

SENATE FINANCE COMMITTEE
March 19, 2012
1:07 p.m.

[1:07:12 PM](#)

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 1:07 p.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Senator Fred Dyson; Senator Tom Wagoner

PRESENT VIA TELECONFERENCE

Karen Cowart, Self, Anchorage; Aves Thompson, Alaska Trucking Association, Anchorage; Pete Stokes, Self, Anchorage; Peter Macksey, Steel Fab, Anchorage; Lora Reinbold, Self, Anchorage; Michael Jesperson, Self, Anchorage; Jake Jacobson, Self, Kodiak; Jean Woods, Self and Family, MatSu; Richard Beneville, Nome Discovery Tours, Nome Chamber of Commerce, Nome; Josef Princiotta, Self, Anchorage; Deborah Brollini, Self, Anchorage; Jason Brune, Self, Anchorage; Vince Beltrami, President, Alaska AFL CIO, Anchorage; Brent Senette, CH2MHill, Anchorage; Andy Rogers, Self and Family, Anchorage; Rachael Petro, President and CEO, Alaska State Chamber of Commerce, Anchorage; Lynn Johnson, President, Dowland-Bach, Anchorage; Chuck Becker, Self and Spouse, Anchorage; Tom Hendrix, Business Owner, Anchorage; Deantha Crockett, Self, Anchorage; Ted Baran,

Self, Anchorage; Coral Howe, Self and Business Owner, Fairbanks; Lisa Herbert, Fairbanks Chamber of Commerce; Mary Shields, General Manager, Northwest Technical Services, Anchorage; Frank Flavin, Flavin Photography, Anchorage; Jim Christian, VOSS, Anchorage; Jamelios Sated, Self, Anchorage; Steve Cassell, Self, Anchorage; Cliff Killany, Self, Anchorage; Jerry Ahwinona, Self, Anchorage; Brian Clemons, Industry Worker, Anchorage; Rada Kahadjinova, Self, Anchorage; Mila Umanskaya, Self, Anchorage; Frank O'Connor, Industry Worker, Anchorage; John Stutsnen, Industry Worker, Anchorage; Warren Lucas, Industry Worker, Anchorage; Jim Neeley, Industry Worker, Anchorage; Brad Clarke, Industry Worker, Anchorage; Heather March, Industry Worker, Anchorage; Eli Steine, Industry Worker, Anchorage; Emily Cots, Industry Worker, Anchorage; Kelly Waters, Self, Anchorage; Leopold Boreisis, Self, Anchorage; Blythe Campbell, Self, Anchorage; Eric Dowoney, Self, Anchorage; Brian Hove, Self, Anchorage; Joe Morrison, Self, Anchorage; Pat Abney, Self, Anchorage; Kim Griffith, Self and Family, Anchorage; Bill Warren, Self, Nikiski; Ray Metcalf, Citizens for Ethical Government, Anchorage; David Metheny, Self, Anchorage; Krista Gonder, Northern Industrial Training, Wasilla; Brendan Babb, Self, Anchorage

SUMMARY

SB 192 OIL AND GAS PRODUCTION TAX RATES

SB 192 was HEARD and HELD in committee for further consideration.

#sb192

SENATE BILL NO. 192

"An Act relating to the oil and gas production tax; and providing for an effective date."

[1:07:41 PM](#)

Co-Chair Stedman addressed the current meeting's agenda. He stressed that the public testimony would be limited to two minutes per person.

[1:11:20 PM](#)

KAREN COWART, SELF, ANCHORAGE (via teleconference), testified against SB 192. She shared that her husband had

worked on the pipeline. She felt that money that could support Alaskans was going to other parts of the world.

1:11:34 PM

AVES THOMPSON, ALASKA TRUCKING ASSOCIATION, ANCHORAGE (via teleconference), spoke in support of HB 110. He felt that SB 192 needed to make some major changes before it moved from committee. He stressed the importance of keeping the pipeline full and running.

1:13:28 PM

PETE STOKES, SELF, ANCHORAGE (via teleconference), testified against SB 192 in its current form. He had worked in the oil and gas industry for ten years in Alaska. He felt that the oil and gas progressivity rate was the reason that there was no new investment.

1:15:29 PM

PETER MACKSEY, STEEL FAB, ANCHORAGE (via teleconference), spoke against SB 192. He stressed that the state relied on the oil revenue.

1:16:40 PM

LORA REINBOLD, SELF, ANCHORAGE (via teleconference), encouraged the committee to consider Pedro Van Meur's testimony. She encouraged meaningful tax reform. She stressed that the future of Alaska was grim. She pointed out increased production along with increased government spending. She stressed that the Alaska Clear and Equitable Share Act (ACES) was not actually clear and equitable.

1:18:51 PM

MICHAEL JESPERSON, SELF, ANCHORAGE (via teleconference), spoke against SB 192 in its current form. He felt that the bill did not make meaningful changes, and did not give the House enough time to make considerations. He felt that HB 110 should be incorporated into SB 192.

1:20:30 PM

JAKE JACOBSON, SELF, KODIAK (via teleconference), opposed sacrificing Alaska oil revenues for oil company profits. He

felt that ACES needed to be changed. He felt that the Trans-Alaska Pipeline System (TAPS) should be available to independent companies. He felt that the "oil should be left in the ground, and the money should stay in the bank."

[1:23:38 PM](#)

JEAN WOODS, SELF AND FAMILY, MATSU (via teleconference), testified against SB 192. She felt that Alaska should receive its fair share of the oil revenue. She furthered that the bill did not reduce taxes enough, and the oil companies paid Alaska money. She encouraged the committee to focus efforts on HB 110.

[1:25:38 PM](#)

RICHARD BENEVILLE, NOME DISCOVERY TOURS, NOME CHAMBER OF COMMERCE, NOME (via teleconference), spoke against SB 192. He did not feel that the bill would address meaningful changes. He felt that Alaska needed to be attractive in the global market.

[1:27:28 PM](#)

JOSEF PRINCIOTTA, SELF, ANCHORAGE (via teleconference), stressed that corporations were conducting themselves in an inhumane manner. He felt Alaska's current oil and gas tax system was very fair. He pointed out that Alaska provided a capable labor force.

[1:29:38 PM](#)

DEBORAH BROLLINI, SELF, ANCHORAGE (via teleconference), spoke against SB 192. She shared that she had worked on several projects related to engineering in the oil and gas industry. She noted that producers were spending millions of dollars outside of Alaska. She felt that HB 110 could be a good alternative to SB 192.

[1:31:36 PM](#)

JASON BRUNE, SELF, ANCHORAGE (via teleconference), spoke against SB 192. He was more supportive of HB 110. He did not agree with the Senate's reasoning for not considering HB 110. He stressed that oil prices were increasing, and North Slope oil development was at one-third of its peak.

[1:33:48 PM](#)

VINCE BELTRAMI, PRESIDENT, ALASKA AFL CIO, ANCHORAGE (via teleconference), testified in support of SB 192. He stressed that many union members needed the industry to be held accountable. He felt that the governor and industry had lined up testifiers to speak against SB 192.

[1:36:58 PM](#)

BRENT SENETTE, CH2MHILL, ANCHORAGE (via teleconference), testified against SB 192. He encouraged the committee to consider HB 110. He felt that the progressivity tax on oil production was detrimental to Alaska. He stressed that there was a myriad of businesses in Alaska that provided jobs related to the oil and gas industry.

[1:38:55 PM](#)

ANDY ROGERS, SELF AND FAMILY, ANCHORAGE (via teleconference), testified against SB 192. He felt that the committee substitute was passed out the Senate Resource Committee in a questionable manner. He thanked Senators McGuire and Wagoner for their attempts to make changes to the bill.

[1:41:39 PM](#)

RACHAEL PETRO, PRESIDENT AND CEO, ALASKA STATE CHAMBER OF COMMERCE, ANCHORAGE (via teleconference), spoke against SB 192. She felt that there needed to be meaningful changes to the current tax structure. She pointed out that Alberta and North Dakota recently lowered their taxes, and the oil industry in those areas was booming.

[1:44:01 PM](#)

LYNN JOHNSON, PRESIDENT, DOWLAND-BACH, ANCHORAGE (via teleconference), testified against SB 192. He felt that the current tax structure was not competitive with North Dakota and Texas. He felt that there was nothing superior about Alaska's oil, so ACES needed to be changed in a meaningful way.

[1:46:24 PM](#)

CHUCK BECKER, SELF AND SPOUSE, ANCHORAGE (via teleconference), explained that he had served in the military overseas, and had seen how different communities dealt with different oil tax structures. He stressed that the current tax structure was detrimental to the state. He stated that the current production tax did not encourage investment in the state. He encouraged the committee to consider a bill that would make Alaska more competitive on a global scale.

[1:48:05 PM](#)

TOM HENDRIX, BUSINESS OWNER, ANCHORAGE (via teleconference), encouraged the committee to adjust the structure of SB 192 to something similar to HB 110. He explained that his job had taken him to Alberta and North Dakota, in the hopes for work with producers in those areas. He emphasized that he would like to keep his business in Alaska.

[1:50:40 PM](#)

DEANTHA CROCKETT, SELF, ANCHORAGE (via teleconference), testified in opposition to SB 192. He would like to see TAPS at full capacity.

[1:51:40 PM](#)

TED BARAN, SELF, ANCHORAGE (via teleconference), did not feel that SB 192 went far enough to make meaningful changes to the current tax structure. He felt that the state savings would not last forever. He explained that Alaska did not have a state income tax and the permanent fund dividend (PFD), and he hoped to continue that lifestyle.

[1:53:46 PM](#)

CORAL HOWE, SELF AND BUSINESS OWNER, FAIRBANKS (via teleconference), testified against SB 192. She explained that her great-grandfather came to Alaska. She stressed that 80 percent of her business dealt directly or indirectly with the oil industry.

[1:56:49 PM](#)

LISA HERBERT, FAIRBANKS CHAMBER OF COMMERCE (via teleconference), testified against SB 192. She commented

that the members of the Fairbanks Chamber of Commerce were direct or indirect representatives of the oil industry.

[1:58:36 PM](#)

MARY SHIELDS, GENERAL MANAGER, NORTHWEST TECHNICAL SERVICES, ANCHORAGE (via teleconference), spoke against SB 192. She agreed with the previous positions of the testifiers who had spoken against SB 192. She encouraged adjustments to SB 192 to align more closely with HB 110.

[2:00:09 PM](#)

FRANK FLAVIN, FLAVIN PHOTOGRAPHY, ANCHORAGE (via teleconference), testified against SB 192. He remarked that Alaska would not exist or be prominent without oil. He encouraged new development, and stressed changes to SB 192 to make Alaska more competitive with other oil regimes.

[2:01:51 PM](#)

JIM CHRISTIAN, VOSS, ANCHORAGE (via teleconference), testified against SB 192. He explained that TAPS was the "life blood" of Alaska. He stressed that an oil company investment environment needed to be supported by the legislature.

[2:03:24 PM](#)

JAMELIOS SATED, SELF, ANCHORAGE (via teleconference), spoke in support of SB 192. She felt that it was difficult to determine what were fact, fiction, and propaganda. She pointed out that the oil companies were using money from Alaska to invest in elsewhere. She stressed that Alaska was seeing a very high employment rate.

[2:06:00 PM](#)

STEVE CASSELL, SELF, ANCHORAGE (via teleconference), shared a personal story about his family and his work on the North Slope for British Petroleum. He felt that oil development was lacking in Alaska. He noted that when oil revenues decline, property taxes rise. He felt that there needed to be a proper combination of SB 192 and HB 110, to make meaningful change to the current tax structure.

[2:08:20 PM](#)

CLIFF KILLANY, SELF, ANCHORAGE (via teleconference), testified against SB 192. He noted that he had worked for three different companies on the North Slope. He felt that the current tax structure was detrimental to the oil industry. He pointed out that Alaska was losing business to North Dakota, Alberta, and Texas.

[2:11:33 PM](#)

JERRY AHWINONA, SELF, ANCHORAGE (via teleconference), appreciated the legislature's service to the native community and the state of Alaska. He felt that smaller oil companies should be encouraged to produce and invest in Alaska.

[2:14:35 PM](#)

BRIAN CLEMONS, INDUSTRY WORKER, ANCHORAGE (via teleconference), testified in support of the removal of a progressivity rate. He encouraged a diversified economy. He encouraged a structure that would allow for investment and entrepreneurial endeavors.

[2:17:21 PM](#)

RADA KAHADJINOVA, SELF, ANCHORAGE (via teleconference), encouraged changing the current tax structure to promote new development. She stressed that new production would allow for new jobs and new revenue contributions to the Permanent Fund.

[2:19:13 PM](#)

MILA UMANSKAYA, SELF, ANCHORAGE (via teleconference), would like to see tax reform that would increase oil production, make Alaska more competitive, and stimulate Alaska's infrastructure development.

[2:19:39 PM](#)

FRANK O'CONNOR, INDUSTRY WORKER, ANCHORAGE (via teleconference), shared some personal stories regarding businesses leaving New York in search of a friendlier economic environment. He noted other states that were living in a deficit, and hoped that Alaska would never live in a deficit.

[2:21:26 PM](#)

JOHN STUTSNEN, INDUSTRY WORKER, ANCHORAGE (via teleconference), explained that corporations were not evil, and felt that they encouraged jobs. He explained that he was doing maintenance work in the oil industry, because there was very little development. He noted that some contractors had moved out of state, because of the lack of business.

[2:23:07 PM](#)

WARREN LUCAS, INDUSTRY WORKER, ANCHORAGE (via teleconference), testified against SB 192, and supported HB 110.

[2:23:56 PM](#)

JIM NEELEY, INDUSTRY WORKER, ANCHORAGE (via teleconference), testified against SB 192, and added that Alaska should be competitive on a global scale.

[2:25:31 PM](#)

BRAD CLARKE, INDUSTRY WORKER, ANCHORAGE (via teleconference), spoke against SB 192, and felt that competitiveness should be a focus of any legislation. He stressed that most projects were currently maintenance projects. He felt that there was little incentive for new oil projects.

[2:26:53 PM](#)

HEATHER MARCH, INDUSTRY WORKER, ANCHORAGE (via teleconference), supported significant and meaningful tax reform.

[2:27:37 PM](#)

ELI STEINE, INDUSTRY WORKER, ANCHORAGE (via teleconference), stressed that Alaska had many economic and recreational opportunities. He wanted to stay in the state, but was worried that there would not be continued opportunities in Alaska. He hoped that the committee would consider legislation that encouraged oil industry business.

[2:28:57 PM](#)

EMILY COTS, INDUSTRY WORKER, ANCHORAGE (via teleconference), testified in support of SB 192.

[2:30:00 PM](#)

KELLY WATERS, SELF, ANCHORAGE (via teleconference), spoke in support of SB 192. He felt that ordinary Alaskans were currently trying to make ends meet. He felt that the testifiers were subject to the oil industry propoganda. He alleged that HB 110 was an oil industry welfare bill.

[2:32:45 PM](#)

LEOPOLD BOREISIS, SELF, ANCHORAGE (via teleconference), testified in support of SB 192. He shared that he had been a professional hunter for 20 years. He pointed out that oil companies made billions of dollars in profits. He felt that there needed to be a reasonable and fair alternative to the current tax structure.

[2:34:06 PM](#)

BLYTHE CAMPBELL, SELF, ANCHORAGE (via teleconference), spoke against SB 192. She encouraged the committee to focus their efforts on HB 110.

[2:35:03 PM](#)

ERIC DOWONEY, SELF, ANCHORAGE (via teleconference), felt that the only guarantee was that the pipeline will dry up. He suggested new ways to encourage oil in the pipeline.

[2:36:23 PM](#)

BRIAN HOVE, SELF, ANCHORAGE (via teleconference), testified against SB 192. He stressed that Alaska's wealth relied on oil. He felt that HB 110 would be a reliable option.

[2:38:14 PM](#)

JOE MORRISON, SELF, ANCHORAGE (via teleconference), encouraged the committee to focus on incentives for increased resource production. He shared an experience regarding Alaskans' perspective on the economy in Alaska.

He felt that the long-term economic outlook in Alaska was grim.

[2:41:18 PM](#)

PAT ABNEY, SELF, ANCHORAGE (via teleconference), testified in support of SB 192. She felt that the corporations were being considered more than the people of Alaska.

[2:42:04 PM](#)

AT EASE

[2:47:20 PM](#)

RECONVENED

[2:48:01 PM](#)

KIM GRIFFITH, SELF AND FAMILY, ANCHORAGE (via teleconference), testified in support of a tax structure that encouraged development.

[2:48:59 PM](#)

BILL WARREN, SELF, NIKISKI (via teleconference), spoke in support of SB 192. He testified against HB 110.

[2:50:23 PM](#)

RAY METCALF, CITIZENS FOR ETHICAL GOVERNMENT, ANCHORAGE (via teleconference), stressed that oil companies were successful in convincing people of things that were not true. He stated that Mexico's taxes on oil were higher than Alaska. He noted that former tax breaks to oil companies did not encourage new oil development.

[2:54:17 PM](#)

DAVID METHENY, SELF, ANCHORAGE (via teleconference), testified in loose support of SB 192, and felt that ACES was working fine for the state. He stressed that HB 110 was a horrible bill, and had no focus on investment and new jobs.

[2:57:34 PM](#)

KRISTA GONDER, NORTHERN INDUSTRIAL TRAINING, WASILLA (via teleconference), testified against SB 192. She stated that

there needed to be significant changes to the bill in its current form. She felt that short-term gains were stealing away from the long-term gains. She stressed focusing on the total government take, and making Alaska competitive on a global scale.

[2:59:26 PM](#)

BRENDAN BABB, SELF, ANCHORAGE (via teleconference), testified in favor of SB 192. He felt that Governor Parnell was exaggerating the problems with the current structure.

SB 192 was HEARD and HELD in committee for further consideration.

Co-Chair Stedman discussed the following day's agenda.

#

ADJOURNMENT

[3:02:27 PM](#)

The meeting was adjourned at 3:02 PM.