

HOUSE FINANCE COMMITTEE

April 9, 2013

5:08 p.m.

5:08:12 PM

CALL TO ORDER

Co-Chair Austerman called the House Finance Committee meeting to order at 5:08 p.m.

MEMBERS PRESENT

Representative Alan Austerman, Co-Chair
Representative Bill Stoltze, Co-Chair
Representative Mark Neuman, Vice-Chair
Representative Mia Costello
Representative Bryce Edgmon
Representative Les Gara
Representative Lindsey Holmes
Representative Scott Kawasaki, Alternate
Representative Cathy Munoz
Representative Steve Thompson
Representative Tammie Wilson

MEMBERS ABSENT

Representative David Guttenberg

ALSO PRESENT

Joe Hegna, Juneau; Dixie Hood, Juneau; Bill Corbus, Juneau; Gary Miller, Juneau; Aves Thompson, Executive Director, Alaska Trucking Association; Blyth Campbell, Nana Development; Patrick Race, Juneau; Kim Metcalf, Juneau; Lance Stevens, Juneau Chamber of Commerce, Juneau; Barbara Huff Tuckness, Teamsters Local, Juneau; Senator Peter Micciche; Deacon Charles Rohrbacher, Juneau; Jackie Stewart, Juneau; Phoebe Rohrbacher; Andy Rogers, Alaska State Chamber of Commerce, Juneau.

PRESENT VIA TELECONFERENCE

Jake Jacobson, Kodiak; Karl Gohlke Frontier Plumbing Supply Co., Fairbanks; Jim Plaquet, Alaska Supports Industry Alliance, Fairbanks; Tim Tilsworth, Fairbanks; Roger

Burggraff, Fairbanks; Richard Fineberg, Fairbanks; PJ O'Riley, Fairbanks; David DeLong, Fairbanks; Ken Hall, Fairbanks; Randy Griffin, Fairbanks; Dave Cruz, Cruz Companies, Dead Horse; Jim Sykes, Mat-Su; Tim Smith, Nome; Kate Veh, Kenai; Maynard Tapp, Anchorage; Tom Lakosh, Anchorage; Jerry Ahwinona, Anchorage; Scott Thorson, Anchorage; Kelly Walters, Sand Lake; Jeffrey Todd Brown, Anchorage; Tom Maloney, Anchorage; Lynn Johnson, make Alaska Competitive Coalition, Anchorage; Ben Mohr, Eagle River; Rick Rogers, Resource Development Council, Anchorage; John Dickens, Self, Bethel; Shay Foster, Anchorage; Paula Hite, Kenai; Carl Portman, Anchorage; Pete Stokes, Anchorage; Beau Obrigewitch, Eagle River; Gail Boerwinkle, Anchorage; Michael Jespersen, Anchorage; Richard Evans, Anchorage; John Maltas, Anchorage; John Shively, Anchorage; Deantha Crockett, Anchorage; John Sturgeon, Anchorage; Marleanna Hall, Anchorage; Daniel Donkel, Donkel Oil and Gas, Florida; Merrick Pierce, Ninilichik; Kathleen M. Kennedy, Ninilichik; Alan Parks, Homer; Larry Smith, Homer; Pamela Brodie, Homer; Roberta Highland, Homer; Ken Landfield, Homer; Bjorn Olson, Homer; Valerie Brooks, Ketchikan; Libby Stortz, Sitka; William Stortz, Sitka; Ward Eldridge, Sitka; Ray Friedlander, Sitka; Joan Franz, Fairbanks; Lisa Herbert, Greater Fairbanks Chamber of Commerce, Fairbanks; Elizabeth Siegel, Fairbanks; Reed Christensen, Anchorage; Ray Metcalfe, Anchorage; Keith Silver, Anchorage; Rick Button, Anchorage; Michael Dzurisin, Anchorage; Brian Hove, Anchorage; Rachel Petro, President, Alaska State Chamber of Commerce, Anchorage; Lillian Koneig, Anchorage; Jessica Ullrich, Anchorage; Caroline Bolar, Anchorage; Dirk Nelson, Rosie Creek; Jerry Ahwinona, Anchorage.

SUMMARY

CSSB 21 (FIN) am(efd fld)
OIL AND GAS PRODUCTION TAX

CSSB 21 (FIN) am(efd fld) was HEARD and HELD in committee for further consideration.

#sb21

CS FOR SENATE BILL NO. 21(FIN) am(efd fld)

"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;

providing a tax credit against the corporation income tax for qualified oil and gas service industry expenditures; relating to the oil and gas production tax rate; relating to gas used in the state; relating to monthly installment payments of the oil and gas production tax; relating to oil and gas production tax credits for certain losses and expenditures; relating to oil and gas production tax credit certificates; relating to nontransferable tax credits based on production; relating to the oil and gas tax credit fund; relating to annual statements by producers and explorers; establishing the Oil and Gas Competitiveness Review Board; and making conforming amendments."

[5:08:17 PM](#)

Co-Chair Austerman OPENED public testimony.

JUNEAU

JOE HEGNA, JUNEAU, testified on behalf of his eight grandchildren. He hoped that the legislature would take action to preserve the future of his grandchildren. He stated that ACES was detrimental to the future of Alaska, but felt that the proposed legislation was optimal. He worked with consultants and understood the value of proper information. He voiced that taking action was imperative. Delays would result in loss of oil and revenue.

[5:11:23 PM](#)

DIXIE HOOD, JUNEAU, stated that she was disturbed by the lack of funding for education and health and social services coinciding with tax reductions for large oil companies. She would like to see the oil companies commit to a timeline for development. She stated that the internal rate of return in North Dakota was equal to that of Alaska. She added that the net present value was higher in Alaska than in North Dakota, Texas or Louisiana. She noted that an international oil consultant reported that Alaska had a higher government take than the other states.

[5:12:47 PM](#)

BILL CORBUS, JUNEAU, stated that he served as Commissioner of the Department of Revenue (DOR) and participated in the

formulation of Petroleum Production Tax (PPT) and he watched with dismay when the legislature passed the Alaska Clear and Equitable Share (ACES). He opined that the extreme tax increase in ACES was disruptive. He supported HCS CSSB 21(RES) and the progressive feature for credit-per-barrel. He urged the committee to pass the bill in a version that would be accepted by the Senate. He believed that the regime change would increase investment by the petroleum industry and stem the declining oil production.

Representative Gara replied that he had to pass out a bill that he believed in rather than one the Senate would like.

Representative Costello asked Mr. Corbus to project the oil decline rate under ACES.

Mr. Corbus responded that production was projected to decrease at an average of 5.5 percent per barrel through 2022. Unrestricted revenues were predicted to decrease from \$7.5 billion to \$6 billion by 2022. He stated that the decrease would impact Alaskans by lowering the standard of living.

[5:17:19 PM](#)

GARY MILLER, JUNEAU, opposed the proposed legislation. He stated that British Petroleum (BP) made poor decisions in April 2010 while cementing the oil well involved in the abnormally large oil spill. He noted that BP violated federal regulations and ignored crucial warnings. He stated that he did not trust the oil companies. He mentioned the Exxon Valdez oil spill. He understood that the industry profited by \$35 billion under ACES. He stated that the oil industry spent approximately \$730 thousand annually on lobbyists.

[5:19:42 PM](#)

AVES THOMPSON, EXECUTIVE DIRECTOR, ALASKA TRUCKING ASSOCIATION, testified in support of SB 21. He noted that the difficult decisions required action. He stated that the legislature received plenty of information to help make their decision. The greatest risk would be lack of action. The legislature must take bold steps and make Alaska more competitive.

[5:21:08 PM](#)

BLYTH CAMPBELL, NANA DEVELOPMENT, testified in support of oil tax reform. She and her daughter had both worked for the oil industry. She noted that many people realized that the importance of the oil industry in Alaska. She urged a vote for HCS CSSB 21(RES).

[5:22:26 PM](#)

PATRICK RACE, JUNEAU, testified in opposition to HCS CSSB 21(RES). He advocated for changing the current system (ACES) in a different manner. He felt that the oil industry provided employment and other advantages, but were not operating in Alaska with altruistic intentions. He demanded that Alaska receive the most revenue for their resources. He mentioned a proposed amendment allowing the oil companies to determine their own deductions, which would be retroactive to 2007.

[5:24:17 PM](#)

KIM METCALF, JUNEAU, testified in opposition to SB 21. She opined that the legislation would result in funding cuts to education. She believed that the bill would lead to the loss of jobs and minimize infrastructure improvements. She did not understand why Alaska legislators would give money back to the oil companies. She requested a guarantee that the state would benefit from the legislation. She mentioned the governor's hopes for the legislation. She noted that the bill should allow the state to be more competitive. She wished for a guarantee that the oil companies intended to invest.

[5:26:50 PM](#)

LANCE STEVENS, JUNEAU CHAMBER OF COMMERCE, JUNEAU, testified in support of the legislation. He noted that a strong and healthy oil industry was important for the state.

[5:27:32 PM](#)

BARBARA HUFF TUCKNESS, TEAMSTERS LOCAL, JUNEAU, represented union members in the private and the public sector. She supported the proposed legislation. She opined that the changes provided the opportunity for new production. She believed that the private sector deserved the increase in

production. She understood that the changes and the fairness in the system would allow for consideration given as the issue moved forward. She encouraged action. The current tax system was faulty and she appreciated the ideas presented in HCS CSSB 21(RES).

KODIAK

[5:31:07 PM](#)

JAKE JACOBSON, KODIAK (via teleconference), testified in opposition to the legislation. He stated that Alaska was behind with accounting for the current tax system, and he wondered how a new system might catch up and adapt. He recalled many millions of dollars spent on studies for the Susitna hydro project. He recalled other projects with similar outcomes. He suggested that the oil in the ground would eventually be extracted and he advocated for a judicious process that would benefit the future. He noted that 90 percent of the state's revenue resulted from oil taxes, yet the legislature considered cutting the revenue drastically.

FAIRBANKS

[5:35:26 PM](#)

KARL GOHLKE FRONTIER PLUMBING SUPPLY CO., FAIRBANKS (via teleconference), stated that Alaska was no longer attracting investment in Alaska. He noted that Alaska was at risk of falling behind other states in the Lower 48. He testified in support of HCS CSSB 21(RES) and policy reforms for Alaska. He believed that the maximization of the resources was crucial presently. He stated that the private sector investment was important and tax reform was essential.

[5:37:31 PM](#)

JIM PLAQUET, ALASKA SUPPORTS INDUSTRY ALLIANCE, FAIRBANKS (via teleconference), testified in support of HCS CSSB 21(RES). He noted that an increase in investment was essential to changing the tax structure. He stated that the tax change would allow for further investment.

[5:39:34 PM](#)

TIM TILSWORTH, FAIRBANKS (via teleconference), testified in opposition to HCS CSSB 21(RES), but agreed that a tax change was necessary. He stated that the oil companies neglected to provide insurance that they would invest. He stated that the three large oil companies were earning the greatest amounts of money.

[5:41:51 PM](#)

ROGER BURGGRAFF, FAIRBANKS (via teleconference), testified in support of HCS CSSB 21(RES). He believed that the oil companies would invest in Alaska and keep the pipeline full. He noted that tax reform was necessary if the investment was to be attractive to the oil companies.

[5:43:41 PM](#)

RICHARD FINEBERG, FAIRBANKS (via teleconference), testified in opposition to the legislation. He opined that the slides provided by the large oil companies in committee were misleading and inaccurate. He advocated for using calendar-year data versus fiscal-year data for increased accuracy. He opined that the audits were also inaccurate. He stressed that the legacy fields were located far from the areas requiring oil. He stressed that the charts created by the industry were oversimplified and poorly sourced. He provided a documented report to the committee. He asserted that good policy could not be created from bad numbers.

[5:47:19 PM](#)

PJ O'RILEY, FAIRBANKS (via teleconference), stated that she saw nothing in the bill that required oil through-put or Alaska hire. She added that the bill contained no requirement that dollars be spent in Alaska. She understood the need for changes to the tax system. She did not see the benefit of the tax break, which would eliminate 10 percent of the state revenue. She asked how the budgetary shortfall would be addressed. She recommended holding HCS CSSB 21(RES) until an industry guarantee was received via provision.

[5:49:53 PM](#)

DAVID DELONG, FAIRBANKS (via teleconference), testified in opposition to HCS CSSB 21(RES). He stated that the money saved by the oil companies would not be spent in Alaska.

The state's savings account would be drained. He spoke about Prudhoe Bay and added that the oil in the ground would only become more valuable. He noted that employees of ConocoPhillips were legislators voting on the bill.

[5:52:25 PM](#)

KEN HALL, FAIRBANKS (via teleconference), testified in support of HCS CSSB 21(RES). He opined that ACES was a poor idea as it provided a punitive tax against the industry. He mentioned the comments made by industry and he appreciated the benefits offered by a change in policy. He understood that the improvements were necessary.

[5:54:34 PM](#)

RANDY GRIFFIN, FAIRBANKS (via teleconference), testified in support of HCS CSSB 21(RES). He advocated for the long-term future of Alaskans. He stated that the Alaska constitution encouraged development of resources to the maximum benefit of the people. He stated that taxes were raised by the Murkowski administration and PPT. He mentioned Sarah Palin and her proposal of ACES. He noted that the issue of the royalties was a large issue. He commented on the high cost of living in Alaska.

[5:57:05 PM](#)

OFFNET

DAVE CRUZ, CRUZ COMPANIES, DEAD HORSE (via teleconference), testified in support of HCS CSSB 21(RES). He discussed competition with states in the Lower 48. He noted that wells in North Dakota were drilled at much lower expense. He stated that a change in the oil tax would allow the state to attract multiple companies. He advocated for the encouragement of development.

Vice-Chair Neuman asked how many men in his company moved to North Dakota.

Mr. Cruz replied that his company had 150 employees working in North Dakota. He added that 21 different oil companies were competing for development in North Dakota.

[5:59:27 PM](#)

JIM SYKES, MAT-SU (via teleconference), testified in opposition to HCS CSSB 21(RES). He stated that the bill lacked mandate for oil companies to explore and produce in Alaska. He added that the current administration neglected to audit ACES. He pointed out that the return on investment seen by the industry for the fees spent on lobbyists was quite positive. He noted that the imminent shortages in the state budget would lead to state income taxes or depletion of the permanent fund. A change in tax structure would not modify another jurisdiction's oil boon.

[6:02:16 PM](#)

TIM SMITH, NOME (via teleconference), spoke in opposition to the legislation. He did not believe oil was taxed at an unreasonably high rate in comparison to other global locations. He stated that the oil would be needed at some point, so he encouraged waiting for further development. He suggested a sunset provision if the tax reform was implemented; a way to get back to the current point if the change was unsuccessful.

[6:04:06 PM](#)

KATE VEH, KENAI (via teleconference), vocalized opposition to the bill. She spoke on behalf of her father in Ketchikan as well. She stated that she was part of an organized opposition event in Soldotna with 60 other Alaskans. She read from the Alaska Constitution an excerpt related to making resources available for the maximum benefit of the state's residents. She wondered if the bill's passage required a constitutional amendment with a vote from the people of Alaska. She stated that if the legislature did not require the companies to provide proof that they would increase production or hire Alaskans. She spoke to the benefit of economic diversification for Alaska.

ANCHORAGE

[6:06:11 PM](#)

MAYNARD TAPP, ANCHORAGE (via teleconference), testified in favor of the legislation. He opined that the bill adjusted the overzealous government taxing of investment capability. He advocated for an investment environment that focused on long-term revenue for the state.

6:08:12 PM

TOM LAKOSH, ANCHORAGE (via teleconference), opposed the legislation. He stated that the bill was unconstitutional. He stressed that the bill could cost the state \$6 billion without any increase in production. He stated that there was no evidence that the bill would result in increased production. He stressed that there was clearly no need to produce any more oil, as the legislature was willing to approve a loss of \$6 billion in revenue. He advocated for pacing the production of oil to obtain a ratio to the consumption of oil products in Alaska. He suggested that those opposing the bill should organize a suit against SB 21 as unconstitutional.

6:12:56 PM

JERRY AHWINONA, ANCHORAGE (via teleconference), voiced opposition to the legislation. He stated that state tax returns showed massive revenue increases since the inception of ACES. He stated that the profits earned belonged to the state and its citizens and not the oil companies.

SCOTT THORSON, ANCHORAGE (via teleconference), spoke in support of the bill. He was concerned about the state's economic structure if nothing was done to change Alaska's economic future. He believed that Alaska must be competitive with Canada and other locations. He opined that the state's only lever to make a change was in relation to its tax rates. He believed the important question was what would happen if nothing was done. He believed it would not take long to deplete the state's revenue if nothing was done. He opined that the bill may not go far enough to increase Alaska's competitiveness.

6:17:06 PM

KELLY WALTERS, SAND LAKE (via teleconference), testified in opposition to the bill. He understood that Alaskans wanted more oil in the pipeline. He pointed out the last time taxes were raised and the indictment of former legislators. He stated that throughout decades of oil taxation, Alaska allowed 15 -19 fields to pay zero taxes, yet production continued to decline. The organization for economic cooperation forecasted crude oil at \$270 per barrel within the next seven years. At that forecasted price, the state

would lose \$23.5 billion in a single year. He advocated for a sunset clause on the bill to determine whether an increase in production was proven.

[6:20:30 PM](#)

JEFFREY TODD BROWN, ANCHORAGE (via teleconference) testified against the legislation. He agreed that the progressivity aspect of ACES required change. He stated that SB 21 represented a "whole-sale giveaway" of Alaska resource wealth to oil company shareholders. He wondered how many restricted shares legislators and employees held. He was suspicious of the market hegemony. He opined that Alaska must begin thinking and acting like an oil company and major owner of their resources.

[6:23:41 PM](#)

TOM MALONEY, ANCHORAGE (via teleconference), spoke in favor of the legislation. He spoke about the decrease in oil production. He pointed out that the highest producing month in 2012 was lower than the lowest producing month in 2007. He stated that increased production would generate higher royalties, which increased the permanent fund for Alaskan residents. He urged the passage of the bill.

Representative Gara noted that everyone in the legislature agreed that production decline was not acceptable.

[6:26:45 PM](#)

LYNN JOHNSON, MAKE ALASKA COMPETITIVE COALITION, ANCHORAGE (via teleconference), spoke in favor of the bill. He spoke to the formation of the coalition as a result of concern over production decline. He pointed out the coalition's website. He thanked the legislature for recognizing the declining production problem, recognizing that no action was a significant risk to the state. He furthered that the decline curve had been presented from various sources. He pointed to business opportunities occurring out-of-state while Alaska's industry declined. He spoke to the importance of implementing a change in the current year. He stated that SB 21 was the right answer.

[6:29:56 PM](#)

BEN MOHR, EAGLE RIVER (via teleconference), voiced support for the bill. He opined that the penalizing structure of progressivity in ACES could "sink" the oil industry. He stated that the slowdown in oil production was not healthy for the state's economy. He relayed that the bill may not be perfect, but it was a step in the right direction.

[6:31:07 PM](#)

RICK ROGERS, RESOURCE DEVELOPMENT COUNCIL, ANCHORAGE (via teleconference) urged support for the bill. He pointed to concern about balancing the short-term impact to the treasury and the long-term benefits to the economy. The short-term focus could distract from the ultimate goal of stemming the Trans-Alaska Pipeline System (TAPS) throughput decline. He highlighted a lack in infrastructure needed. He stated that the discussion was not about helping industry but about providing the state with a more profitable future. He furthered that the real giveaway was the oil left in the ground with no benefit to Alaskans. He spoke to conversations about a potential need for amendments. He thanked the committee for its work.

[6:34:02 PM](#)

JOHN DICKENS, SELF, BETHEL (via teleconference) testified in favor of the bill. He stated that ACES was a threat to the state. He stated that the country had given money away to other countries because capital invested to receive a return. He stated that there were better investment opportunities in other countries. He urged the importance of increasing the states revenue to support the outrageous budgets.

[6:36:30 PM](#)

SHAY FOSTER, ANCHORAGE (via teleconference), spoke in support of the legislation. He spoke about the industry and its value to future generations. He did not know what Alaska held for his daughter's future, but he did know she would move to a location where work was available. He furthered that the oil industry was not growing. He noted that his company's competitiveness did not matter if customers left the state.

[6:38:35 PM](#)

PAULA HITE, KENAI (via teleconference), voiced support for the legislation. She spoke to family members' work in the area for the oil and gas industry. She spoke to the importance of a healthy economy and the need for jobs in the state. She understood that the legislature had a chance to fix the "awful wrong" that was ACES.

[6:40:32 PM](#)

CARL PORTMAN, ANCHORAGE (via teleconference), spoke in favor of the bill. He pointed to the importance of positioning the state for increased investment that would lead to additional state revenue. He furthered that the state was guaranteed a weaker economy from decreased production under the ACES regime. He believed it was time to make a change to the current system. He encouraged the committee to pass the legislation.

[6:42:40 PM](#)

PETE STOKES, ANCHORAGE (via teleconference), vocalized support for the legislation that he opined would attract increased investment and North Slope production. He urged the committee to pass legislation in the current year. The current tax system created throughput decline. The current bill would adequately address the decrease in production. He applauded the committee on its efforts to change the tax system. He stated that efforts to lower the decline would not occur without the bill.

[6:45:22 PM](#)

BEAU OBRIGEWITCH, EAGLE RIVER (via teleconference), testified in support of the bill. He believed that ACES was intended to punish the oil companies. He stressed that action needed to be taken to address the decline in production. He discussed operational changes that occurred on the North Slope, which increased employment for Alaskans. He wondered where new exploration was, since operational rigs focused on recovering more of the existing oil. He spoke to well-established infrastructure. He stated that the bill may not be perfect, but it would encourage increased production.

[6:48:18 PM](#)

GAIL BOERWINKLE, ANCHORAGE (via teleconference), spoke in opposition to the bill. She pointed to testimony from the industry in the prior year. She supported putting Alaskans to work and to increasing development, but she would appreciate insurance of exploration and production from the industry. She supported a sunset clause on the legislation. She noted that industry had relayed during the prior year's testimony that they would "keep an eye on Alaska" if the tax system was altered. She did not judge the comment as assurance that new production or exploration would ensue.

[6:49:56 PM](#)

MICHAEL JESPERSON, ANCHORAGE (via teleconference), testified in favor of the bill. He relayed that he had urged the legislature to make a tax change for the past three years. He had been told that he needed to leave the state if he wanted to advance in his career. He stated that the fastest way to improve the economy was to pass oil tax reform; maximum benefit for the people did not mean maximum taxation. He urged the committee to help his family remain in the state.

[6:52:11 PM](#)

RICHARD EVANS, ANCHORAGE (via teleconference), testified in opposition to the bill. He disputed the idea that oil companies would depart the state if the investment climate did not change. He pointed to various countries with geopolitical issues as options for investment. He stated that discontinuing ACES and reducing tax credits for independent companies was also a bad idea. He believed the state should be encouraging independent industries. He opined that the bill was moving through the process too quickly and he advocated for more time. He opined that Governor Parnell was working for the oil companies as opposed to the state's people. He suggested a sunset clause for the bill.

[6:56:31 PM](#)

JOHN MALTAS, ANCHORAGE (via teleconference), testified in support of oil tax reform, but opposed HCS CSSB 21(RES). He reminded the legislature about Alaska history. He stated that the federal decision to allow off-shore exploration was positive. If fracking was seen as a valuable practice, the state would benefit. He opined that the legislature

heard what the petroleum industry wanted it to hear. He wished to hear a commensurate commitment by the petroleum industry to merit the extent of the proposed changes to the current tax structure. He supported a cautious incremental adjustment to the tax rate. He suggested a sunset provision for HCS CSSB 21(RES).

7:02:07 PM

JOHN SHIVELY, ANCHORAGE (via teleconference), testified in support of HCS CSSB 21(RES) and understood the need to increase oil production. He stated that the decline in oil production required action by the legislature. He pointed out that other jurisdictions faced similar issues and their decisions to modify the situation were profitable.

7:03:39 PM

DEANTHA CROCKETT, EXECUTIVE DIRECTOR, ALASKA MINERS ASSOCIATION, ANCHORAGE (via teleconference), testified in support of HCS CSSB 21(RES). She stated that a healthy oil and gas industry was good for the mining industry as well. She noted that the costs of energy were important to all industries and Alaska was an expensive state. She pointed out that the infrastructure for rural areas was essential and a change in tax regimes would promote growth in Alaska.

7:05:45 PM

JOHN STURGEON, ANCHORAGE (via teleconference), testified in support of HCS CSSB 21(RES). He understood the value of competition and its effect on investment. He stated that there was no shortage of oil in Alaska, only a shortage of incentive for extraction. He appreciated the committee's work on the bill.

7:07:04 PM

MARLEANNA HALL, ANCHORAGE (via teleconference), testified that HCS CSSB 21(RES) was a great beginning for Alaska oil reform. She stated that she was a lifelong Alaskan. She encouraged the passage of HCS CSSB 21(RES) and hoped that the committee would consider the long-term impacts of the bill.

7:08:08 PM

DANIEL DONKEL, DONKEL OIL AND GAS, FLORIDA (via teleconference), testified in favor of the legislation. He stated that he had 200 thousand acres in Alaska and planned to utilize the area if the competition could be eliminated. He noted that the three majors were the only ones making a profit on the North Slope. He spoke fondly of the small petroleum producers.

[7:13:17 PM](#)

MERRICK PIERCE, NINILICHIK (via teleconference), credited Governor Sarah Palin for helping Alaska avoid the United States recession. If passed, HCS CSSB 21(RES) would affect capital outlay spending and damage the Alaskan economy and cripple the economy of the Interior. He stressed that the bill was unconstitutional. He commented on the lack of affordable energy in Alaska. He testified in opposition to the legislation. He noted that the state was linked to oil revenue and he stated that a prudent investor would invest correctly. He criticized the lack of comparative due diligence of the value of the investment under consideration.

[7:16:23 PM](#)

KATHLEEN M. KENNEDY, NINILICHIK (via teleconference), testified in opposition to HCS CSSB 21(RES). She believed that the bill was unconstitutional. She realized that the oil industry contributed to the state's treasury. She proposed the use of alternative energy.

[7:18:53 PM](#)

ALAN PARKS, HOMER (via teleconference), testified in opposition to HCS CSSB 21(RES) because of the lack of guarantee of increased oil production with the legislation. He stated that Senator Micciche wished for the important guarantee from the oil companies during his campaign. He wondered how to pay for education and public safety with the loss in revenue. He requested that the legislature spend additional time on the bill.

[7:21:10 PM](#)

LARRY SMITH, HOMER (via teleconference) opposed the legislation. He discussed the publication of Governor Jay Hammond's last book about oil policy titled "Diapering the

Devil." He believed that Alaska managed to avoid multiple short falls seen in other areas of the world.

[7:23:22 PM](#)

PAMELA BRODIE, HOMER (via teleconference), testified in opposition to the legislation. She understood the importance of declining oil production and the need to coax oil companies into more drilling. She disliked the lack of guarantee on behalf of the oil companies despite the \$1 billion per year gift from the legislature.

[7:25:12 PM](#)

ROBERTA HIGHLAND, HOMER (via teleconference), spoke in opposition to the legislation. She hoped that the legislature had the backbone to stand up to the oil companies. She expressed concern about the state's connection to the oil companies.

[7:27:30 PM](#)

KEN LANDFIELD, HOMER (via teleconference), testified in opposition to the legislation. He described SB 21 as welfare for the oil conglomerates. He advocated for written promises from the oil industry of investment upon tax structure change. He noted that the existing reserves and infrastructure should be backed by a guarantee by the oil companies. He opined that ACES was functioning properly. He begged for a sunset clause for the bill.

[7:29:22 PM](#)

BJORN OLSON, HOMER (via teleconference), testified in opposition to the legislation. He noted that fossil fuels worked to alter the earth's atmosphere and marine chemistry. He advocated for a move away from fossil fuels and toward more sustainable economies and energy production. He stated that climate change was a fact and that alternative legislation was essential. He stated the revenue derived via ACES ought to help work toward Alaska's long-term future.

KETCHIKAN

[7:30:46 PM](#)

VALERIE BROOKS, KETCHIKAN (via teleconference), testified in opposition to HCS CSSB 21(RES). She stated that the lack of focus on education funding was unfortunate. She noted the lack of increase to the Base Student Allocation (BSA) for the fourth year in a row. She opined that the state's priority must be education funding. She noted that the profits earned by the oil companies did not indicate that they required additional money from Alaska.

SITKA

[7:32:37 PM](#)

LIBBY STORTZ, SITKA (via teleconference), testified in opposition to the legislation. She believed that SB 21 provided an enormous give-away to the oil companies. She stated that oil production was in decline due to peak oil production and easy accessibility in the Lower 48. She noted that the tax break provided no guarantees of gains for Alaskans and would lead to major losses in needed services throughout the state.

[7:34:20 PM](#)

WILLIAM STORTZ, SITKA (via teleconference), testified in opposition to HCS CSSB 21(RES). He explained that he was a lifelong Alaskan who made his money via production. He argued that the state was willing to provide money to the oil industry without guarantee of production, which he found unconscionable. He stated that he was looking at a photograph of Ben Grussendorf who always fought for the state's resources.

[7:35:21 PM](#)

WARD ELDRIDGE, SITKA (via teleconference), testified in opposition to the legislation. He believed that the oil in the ground belonged to the people of Alaska. He interpreted the tax as a method for the industry to pay the people of Alaska for their oil. He saw the bill as robbing the common Alaskan to give to the rich.

[7:36:34 PM](#)

RAY FRIEDLANDER, SITKA (via teleconference) testified in opposition to the legislation. She stated that she was one of 75 people who attended a rally in Sitka opposing SB 21.

She saw the legislation as a giveaway. She mentioned that a petition with 64 signatures opposing the bill was sent to the finance committee. She expressed discontent about the lack of guarantee on behalf of the industry to act in the public's best interest. She noted that funding for schools and critical services would be diminished.

[7:37:53 PM](#)

JOAN FRANZ, FAIRBANKS (via teleconference), testified in opposition to the legislation. She pointed out that the oil industry paid the salaries of two legislators voting on the bill, which she opined was a conflict of interest. She noted that the analysis by Joe Paskvan was independent of oil company influence. She noted that the oil industry profits were soaring and she wished to see a commitment to increase production.

[7:40:17 PM](#)

LISA HERBERT, GREATER FAIRBANKS CHAMBER OF COMMERCE, FAIRBANKS (via teleconference), spoke in support of the bill. She wondered how not making a change would improve the state's financial situation. She stressed that the state required increased oil production immediately. She discussed the importance of increasing Alaska's competitiveness. She encouraged the committee to pass the bill.

[7:42:38 PM](#)

ELIZABETH SIEGEL, FAIRBANKS (via teleconference), testified in opposition to the bill. She understood the importance of the complex issue, however, she advocated for the inclusion of requirements for increased oil production. She stressed that the oil industry should be required to sign a written agreement that production would increase under a stated time limit. She opined that the oil companies should not control any aspect of state auditing. She was outraged that two senators had been able to vote on the bill as they worked for oil companies benefitting from its passage. She urged the committee to not pass the bill.

ANCHORAGE

[7:44:32 PM](#)

REED CHRISTENSEN, ANCHORAGE (via teleconference), testified in support of the bill. He expressed that opinions seeking guarantees for oil production were short-sighted. He listed guarantees the state should provide the oil companies. He equated the issue to investing in his children's college education. He stressed that the reform was the necessary investment in the state's future that could not be ignored. He encouraged the committee to vote in favor of the bill.

RAY METCALFE, ANCHORAGE (via teleconference) referred to testimony by Mr. Donkel who had testified against the legislation. He stated that Mr. Donkel's greatest asset in attracting business to Alaska was the ACES system. He spoke to the common desire for increased production. He discussed that oil companies had not provided a commitment under the current legislation. He believed that the independent companies were willing and able to provide commitments for exploration with a properly structured tax system. He stated that Mr. Donkel's recommendation was to set up a fund with \$1 billion for use outside of existing producing areas.

[7:50:54 PM](#)

KEITH SILVER, ANCHORAGE (via teleconference), spoke in favor of the bill. He stated that he and other former oil industry employees were victims of ACES. He opined that three years of vetting was sufficient for the new oil taxation proposed in SB 21. He wondered what the legislature and Governor Palin gave to the oil companies in return for increased taxes. He stated that the state was rapidly approaching the point of operational problems for the pipeline. He urged the committee to pass the bill.

[7:52:37 PM](#)

RICK BUTTON, ANCHORAGE (via teleconference), testified in support of the legislation. He stated that it was important to take action to reduce or reverse oil production decline. He advocated for the removal of the progressive portion of the tax code. He did not believe that SB 21 went far enough to reduce taxes. He would prefer a 30 percent base tax rate. He furthered that capital budgets had grown unsustainably and ACES rates were justified to compensate for the unrealistic budgets. He added that the state operated under a capitalist system unlike the socialist system in Norway.

7:55:21 PM

MICHAEL DZURISIN, ANCHORAGE (via teleconference), spoke in opposition to the bill. He opined that SB 21 was a tax giveaway to the large oil producers. He cited Mr. Donkel as an independent oil producer. He stated that Mr. Donkel's selling point was the credit and profit guaranteed by ACES. He pointed to excessive charges charged to independent producers by the major producers for feeder lines, conditioning facilities and other contracts. He believed the bill was a deal killer. He discussed that Mr. Donkel had been in the business for 30 years. He believed it was important to take to heart the testimony of Mr. Donkel. He reiterated his opposition to the bill.

7:58:05 PM

BRIAN HOVE, ANCHORAGE (via teleconference), vocalized support for the bill. He was hopeful that the state could move forward and pass the bill allowing the legislature to focus on other important matters. He believed the framers of the state constitution had future generations in mind. He urged the passage of the bill.

7:59:51 PM

RACHEL PETRO, PRESIDENT, ALASKA STATE CHAMBER OF COMMERCE, ANCHORAGE (via teleconference), testified in favor of the legislation. She pointed to a diverse population of businesses in the chamber. She supported the governor's guiding principles of the bill. She pointed to various scenarios that could take place related to the tax system. She stated that tweaking taxes would put Alaska in the middle of the pack. She asked the committee to consider whether being in the middle of the pack would be enough. She would like to see the bill's competitiveness increased.

8:03:25 PM

LILLIAN KONEIG, ANCHORAGE (via teleconference), spoke in support of the legislation with constraints that would allow for reinvestment in Alaska. She was sick of hearing about oil. She stated that money should be invested in the state and not in other areas. She furthered that money was leaving the state. She wondered why people wanted to leave when they retired. She believed Fairbanks was a dying city.

She stated that 35 years of drilling was a long time and she encouraged a change in Alaska's vision.

[8:06:18 PM](#)

RECESSED

[9:14:55 PM](#)

RECONVENED

Vice-Chair Neuman noted that the public testimony.

DEACON CHARLES ROHRBACHER, JUNEAU, spoke about the value and dignity of every human being. He noted that working for the common good addressed both economic and social justice. He added that the poor in Alaska were affected on many different levels. The greatest problem that the state faced was the crisis in rural Alaska. He noted that the damage of development for native people of rapid and uncontrolled social and economic change. He urged the legislators to view the impact of the legislation on the poorest people in the state. He added that there was not a guarantee that the oil companies would invest in our state, but when the money was transferred out of the state, it would no longer be available for social necessities. He pointed out his devastating experience supporting those affected by suicide in rural areas.

[9:19:42 PM](#)

Vice-Chair Neuman struggled with the decline in the revenue with throughput declining in Trans-Alaska Pipeline System (TAPS) equated to approximately 40 thousand barrels per day or \$40 million per day. He noted that the revenue stream was less than what the needs of the state were. He agreed that he shared the same concerns regarding funding for social necessities and education. He expressed the goal of protecting Alaska's future.

[9:20:45 PM](#)

Representative Edgmon thanked the Deacon for coming forward and he appreciated the struggle of the issue. He noted that the primary source of revenue was declining. He also struggled with short and long-term consequences of declining revenue on rural Alaska. He hoped to find a solution for the rural areas.

[9:22:31 PM](#)

JACKIE STEWART, JUNEAU, stated that she lived in Alaska since 1975. She reported that she worked many different jobs in Alaska. She retired from state appointment. She also helped people with mental illnesses start businesses. She noted that the Alaska Mental Health Trust Authority (AMHTA) was a collaborating entity for her. She stated that before ACES was passed, the oil companies sought tax breaks. She advocated for focus on renewable resources. She testified in opposition to HCS CSSB 21(RES). She hoped for a focus on renewable resources.

[9:26:50 PM](#)

PHOEBE ROHRBACHER, testified in opposition to HCS CSSB 21(RES). She testified on behalf of her brother who believed that SB 21 was immoral and did not support the poor and vulnerable people in Alaska.

[9:27:57 PM](#)

ANDY ROGERS, ALASKA STATE CHAMBER OF COMMERCE, JUNEAU, testified as an Alaskan. He testified in support of HCS CSSB 21(RES) and hoped that the legislature would pass it out of committee. He stated that ACES might undo all of his hard work. He worried that his family might lose more if the price of oil falls. He believed that ACES made Alaska an unattractive partner.

[9:30:54 PM](#)

JESSICA ULLRICH, ANCHORAGE (via teleconference), testified in opposition to HCS CSSB 21(RES) as a social worker who witnessed the effect of funding cuts on children and families. She noted that the changes would negatively impact social services in Alaska. She urged the legislature to vote no on SB 21.

[9:33:19 PM](#)

CAROLINE BOLAR, ANCHORAGE (via teleconference), testified in opposition to the legislation. She read a letter from the Anchorage Daily News. She discussed the ten year dispute settled for ten cents on the dollar and the Exxon Valdez oil spill. She suggested hiring the Norwegian

government to help Alaska control and profit from our resources.

[9:36:22 PM](#)

DIRK NELSON, ROSIE CREEK (via teleconference), testified in opposition to the legislation. He opined that SB 21 was an irresponsible scandal that lacked a guarantee of increased production or revenue. He stated that the United States Department of Interior stated that Alaska's oil revenues were low on the international market. He noted that the oil facilities were limited by the larger producers. He stated that Alaska was an excellent place for excess cash flow, but the profits would not be reinvested in state. He claimed that ConocoPhillips had a net profit of \$28 per barrel. Under ACES, if the oil companies did not earn money, they did not pay taxes. He challenged the idea of tying oil decline to tax rates. He suggested tackling the issue of undeveloped leases as a solution to declining production. He saw the bill as highly irresponsible.

[9:40:42 PM](#)

JERRY AHWINONA, ANCHORAGE (via teleconference), suggested structuring the tax credits differently. He praised the efforts of the committee. He testified in opposition to the legislation.

[9:42:35 PM](#)

Vice-Chair Neuman CLOSED public testimony.

Co-Chair Stoltze announced the schedule.

CSSB 21 (FIN) am(efd fld) was HEARD and HELD in committee for further consideration.

[9:44:03 PM](#)

ADJOURNMENT

The meeting was adjourned at 9:44 p.m.