09 PM](#)

LUANNE NELSON, ANCHOR POINT (via teleconference), voiced opposition to HB 110. She did not think ACES was a problem, and believed there were provisions for exploration.

Representative Gara provided his phone number to get the information referred to by Mr. Bachrach.

Co-Chair Thomas asked that the information be given to the whole committee.

JIM NELSON, ANCHOR POINT (via teleconference), spoke against HB 110. He noted the difficulties and expense of building a gasline. He thought the money that would be given away to oil companies could be used to build a gasline and support infrastructure. He referred to those who were doing well because of ACES.

[3:56:30 PM](#)

MARK MCARTER, SMALL BUSINESS OWNER, ANCHORAGE (via teleconference), testified against HB 110. He did not want to give public money to the oil companies. He did not think the state budget could handle the expense without hurting the citizens. He challenged the legislature to start a new oil company owned by the state, since the state was already involved in the oil business.

[4:01:26 PM](#)

ELLSTON LAUBSON, ANCHORAGE (via teleconference), testified against HB 110. He felt that reducing taxes would make the Alaskan asset more attractive for leveraging.

[4:05:37 PM](#)

JOHN SONIN, JUNEAU, spoke against HB 110. He felt that maximizing profit would not support human welfare.

[4:07:02 PM](#)

MALCOM ROBERTS, BACKBONE III, JUNEAU (via teleconference), testified against HB 110. He stated concerns about situations around the globe. He thought it was too soon to make the decision. Backbone III was started by Governor Hickel when BP merged with Atlantic Richfield and wanted to include ARCO, which would have resulted in a company controlling 70 percent of Prudhoe Bay and TAPS. He referred to history; Backbone III did not support HB 110, and wanted to wait until there was more information.

[4:10:11 PM](#)

LORA REINHOLD, EAGLE RIVER (via teleconference), testified in support of HB 110. She highly recommended a Commonwealth North report, "Alaska's Oil Investment Tax Structure: Establishing a Competitive Alaska." She felt that ACES was a mistake, and needed to be corrected. She wanted her children to be able to be employed in Alaska.

[4:12:23 PM](#)

CHRISTOPHER STEFANOVICH, ANCHORAGE (via teleconference), spoke against HB 110. He provided information about the situation in North Africa; the reason authoritarian regimes

have lasted because of the economic model used. He felt control of natural resources should be commonly held by citizens.

[4:14:27 PM](#)

LARRY HOULE, ANCHORAGE (via teleconference), spoke in support of HB 110. He believed the architectural business he worked for was successful because of the oil industry in the state and was concerned about the decline in throughput. He reported employment history, including in the oil industry. He wanted to incentivize oil company investment in the state.

[4:17:30 PM](#)

WILL CHINN, ANCHORAGE (via teleconference), spoke in support of HB 110. He felt the lack of North Slope exploration and development was a clear result of producers pushing back against current high taxes on oil and gas production, which was already the most expensive in the world. He was concerned about development outside of Alaska and blamed the high taxes. He urged quick action.

[4:19:51 PM](#)

ERIC REINHOLD, EAGLE RIVER (via teleconference), spoke in support of HB 110. He reviewed experience in the oil industry. He felt that ACES was inefficient in terms of promoting oil development and uncompetitive. He stressed that oil prices were high, but oil production was down. He believed there was still a great deal of development potential.

[4:23:43 PM](#)

EDWARD KING, FAIRBANKS (via teleconference), spoke in support of HB 110. He supported oil companies developing the resource and believed the effort was cooperative.

[4:24:37 PM](#)

AARON LOJEWSKI, FAIRBANKS (via teleconference), testified in support of HB 110. He believed TAPS was Alaska's economic lifeline and thought incentivizing throughput was essential.

[4:25:12 PM](#)

BRIAN HOVE, FAIRBANKS (via teleconference), testified in support of HB 110. He referred to a graph showing declining oil production. He believed the legislation would encourage more exploration.

[4:26:35 PM](#)

KEN LARSON, NORTH POLE (via teleconference), spoke against HB 110. He stressed that oil taxes should remain as they were. He felt big oil companies were pushing their case and not providing any assurance to the state. He stated concerns about the high costs of fuel.

[4:30:23 PM](#)

LINDA SETTERBERG, FAIRBANKS (via teleconference), spoke in support of HB 110. She was concerned about the future of Alaska and the prospects of her family in the state.

[4:32:09 PM](#)

BOB HUNTER, EAGLE RIVER (via teleconference), testified in support of HB 110. He was involved in the state's oil and gas industry as a geologist. In 1989, TAPS production was strong, but has declined significantly. He wanted new exploration and development, which could take many years to throughput.

[4:33:51 PM](#)

EVAN ROWLAND, ANCHORAGE (via teleconference), spoke in support of HB 110. He felt the problem had to be addressed as soon as possible to get business moving again.

[4:34:27 PM](#)

LOWELL HUMPHREY, ANCHORAGE (via teleconference), testified in support of HB 110. He felt ACES had put his family's future at risk. He pointed to other tax incentives that had worked in the state.

[4:35:47 PM](#)

MARY PIGNALBERI, ANCHORAGE (via teleconference), spoke in support of HB 110.

[4:36:46 PM](#)

ROGER BURNS, FAIRBANKS (via teleconference), testified against HB 110. He reported experience working for Shell Oil, which had to shut down production. He stressed that a corporation's mission was to maximize profits and was concerns about giving them more money.

[4:38:55 PM](#)

HANNIBAL GRUBIS, FAIRBANKS (via teleconference), spoke against HB 110. He did not think the numbers added up. He believed the decision was premature. He felt HB 110 was based on politics and not economics.

[4:41:07 PM](#)

ROGER C. BURGGRAF, FAIRBANKS (via teleconference), testified in support of HB 110. He thought ACES needed to be reformed. He was concerned that Alaska be competitive in the world market, and thought incentives were needed because of the expense of operating in the state.

[4:43:38 PM](#)

CYNTHIA HENRY, FAIRBANKS (via teleconference), spoke in favor of HB 110. She spoke as a business owner and was concerned about economic instability in the state.

[4:46:55 PM](#)

CHERYL ELUSKA, ANCHORAGE (via teleconference), spoke in support of HB 110. She wanted a future for her family and friends.

[4:48:03 PM](#)

KARL JAMES, ANCHORAGE (via teleconference), testified in support of HB 110. He believed all businesses wanted to make a profit. He thought lower progressivity would stimulate economic activity.

[4:51:21 PM](#)

KATHY GRAY, ANCHORAGE (via teleconference), spoke in support of HB 110. She did not feel progressivity was working and wanted ACES to be revamped as soon as possible.

4:53:03 PM

MIKE MACY, ANCHORAGE (via teleconference), testified against HB 110. He felt the underlying assumption that the give-away would encourage exploration was wishful thinking. He felt big oil companies preferred to look for big oil deposits ("elephants") and felt that the companies would spend the \$2 billion per year outside the state. He urged the legislature to ask the Regulatory Commission of Alaska to investigate whether any of the significant decline was politically motivated and therefore artificial. He listed reasons why he did not believe that gas was not being developed in the state.

4:57:29 PM

JOHN LAWSON, ANCHORAGE (via teleconference), testified in support of HB 110. He stated concerns about the economic future of his children without enough throughput.

4:58:53 PM

ANDREA VEACH, ANCHORAGE (via teleconference), testified in opposition to HB 110. She read from an article by Citizens for Tax Justice, "What Oil and Gas Companies Extract from the American Public." The article states that:

The evidence indicates that the public receives very little benefit in return for subsidizing oil and gas through the tax code. People associated with the oil and gas industry often argue that the tax breaks they enjoy encourage them to locate and extract more oil and gas, which allows them to increase supply and thus keep energy prices down below the level they would otherwise reach. But among the largest five oil companies, less than 10 percent of profit goes to exploration for new oil fields. High profits do not encourage exploration. In fact, in the top five oil companies, managers direct most of their excess cash to dividends and stock repurchases, both of which drive up the companies' share prices and the executives' stock option values. The percentage of net profits directed towards dividends and stock

repurchases for the top five oil companies was 58 percent in 2005, 73 percent in 2006, and 72 percent in 2007, 71 percent in 2008, and 89 percent in 2009. These figures are high in comparison to other industries. To the extent that tax loopholes targeting the oil and gas industry boost their profits, there is no evidence that the additional profits lead the companies to explore for more oil so that they can increase the supply.

Ms. Veach believed the assumption that the oil companies would do what was hoped for in return for the tax break could be wrong.

[5:02:11 PM](#)

THOMAS HIGGINS, ANCHORAGE (via teleconference), testified in opposition to HB 110. He did not think the bill should be compared to other incentives offered to other industries. He believed the film and tourist industries did not take Alaska away for profit, but brought people to Alaska. He thought the oil companies were making high profits already and would stay. He encouraged gas development.

[5:06:16 PM](#)

MICHAEL O'CONNOR, ANCHORAGE (via teleconference), testified in support of HB 110. He disagreed with previous testimony that money made from the oil industry left the state. He commented on the changes resulting from the ACES legislation. He did not think ACES was working. He listed companies that had come to the state to explore and the money they had spent to develop the resource. He pointed out that the new companies had not spent money. He thought the first priority was to keep oil flowing in the pipeline and that incentives alone would keep big oil companies in the state. He noted that 71 percent of oil revenue went to the state or federal government.

[5:10:26 PM](#)

BRUCE HARLAND, ANCHORAGE (via teleconference), testified in favor of HB 110. He described experience in the industry. He stated that investment decisions that oil companies made were long-lead items, and that companies were competing on a world-wide market for infrastructure projects. He thought

the legislation would improve the investment climate in the state.

[5:13:01 PM](#)

KIM GRIFFITH, ANCHORAGE (via teleconference), testified in support of HB 110. She wanted her family to have opportunity in the state and believed the legislation was necessary as soon as possible.

[5:14:39 PM](#)

JOSEPH SCOTT SR., TALKETNA (via teleconference), testified in opposition to HB 110. He saw the legislation as a violation of ethics because of conflict of interest for the governor. He also felt that money should not be given to oil companies, as it would treat for-profit companies as though they were nonprofit, charity organizations. He did feel something needed to be done, but that HB 110 was not a legitimate solution.

[5:17:14 PM](#)

TODD BROWN, ANCHORAGE (via teleconference), testified in opposition to the legislation. He pointed to large profits made by oil companies and questioned testimony that 70 percent of the profit stayed in the state. He spoke about strategies in North Dakota to build an infrastructure to make profit. He urged a larger perspective.

[5:21:06 PM](#)

JIMMY DOYLE, ANCHORAGE (via teleconference), testified in support of HB 110. He discussed experience with business investment.

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HUGH FATE, ANCHORAGE (via teleconference), testified in support of HB 110. He spoke about nations in the Middle East that were suffering as a result of poor tax structures. He described the business practices of oil companies, and stated that those who have the lowest expenses and the highest profit margins get the most money. He reminded the committee that there was both fact and fiction in testimony.

[5:25:15 PM](#)

ANDY BOND, ANCHORAGE (via teleconference), testified in support of HB 110. He spoke as an engineer and compared doing business in Texas with doing business in Alaska related to investment. He believed progressivity was a problem for companies. He spoke to declining throughput. He wanted increased tax credits for new investment and reduced progressivity at high oil prices.

[5:27:29 PM](#)

CHARLIE POWERS, KODIAK (via teleconference), testified in support of HB 110. He described Alaskan lifestyle for individuals and companies. He stated concerns about declining throughput in TAPS. He believed that investment dollars followed the highest return; since 90 percent of the state's revenue was from oil, he felt it was essential to make tough decisions and focus on becoming competitive.

[5:30:38 PM](#)

JODIE DOMINGUEZ, ANCHORAGE (via teleconference), testified in opposition to HB 110. She thought it was good business for oil and gas companies to pay less taxes; she wanted legislators to treat Alaska like a company and protect the state's assets.

[5:31:52 PM](#)

DON SMITH, JUNEAU, spoke in opposition to HB 110, unless it was amended. He supported the oil industry. He supported an incentive program rather than a straight reduction of taxes. He did not want the profit to go outside the state. He suggested amending the bill with incentives.

[5:35:19 PM](#)

STUART COHEN, JUNEAU, testified in opposition to HB 110. He agreed oil was important in the state, but questioned the bill's ability to accomplish what was needed. He pointed out that the bill would give a blanket tax deduction for all production, including areas that were already developed. He felt the bill would reward companies for sitting on developments already made and would not require new exploration or the creation of new jobs. He did not think it was good business to have vague promises. He

questioned a plan that would create a \$2 billion budget deficit.

[5:39:42 PM](#)

KEN WIDMER, MATSU (via teleconference), testified in opposition to HB 110. He was not opposed to changes in the tax system, but he thought the changes should be made by non-partisan experts in the field. He suggested that the legislation be completely rewritten. He wanted something back from the oil companies in exchange for the funds.

[5:41:30 PM](#)

RHONDA BOYLES, FAIRBANKS (via teleconference), testified in support of HB 110. She admitted that the bill needed amending, but believed it was a step in the right direction. She stated that ACES had to be corrected and that the tax incentive was essential for the strength of the economy of Alaska. She referred to someone from North Dakota who had said that North Dakota "was taking Alaska's oil industry and doing something with it." However, North Dakota did not have the infrastructure. She stated concerns.

[5:46:29 PM](#)

MIKE PRAX, NORTH POLE (via teleconference), testified in support of HB 110. He believed the best strategy was viewing the oil companies as partners and not competitors. He thought oil prices were a bit high and needed to be adjusted.

[5:48:48 PM](#)

BART LEBON, FAIRBANKS (via teleconference), spoke in support of HB 110. He urged the immediate passage of the legislation. He cited long experience as a banker in Fairbanks. He believed that without action, the oil companies would leave Alaska. He stated concerns about the declining TAPS throughput.

[5:51:26 PM](#)

ADELA JACKSON, FAIRBANKS (via teleconference), spoke in support of HB 110. She wanted to develop Alaska's resources responsibly and to diversify the economy. She spoke in

favor of the mining industry. She believed the legislation would bring investment back to Alaska and stimulate the economy. "No oil, no jobs, no future, no way."

[5:52:52 PM](#)

JACK FOCOSE, KENAI (via teleconference), testified in support of HB 110. He believed that incentives and tax breaks worked and cited the experience of a company that had moved to North Dakota. He spoke in support of past decisions for Cook Inlet tax breaks.

[5:54:22 PM](#)

STEVEN MCGROARTY, FAIRBANKS (via teleconference), spoke in opposition to HB 110. He listed expected exploration plans by companies for the near future and stated that Alaska would continue to provide good options for oil industry investment. He suggested funding hydropower, wind, geothermal, tidal power projects and roads-to-resources for mineral development and ice-road access to villages, which could create annual sustainable jobs in rural Alaska and bring down the cost of fuel for the villages.

[5:57:15 PM](#)

BILL JOHNSON, ANCHORAGE (via teleconference), testified against HB 110. He referred to industry testimony and did not think there would be exploration by the big companies. He stated concerns about TAPS infrastructure. He wanted the state to look at developing other industries. He did not believe that the state would see a gasline built.

[6:00:49 PM](#)

RAY METCALFE, SELF (via teleconference), voiced his opposition to HB 110. He had been in the legislature when ELF was passed. He had been skeptical of the bill originally and regretted voting for it. He told a personal story about his experience tracking down a memo put out by Sohio (BP in Alaska) telling stockholders how much money was being made from Alaskan investments, the opposite of what their lobbyists had been telling legislators. He believed that ELF had cost the state \$100 billion over the past 30 years. The people involved in the passage of the bill went on to work for oil companies. He thought it was important to look at why the newspapers in Anchorage and

Fairbanks had not published profits that were made by the oil companies. He stated that Exxon, ConocoPhillips, and BP (and others) had signed contracts in Iraq to produce their oil for less than \$2 per barrel, while they were getting \$20 in Alaska. He did not want tax breaks to be given to the companies except on the increase.

[6:07:05 PM](#)

STEVEN BORELLE, EXECUTIVE DIRECTOR, ALASKA MINERS ASSOCIATION (via teleconference), testified in support of HB 110. He did not believe that anything except oil flowing through the pipeline would ensure the security for Alaska's future.

[6:08:06 PM](#)

ROY EARNEST, SELF, ESTER (via teleconference), was opposed to HB 110. He agreed with Mr. Metcalfe. He pointed out that the information referred to was open to the general public. He understood the information and was not swayed by people lobbying for the oil companies. He did not believe that the oil would dry up or disappear. He felt that tax breaks to the oil companies were ridiculous.

[6:10:01 PM](#)

DARLENE HERBERT, SELF, FAIRBANKS (via teleconference), vocalized her opposition to HB 110. She did not believe that oil companies cared about Alaskans or the legislators and only cared about their stockholders. She told a personal story about several visits to the North Slope. She had recently been to the job fair in Fairbanks and she emphasized that there were a significant amount of jobs available in Fairbanks. She believed that Alaska was too dependent on oil.

[6:13:19 PM](#)

BLYTHE CAMPBELL, SELF (via teleconference), supported HB 110. She did not agree that taking money away from private industry would benefit Alaskans. She believed that the need for legislators to be reelected every two or four years made it difficult for them to take a long view of the economy in Alaska. She wanted to make HB 110 retroactive to January 2011 and start another oil boom.

6:15:20 PM

TOM MALONEY, SELF (via teleconference), stated his support of HB 110. He referred to earlier testimony in Anchorage on the legislation; he felt it was unanimous that people felt changes were needed in ACES. He referred to a report by Commonwealth North (pages 5 and 12):

If Alaskans are to maintain their present level of economic well-being, the governor and legislature must make increasing oil production the highest priority. Nationally, there is a growing awareness of the detrimental impact high taxes can have on the private sector and thereby the general economy. Alaska has the opportunity to heed this impact by making improvements to the current oil tax structure. Now is the time to act while there is still an opportunity to strengthen Alaska's economy through increased oil production. ...100 percent of the time, the Department of Revenue's forecasts have been too high in predicting oil production.

Mr. Maloney questioned whether TAPS would still be operating in five years without greatly needed changes.

6:17:27 PM

KELLY WALTERS, SELF (via teleconference), testified against HB 110. He did not want the committee to pass the bill before it had all of the data and facts. He referred to testimony made by Commissioner Sullivan of the Department of Natural Resources (DNR). He believed that it was important to promote Alaska and that it was a great place to do business. He referred to high rankings for the state. He claimed that the development of wells and employment under ACES was up. He noted that Repsol was investing three-quarters of a billion dollars on exploratory wells in new fields on the North Slope, and Great Bear Petroleum and other companies had production plans as well.

6:21:56 PM

DEIDRE CRONIN, SELF (via teleconference), emphasized support of HB 110. She reported that she worked in the non-profit sector and wanted to raise their children in Alaska. She was concerned that there had only been one well drilled

during the current year, while North Dakota was doing well. She thought Alaskans should be proud to be an oil state.

[6:23:18 PM](#)

JANET BOUNDS, SELF (via teleconference), voiced support of HB 110. She felt there was a lack of work in the construction sector. She believed there needed to be incentive for the oil industry to do business in Alaska.

[6:24:48 PM](#)

JOHN SHIVELY, SELF, ANCHORAGE (via teleconference), was in favor of passage of HB 110. He discussed history of oil taxes of as a former Commissioner of DNR. He had believed there was a need to adjust the tax system when ACES was being developed, but felt the focus went from trying to fix the problem to trying to punish the oil industry. He believed the punitive tax system had to be fixed and that the evidence showed (in the Frasier Report) that oil companies did not want to invest in Alaska on-shore.

[6:26:36 PM](#)

HAL GAZAWAY, SELF, ANCHORAGE (via teleconference), testified that he was against HB 110. He felt that under ELF, Alaska had some of the cheapest oil in the world and that under ACES, the state was competitive. He did not see that the bill was supported by commitment from any oil company to drill more or bring more oil into the pipeline. He pointed out that he would not mind paying more taxes.

[6:28:14 PM](#)

BARBARA GAZAWAY, SELF, ANCHORAGE (via teleconference), was opposed to HB 110. She did not buy all of the "gloom and doom" that was being put out by the oil corporations and others in the state. She felt the corporations were making a lot of money, including through tax subsidies, which were distributed to shareholders instead of being used for research and development of alternatives. She noted that net profits had gone from 58 percent in 2005 to 89 percent in 2009. She did not think the bill would require new development in exchange for the \$2 billion "gift." She pointed out that the non-partisan Tax Foundation 2011 report had ranked Alaska as second in having the best climate for business.

[6:31:42 PM](#)

PAULA EASLEY, SELF, ANCHORAGE (via teleconference), spoke in support of HB 110. She referred to friends in business who wanted to leave California because of so much regulation, but the economy there was so diverse. She pointed out that Alaska had only one major industry. She wanted to eliminate ACES for a couple years and see whether the oil companies increased exploration and development; if they did not, ACES could be brought back.

[6:33:36 PM](#)

RYAN KNIGHT, SELF, ANCHORAGE (via teleconference), urged against the passage of HB 110. She pointed out that the country was in a recession and she did not want to put the money into oil companies. She wanted the money to go towards job development.

[6:35:22 PM](#)

MIKE SIROFCHUCK, SELF, KODIAK (via teleconference), voiced opposition to HB 110. He wanted more information before making the decision. He believed the oil companies were making high profits and were interested in increasing those profits, which would be at the expense of the citizens of Alaska. He pointed out that residents of North Dakota paid an income tax and he believed that Alaskans were fortunate to not have to pay income tax, because of oil taxes. He supported tax breaks for new exploration and developing other sources of income, but did not support using the proposed oil tax structure.

[6:37:47 PM](#)

SHANNON MOORE, SELF, ANCHORAGE (via teleconference), spoke against the legislation. She pointed out that the previously mentioned Frasier Institute Report had been pulled and was not valid. (Reception interrupted; continued testimony below.)

[6:39:05 PM](#)

NEIL BLACK, SELF, ANCHORAGE (via teleconference), urged a no vote for HB 110. He communicated that oil companies were making record profits and received billions of dollars in

tax subsidies; some did not pay any federal income tax. He pointed out that oil companies were complaining about the level of taxes in North Dakota. He recommended a website called "fixthetax.org" and believed that oil companies were complaining unnecessarily. He noted that Repsol and Great Bear Petroleum were coming to the North Slope for exploration and production, in spite of ACES, and that there were more businesses opening in Anchorage. He agreed that oil was needed in the pipeline, but did not want to pay more money to the companies and increase their profits.

[6:41:12 PM](#)

SHANNON MOORE, SELF, ANCHORAGE (via teleconference), was against HB 110. She discussed that the Fraser Institute Report had originally been used by the administration, but they stopped using it because it did not support HB 110. She pointed out difference between Alaska and North Dakota. She asserted that the legislature held the Alaskan people's collective bargaining for collective mineral rights given through the state constitution.

Ms. Moore relayed a story about people visiting from outside Alaska who had the impression that Alaska was not a good place to do business. She believed that the oil companies were "crying poor" in spite of record profits, and the administration had not ever pushed back. She argued that Alaska was not in a recession and there were current jobs that were helping our economy. She pointed to projects in various districts that were supporting the private sector.

Representative Gara thanked Ms. Moore and others for remaining active in Alaska's politics.

[6:45:48 PM](#)

BRIAN NEWTON, PRESIDENT, GOLDEN VALLEY ELECTRIC ASSOCIATION, FAIRBANKS (via teleconference), spoke in favor of HB 110. He believed that lowering taxes on the oil industry would increase production and help open Alaska for business.

[6:46:58 PM](#)

ALAN BATTEN, FAIRBANKS (via teleconference), was opposed to HB 110. He did not see anything wrong with the current tax

structure in Alaska. He reviewed profits by various companies, which he thought were ample. He thought investments had increased as well. He did not believe that giving away \$2 billion to the oil companies would improve the situation.

[6:48:25 PM](#)

TIM O'DONNELL, SELF, JUNEAU (via teleconference), stated opposition to HB 110. He reported that he had worked on the TAPS pipeline and at Prudhoe Bay, and had helped with the clean-up after the Exxon Valdez oil spill. He addressed the subject of tax credits for giving jobs to Alaskans. He felt that workers had been used pawns in the game of taxation. He referred to amendments that had been introduced in the past by Representative Guttenberg aimed at giving tax credits for hiring Alaskan workers and consistently voted down. He pointed to HB 82 and SB 71, which were aimed at Alaska hire, which he did not think should be contingent on passage of HB 110. He did not want the oil industry to be able to apply for tax breaks by voluntarily hiring Alaska workers, while there were thousands of non-resident jobs in the oil industry and high rates of unemployment in the state.

[6:51:57 PM](#)

BERTRAM SMITH, SELF, BIG LAKE (via teleconference), spoke against HB 110. He believed there was a limited amount of oil on the North Slope and that oil prices would continue to rise as resources became more limited. He referred to profits made in Libya from oil companies. He opined that Alaska's oil should be kept in state; if not, it should be paid well for.

[6:54:36 PM](#)

PATRICIA ANDERSON, SELF, ANCHORAGE (via teleconference), was against HB 110. She read from the state constitution about political power and government being inherent in the people and instituted for the good of the people as a whole. In addition, the constitution stipulates that natural resources are for the good of the people, not the good of a company. Therefore, the oil was owned by 700,000 Alaskans. She did not believe giving away \$2 billion without promise of oil production or Alaskan jobs was for the good of the people.

6:55:34 PM

TOM HENDRIX, SELF, PALMER (via teleconference), testified in support of HB 110. He believed that Alaskans should be able to enjoy a profit, but also acknowledged that corporations were in Alaska to make money. He felt that Alaskan roads, schools, and libraries were funded by oil.

6:57:05 PM

KATHLEEN HARMS, SELF, MAT-SU (via teleconference), was against HB 110. She believed that giving \$2 billion to the oil companies would not help the state. She thought the oil would run out and the oil companies would be long gone.

6:58:27 PM

CHERI GILLIAN, SELF, ANCHORAGE (via teleconference), voiced support of HB 110. She was concerned that without the oil companies, investment in the state would decline, jobs would disappear, and people would leave the state. She believed that state policies were stifling exploration development and development by the oil industry. She believed the support of the oil and gas industry was very important to businesses in the state. She urged immediate action.

7:00:54 PM

JACK CROCKETT, SELF, ANCHORAGE (via teleconference), vocalized support for HB 110.

Co-Chair Stoltze thanked the public for their testimony.

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

7:02:15 PM

ADJOURNMENT

The meeting was adjourned at 7:02 PM.