

ALASKA STATE LEGISLATURE
HOUSE LABOR AND COMMERCE STANDING COMMITTEE

March 15, 2013

3:17 p.m.

MEMBERS PRESENT

Representative Kurt Olson, Chair
Representative Lora Reinbold, Vice Chair
Representative Mike Chenault
Representative Bob Herron
Representative Dan Saddler
Representative Andy Josephson

MEMBERS ABSENT

Representative Charisse Millett

COMMITTEE CALENDAR

HOUSE BILL NO. 112

"An Act repealing the film production tax credit; providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51, SLA 2012; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 76

"An Act relating to electronic filing of certain information with the Department of Labor and Workforce Development; relating to surcharges, rate increase reduction, prohibition on the relief of certain charges, the unemployment trust fund account, and the offset of certain unemployment compensation debt under the Alaska Employment Security Act; relating to the definition of 'covered unemployment compensation debt' in the Alaska Employment Security Act; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 74

"An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 112

SHORT TITLE: REPEAL FILM PRODUCTION TAX CREDIT

SPONSOR(s): REPRESENTATIVE(s) STOLTZE

02/11/13 (H) READ THE FIRST TIME - REFERRALS
02/11/13 (H) L&C, FIN
03/13/13 (H) L&C AT 3:15 PM BARNES 124
03/13/13 (H) Heard & Held
03/13/13 (H) MINUTE(L&C)
03/15/13 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 76

SHORT TITLE: UNEMPLOYMENT; ELEC. FILING OF LABOR INFO

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/13 (H) READ THE FIRST TIME - REFERRALS
01/18/13 (H) L&C, FIN
03/04/13 (H) L&C AT 3:15 PM CAPITOL 106
03/04/13 (H) AIDEA: LNG PROJECT; DIVIDENDS;
FINANCING
03/05/13 (H) L&C AT 8:00 AM BARNES 124
03/05/13 (H) -- Meeting Continued from 3/4/13 --
03/13/13 (H) L&C AT 3:15 PM BARNES 124
03/13/13 (H) Heard & Held
03/13/13 (H) MINUTE(L&C)
03/15/13 (H) L&C AT 3:15 PM BARNES 124

BILL: HB 74

SHORT TITLE: AIDEA: LNG PROJECT; DIVIDENDS; FINANCING

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/16/13 (H) READ THE FIRST TIME - REFERRALS
01/16/13 (H) L&C, FIN
02/08/13 (H) L&C AT 3:15 PM BARNES 124
02/08/13 (H) Heard & Held
02/08/13 (H) MINUTE(L&C)
03/04/13 (H) L&C AT 3:15 PM CAPITOL 106
03/04/13 (H) ** Meeting will Recess and Reconvene at
03/05/13 (H) L&C AT 8:00 AM BARNES 124
03/05/13 (H) -- Meeting Continued from 3/4/13 --
03/11/13 (H) L&C AT 3:15 PM BARNES 124
03/11/13 (H) Heard & Held

03/11/13 (H) MINUTE(L&C)
03/13/13 (H) L&C AT 3:15 PM BARNES 124
03/13/13 (H) Heard & Held
03/13/13 (H) MINUTE(L&C)
03/15/13 (H) L&C AT 3:15 PM BARNES 124

WITNESS REGISTER

ROBERTA GRAHAM, Assistant Commissioner
Department of Commerce, Community & Economic Development (DCCED)
Juneau, Alaska

POSITION STATEMENT: Testified during the discussion of HB 112.

RON HOLMSTROM
Screen Actors Guild (SAG)
American Federation of Television and Radio Artists (AFTRA)
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 112.

D.K. JOHNSTON, Executive Producer/Director
Alaska Filmmakers
Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 112.

JOHN BUTZKE, Owner
Talking Circle Media
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

ROBIN KORNFELD, Vice President
Communications & Marketing
NANA Development Corporation (NANA); President; Piksik
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

BILL POPP, President & Chief Executive Officer
Anchorage Economic Development Corporation (AEDC)
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

BRUCE OSKOLKOFF, Owner
Limelight Recording Studios
Ninilchik, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

THOMAS RANDELL DALY
HiSpeed Gear Inc.

Kenai, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

DEBORAH SCHILDT, President

Alaska Film Group

Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 112.

STACY BOLES, Director

Alaska Crew Training

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

BOB CROCKETT, General Manager

Piksik

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

KATIE JOHNSTON

Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 112.

BRAD SWENSON

Chief Executive Officer (CEO)

Crooked Pictures

Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 112.

STEVE RYCHETNIK, Cinematographer

Sprocket Heads

Anchorage, Alaska

POSITION STATEMENT: Testified during the discussion of HB 112.

MIKE DEVLIN, Chief Executive Officer

Evergreen Films

Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 112.

MICHAEL POLLEN

Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

GEORGE BERRY

Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

DAVE MESSIER, Rural Energy Coordinator

Tanana Chiefs Conference (TCC)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

KARL GOHLKE, Outside Sales
Frontier Supply Company (FSC)
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

DAN PORTWINE
Portwine Plumbing and Heating
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

JEREMY HOLAN, Business Representative
Teamsters Local 959
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

BILL ST. PIERRE
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

DICK BRICKLEY, Chair
ICE Alaska
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

MARIA RENSEL
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

TIMOTHY GUNDERSON
North Pole, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

ANDREW REIMHERR
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

JIM LAITI
Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

JIM DODSON, President
Fairbanks Economic Development Corporation (FEDC)
Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

RENE STALEY

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74 during the discussion of HB 74.

JACK WILBUR, President

Design Alaska

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

CAM CARLSON

Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

BOB SHEFCHIK, Chair

Fairbanks Chamber of Commerce Energy Committee;

Chair, Interior Gas Utility Board

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

JOMO STEWART, Energy Project Manager

Fairbanks Economic Development Corporation (FEDC)

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

WES MADDEN, Owner

Real Estate

Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

LISA HERBERT, Executive Director

Fairbanks Chamber of Commerce

Fairbanks, Alaska

POSITION STATEMENT: Testified in support of HB 74.

LISA PEGER

Fairbanks, Alaska

POSITION STATEMENT: Testified during the discussion of HB 74.

ACTION NARRATIVE

[3:17:07 PM](#)

CHAIR KURT OLSON called the House Labor and Commerce Standing Committee meeting to order at 3:17 p.m. Representatives

Josephson, Herron, Reinbold, Chenault and Olson were present at the call to order. Representative Saddler arrived as the meeting was in progress.

HB 112-REPEAL FILM PRODUCTION TAX CREDIT

[3:17:32 PM](#)

CHAIR OLSON announced that the first order of business would be HOUSE BILL NO. 112, "An Act repealing the film production tax credit; providing for an effective date by repealing the effective dates of secs. 31 - 33, ch. 51, SLA 2012; and providing for an effective date."

[3:19:30 PM](#)

REPRESENTATIVE JOSEPHSON asked whether the department could testify.

[3:19:48 PM](#)

ROBERTA GRAHAM, Assistant Commissioner, introduced herself.

REPRESENTATIVE JOSEPHSON asked whether the film tax credit is a moneymaker for the state.

MS. GRAHAM responded that certainly a number of businesses ranging from production companies and caterers, as well as actors, and others have begun as a result of the industry so it is a growing industry. Based on total wages to date for the industry, of the \$35.1 million in tax credits issued, approximately \$10.4 million has been paid in wages to Alaskans. Additionally, another \$37.4 million has been paid to vendors, including caterers, production workers, and any number of others involved in the industry.

[3:21:27 PM](#)

REPRESENTATIVE JOSEPHSON recapped that the total benefits paid to vendors and in wages was \$47.8 million and the incentives paid for the program totaled \$35 million. He asked whether the \$47.8 million was spent in Alaska.

MS. GRAHAM answered yes; the wages and funds were paid to Alaska companies and Alaska residents.

REPRESENTATIVE JOSEPHSON clarified that none of the money paid went to pay an actor's salary, such as to Jon Voight.

MS. GRAHAM answered no, and noted that there is a category for non-resident wages.

[3:22:17 PM](#)

RON HOLMSTROM, Screen Actors Guild (SAG), American Federation of Television and Radio Artists (AFTRA), stated that since the program has been in existence, the SAG/AFTRA membership of professional actors in Alaska has more than tripled. The reputation of Alaska's talent pool has been circulating in Hollywood and he related his understanding that the Hollywood industry is pretty amazed. He related that although the high paying jobs have been going to Lower 48 people, as people in Alaska become trained more [leading] roles are going to Alaskans. He recapped that the industry outside Alaska has just begun to recognize the wealth of talent in Alaska. He said he was hired as an actor in Hollywood, but he hardly ever saw an actor in the state he worked in on a film set. However, while he was on the film set for The Frozen Ground he was amazed that so many local actors had been hired for prominent roles. He offered his belief that this is a growing industry and many people joining the ranks of professional film workers. In fact, many [Alaskan actors] are receiving residual checks for films made in Alaska. In closing he said, "Let's keep the jobs coming and let's grow an industry."

[3:24:56 PM](#)

D.K. JOHNSTON, Executive Producer/Director, Alaska Filmmakers, related he is also representing several other organizations, including the Alaska Actors Network and the Alaska Film Forum, who have helped to educate, encourage, and showcase the growing number of talented storytellers working to build and maintain a professional production industry created by the Alaska film tax incentive program. Additionally, he is representing a number of filmmakers who cannot be here as they are on set working in the industry that is being jeopardized by HB 112. He mentioned that he has testified over the past few years about the creative and hard-working film industry in Alaska. He said the film incentive program provides filmmakers with opportunities that would normally require all of them to relocate to pursue their dreams and develop their talent. He urged members not to support this bill, but instead to support the growth of an industry that will only help further the creative minds of

Alaska's storytellers, both young and old. This film incentive program not only helps create an opportunity for new sources of revenue in Alaska, but will continue to create a new source of jobs and creative opportunities for Alaskans. Unfortunately, the bill in front of members today is sending a strong and unpleasant message to the production community and if it is enacted would require those who wish to continue to build their lives and careers in the production field in Alaska to relocate out-of-state in order to provide sufficient work and income to sustain their livelihood. He concluded by stating this is not just about work, but about families and communities of people who want to do what they love in a place they call home. He said he will submit written testimony from himself and those he is representing today. He expressed hope members would consider their written comments as they make decisions on HB 112.

3:27:16 PM

JOHN BUTZKE, Owner, Talking Circle Media, related that his company is an Alaska film, television, and production company. He began his career in Alaska in 1984. In 1989, he started his own company in Anchorage. Currently, he has 6 full-time employees, but has had as many as 17 full- and part-time employees. He then related his opposition to HB 112 and urged members to oppose it. He informed the committee that his company has experienced gross revenues of approximately \$500,000 spent by Lower 48 film and television companies directly related to the film tax credit over the past five years. For example, this week he is either renting out camera equipment or crew on projects supported by the film tax incentives. The current film tax credit brings in money to his business and their families, but also brings in millions of dollars in income to non-video related companies all over urban and rural Alaska. Last legislative session he testified that the prior film tax credit needed revisions, which were made after much public discussion and with good judgment when the legislature passed the bill. With its new restrictions the program is truly a local jobs creation program. He said he is very confused that anyone would present HB 112, which desecrates all the work everyone put into crafting the new program that is scheduled to start this summer. He offered his belief that HB 112 is based on misguided information being presented to House leadership by biased individuals who have no first-hand knowledge of the success of the film tax credit program. The program has received little public money, which has seen just under \$110 million spent due to Lower-48 film and television companies. Still, \$8 million in tax credits has been redeemed by corporations over the past five

years. Dozens of outside film companies have applied for credits but did not finish the process. Thus in those instances the state incurred no cost, which he believes is a good return on investment. He urged members to kill or vote against HB 112.

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REPRESENTATIVE SADDLER referred to page 3 of the Alaska Film Office's report to the legislature that indicates that as of 12/31/12 the Department of Revenue (DOR) has issued 55 credit certificates to approve productions for \$35 million rather than \$8 million previously mentioned.

MR. BUTZKE asked if he could respond.

CHAIR OLSON said that there are a number of witnesses who wish to testify. He noted that members have copies of the report, his written testimony, and anyone else can also submit written testimony.

[3:31:33 PM](#)

ROBIN KORNFELD, Vice President, Communications & Marketing, NANA Development Corporation (NANA); President, Piksik, began by explaining that Piksik is NANA's film production support company. She then related her opposition to HB 112. After several years of work dedicated toward the development of a new industry, she stated that she is reminding Alaskans about the value of programs that encourage the development of new opportunities for the next generation of Alaska business. She informed the committee that NANA supports the film tax credit since the existing program has already created jobs for NANA's shareholders and private-sector income for a wide array of Alaska businesses. Additionally, NANA wants to be involved in building new economies in the state. She said that NANA developed Red Dog Mine and in doing so created opportunities for thousands of Alaskans. She pointed out that NANA researched the film business as it does any other opportunity and learned characteristics about the film industry. She characterized the industry as a platform industry, similar to natural resources in that it creates primary products such as films, TV series, and other programs. The film industry requires support services, similar to what NANA does today in terms of supporting construction, food service, technology services, hospitality, and security. Additionally, it creates specialized job opportunities that are not yet widespread in Alaska. Another characteristic is that the entire state can be involved from

urban Alaska to remote locations. While the big productions get attention, hundreds of cable channels worldwide want to fill up 24 hours of programming each day. In fact, NANA created a documentary this past winter about the people of Diomedes and whales. Further, reality shows have brought lots of attention to Alaska, which is mostly positive, as well as national advertising, such as the COORS commercials filmed on Knik Glacier or the Carhart's commercials shot last fall, which is done with Alaska's talent and Alaska's production support.

3:34:11 PM

MR. KORNFIELD said that investments in training and facilities that NANA would like to do are made at NANA's risk and are not eligible for tax credits; however, the tax credits are necessary to bring business to Alaska. Alaska competes with film production destinations around the world, all of which offer compelling incentives for producers to select their location. She stated that NANA is opposed to HB 112 because right when Alaska has finally achieved an extension on the tax credit HB 112 "pulls the rug" out from under the potential of a new industry. Alaska needs time to build this business and support of the public sector is critical in the global marketplace in which Alaska competes.

3:35:02 PM

BILL POPP, President & Chief Executive Officer, Anchorage Economic Development Corporation (AEDC), stated that AEDC is a 501(c)(6) private non-profit membership organization representing 240 businesses with business interests throughout the state. He then related his opposition to HB 112. The AEDC has been involved since the beginning of this new industry with the focus on trying to find new ways to diversify the economy in the coming decade. If the state is not going to be dependent upon the price of a barrel of oil, a pound of fish, or an ounce of gold, the state must start making the investments now and try to find new industries.

MR. POPP indicated the AEDC has considered the film tax credit as a means to employ caterers and film-related industry businesses, but also to take the existing trades, including plumbers, electricians, carpenters, and craftsmen of all kinds who can provide services to the productions. He characterized these people as local folks who enjoy the opportunity to be more fully employed on an annual basis. The AEDC has also considered the film program as an opportunity to focus on more

diversification in the economy. In 2011, the AEDC was commissioned to do an economic impact study on the film, Big Miracle. The AEDC was only halfway through the disclosure process and identified the production had already spent \$7.7 million in goods and services with Alaska companies and an additional \$4 million on payroll and benefits to Alaskans who worked on the film as cast or crew. The aforementioned averaged \$285,000 spent for each of the 58 days of filming within the state, plus 1,300 Alaskans were touched through the expenditures from this one production. He suggested that once the indirect and induced effects of the direct spending were tallied - in working with the McDowell Group - the AEDC identified a total economic impact of \$16.5 million from this single production. He said that the AEDC opposes the passage of HB 112 and believes it is very premature to make judgments on the incentive program since very few years have passed. The film industry previously only had a very small presence in the state. This is not unlike many industries that have become major parts of the state; however, it often takes decades for an industry to grow and develop, as well as the necessity of the state to provide incentives to grow these industries. He concluded by saying that the AEDC opposes HB 112.

[3:38:25 PM](#)

BRUCE OSKOLKOFF, Owner, Limelight Recording Studios, related that he also works with the Ninilchik Native Corporation. He said that this bill would eliminate or negatively impact the film industry incentives in Alaska. This bill would be devastating from an immediate perspective, but also from a long-term growth perspective that may affect generations of Alaskans. This bill, HB 112, would be a most devastating and detrimental reaction and oversight in the haste to address other legitimate economic conditions in Alaska. Enactment of HB 112 is not a long-term meaningful solution and would have an adverse impact on the current Alaska-based businesses, contractors, support facilities, film industry, and film industry infrastructure as well as the residents involved in the industry. This bill may simply and quickly turn off this industry's development in Alaska. As a lifelong Alaskan, he said he has witnessed the halting of growth in various industries in the state via innocuous legislation. He informed the committee that he has participated in the film and recording industries in Alaska for over 30 years and has benefited greatly as these industries have taken hold in Alaska and shown signs of growth and enhancement. Mr. Oskolkoff related that he maintains opposition to HB 112, even after listening to the discussions on the bill.

Furthermore, he said he has been quite appalled the legislature would consider this at a time when the state can benefit from the program. Even the state's oil industry started slowly with little support in the initial stages and required and still requires structured incentives to maintain it as a viable part of the economy, a resource for employment, and an industry that supports many facets of the state's capacity, including our educational college systems. He offered his belief that many people are not fully aware of the magnitude of the film industry and urged members to vote against HB 112 and take it off the state's legislative table.

3:42:10 PM

THOMAS RANDELL DALY, HiSpeed Gear Inc., stated he runs several HiSpeed companies in the state and also produces the Tom Randell Daly Show. He related his opposition to HB 112, the effect of which is the opposite of what Alaska needs, which is a competitive, stable economy. As a business owner, he said several things came to mind when he heard about HB 112. Firstly, Alaska has a three-legged economy consisting of government, energy, and all other sectors. However, the most successful leg, energy, is in a cycle of decline as is expected to be the case for the federal government revenue leg. Therefore, the third leg of the economy, all other businesses, will need to shoulder more of the economic responsibility. Although the current film program, scheduled to end in July, is not perfect, it still returned \$2.05 in business revenue for every \$1.00 in film incentives spent, according to the numbers reported in the recently completed legislative audit.

MR. Daly reminded the committee that the state is currently completing its first five-year experience in the film industry. A legislative audit recently reviewed the film [incentive] program and determined that improvements needed to be made. If two films cover the same topic but one casts a star like Tom Cruise, the public will likely want to see the well-known actor and this personifies the reason for the premiums paid in the past. New ideas needed to be implemented if the program was expected to move forward. After reviewing the existing program and finding ways to make the film program better, the new film [incentive] program set to become effective this year would shift a greater emphasis on hiring Alaskans throughout all levels of production and will maximize the benefit from the program to Alaskans, Alaska's businesses, and the state, and would increase the revenue per dollar of tax credit.

MR. DALY said he has spoken to most of the vendors involved in film projects on the Kenai Peninsula, which has been known as a federally recognized hub zone for traditionally high unemployment. The overall experience with the film industry has been very positive and the industry is well-received. However, HB 112 will discontinue the film incentive program and for all intent and purposes will kill the industry in Alaska. If that happens, all the investments, capital, and time spent to develop the film industry in Alaska to this point will have been wasted. He urged members to kill HB 112 and allow the film industry to grow.

MR. DALY then offered his belief that to repeal the film production tax credit at this time would waste two years of legislative work to produce a new more beneficial film production program and five years of industry work, investment, and training to set the foundations of the industry. Alaska's competitors are investing more aggressively and are seeing bigger gains. He suggested the legislature move forward with the plan that was worked out together in the legislature last session. He asked members to please join him in supporting business and industry in the state and continue to diversify the economy for a stronger future. He said, "Let's do what we agreed to do. Invest in Alaska by providing a stable and competitive environment for the film industry to grow in Alaska. Join me in stopping HB 112 - an anti-business bill."

[3:46:35 PM](#)

DEBORAH SCHILDT, President, Alaska Film Group, informed the committee that the Alaska Film Group is Alaska's largest non-profit association of film and video professionals. Over the past 20 years, the group has grown from 12 people in a garage in Eagle River to 100-plus members from all around the state. The group consists of film professionals, support service providers, and ancillary businesses. Everyone in this group has seen an economic boom from having a growing film industry in the state. The state has gone from one or two outside productions per year offering a few weeks work in the days prior to film incentives to dozens of productions offering months of work. Incentives are the way films work today, he said. Producers shop the globe for incentives and take their projects to that location. It's the reason why Alaskan stories like The Guardian went to Shreveport, Louisiana. It's the reason that Big Miracle came here. She said that HB 112 is a deal breaker for the film industry in Alaska, an industry that has had positive economic impact on many Alaskans, not just the Alaska Film Group's

membership. Hundreds of statewide businesses and several Alaska corporations have benefited by using the tax credits in the banking, fishing, mining, and tourism sectors of Alaska's economy.

MS. SCHILDT said, with respect to labor, that students and tradesmen are enrolled in programs statewide and hundreds of Alaskans are employed by this industry. The new incentive program will decrease incentives for outside hire and will increase incentives for local hire. The film industry is a proven job generator. She asked members not to discourage the industry when the job rate is down from 2012. She said with respect to commerce, that this program does pencil out as noted on page 19 of the 2012 legislative audit by Northern Economic. She read, "The state realizes a positive return on investment from the AFPIP. It generates an estimated \$2 in Alaskan economic output for every \$1 in tax credit - an economic multiplier of 2.05 per the consultant's analysis." The new program has \$100 million allocated for each of two five-year periods beginning in July 2013. She asked members to do the math, work with the facts and not fiction when making the decision. This program makes economic sense to many Alaskans, from mom and pop operations to corporations building infrastructure for this industry. She cautioned that none of them can afford to lose their capital investments. These companies are depending on the legislature. She offered her belief that HB 112 is a losing proposition at a time when Alaska needs to send a positive pro-business message. Alaskan businesses need the legislature's vote of confidence in order to continue to move forward with their investments in film infrastructure. Producers from around the world need to hear that Alaska's incentive program is stable and bankable when they consider Alaska for their next production. This new 10-year film tax incentive program is truly new and improved. It is more Alaska centric in structure and implementation. Furthermore, the new program offers credits, not subsidies, and credits are issued only after the money is spent in Alaska. The program offers proven value to Alaskans across the map. She urged members to prove the film industry's worth before cutting the program. She concluded that member's votes will impact economic opportunities for all members of the Alaska Film Group.

[3:50:40 PM](#)

STACY BOLES, Director, Alaska Crew Training, informed the committee she is a lifelong Alaskan from Sitka with a background in theatre that she has been unable to use until the passage of

the film incentive program. She explained that Alaska Crew Training is a nonprofit organization that responds to the needs of film production because when productions come to Alaska the companies want the assurance and confidence that a crew base and infrastructure exist and that Alaska is doing its best to provide trained crew who can work on their productions. The film tax credit incentives have created this asset because when companies hire Alaskans, the production companies also get a better break. She said that Alaska Crew Training creates a program to train entry level positions, but also identifies existing labor and goods for production companies. Alaska Crew Training works with local groups, including the University of Alaska Fairbanks to provide curriculum designed to grow a person from an entry-level position to a key position. The on-the-job training is important as is the incentive program to lure companies into the state and continue the training opportunities otherwise opportunities for already trained workers in the film industry are limited.

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MS. BOLES related that she taught a single one-week class and within a week two people were put to work: one in a public service announcement (PSA) announcement and the second was cast in a national television commercial, which means these people made good wages and were eligible for residual payments - all from attending one class. She said her company is successful and to date has trained 200 people and hopes to train 500 people by the end of 2013. She noted that the Department of Labor & Workforce Development (DLWD) has a program called Alaska Crew and Cast Advancement Program (AKCCAP) which supports interested Alaskans who wish to work in the film industry. The program provides tuition and helps develop curriculum. Alaskans are coming to the industry in an unconventional way. Her company helps people "figure out the secret handshake," which means everything to the industry. However, killing the Alaska Film Production Incentive Program with passage of HB 112 will stop the momentum of this growing industry. This bill is a short-term reaction to long-range planning for the industry. She urged members to think about the people who put the time into developing this program and the workers that may be displaced. She concluded that HB 112 will limit the amount of industry coming to the state and the jobs for Alaskan workers. Many Alaskans want to return to the state to work in the film industry and remain in Alaska. She concluded by stating her opposition to HB 112.

3:55:02 PM

BOB CROCKETT, General Manager, Piksik, stated that he has been an Alaskan resident for 40 years and would like to testify in opposition to HB 112. He related that he has worked in the film industry for over 30 years during which time the industry has evolved into a more sustainable industry. Since the advent of Alaska's economic incentive in 2008, companies have invested millions in infrastructure and equipment. For example, a new sound stage is being built in south Anchorage and Piksik has purchased and shipped industry-type trucks to Alaska that are being rented to film productions. Other companies are making similar investments in cameras and other high-dollar rental equipment to meet the demand of increased production activity. Workforce training is underway. However, the introduction of HB 112 "has sent a chill around the world." Alaska's Film Production Incentive Program is competitive in the industry but needs fiscal stability. The program provides the competitive driver for infrastructure and crew development. When a commitment is made by a legislature, as was the case in 2008, and again in 2011, the private sector moved forward and invested millions of dollars. Uncertainty with Alaska's commitment to industry has many investors putting everything on hold until the fiscal uncertainty can be addressed.

3:56:54 PM

MR. CROCKETT said he is keenly aware of how the current and new Film Production Incentive program works. He commended Representative Costello, her staff, and the many legislators that had the vision to create a more Alaska-centric program during the 27th Legislature. He detailed improvements to the program, including the non-resident above-the-line workers, such as producers, directors, actors, and screenwriters, incentive was reduced from 30 to 5 percent. Second, the resident hire incentive increased from 10 to 20 percent, which means the more Alaskans hired the more benefits the company receives for above-the-line workers. Third, productions must spend all dollars in Alaska and prove to the state that the film they prequalified for remains the same when applying for final application. Those dollars circulate throughout the economy and are compounded by the productions direct spend - the suppliers spending to restock, and wages each crew spends while visiting or living in Alaska before a tax credit is even issued. Fourth, a cabinet-level review of all projects is performed to ensure the best interest of the state in residence. This review process will occur in the pre-qualification phase, as well as the final

application phase. This includes a verification of Alaska expenditures in a 99 percent sampling by a third-party certified public accountant at production expense, which is more than any other state.

MR. CROCKETT continued and stated that productions must submit a non-refundable application fee assessed at two-tenths percent of the total estimated qualified Alaska spend, except that the fee must not be less than \$200 or more than \$5,000. Taxes and fees are also collected through business licenses, business registration fees, application fees, rental car taxes, and hotel bed taxes. Tax relief to Alaska businesses occur through the tax credit purchase thereby creating more capital to make additional investments or hire additional Alaskans. To date, industries that have purchased tax credits include mining, tourism, fishing, banking, and retail. A 2012 legislative audit by Northern Economics demonstrates that the Alaska Film Production Incentive Program generated an estimated \$2 in economic output for every \$1 in tax credits. He thanked members for taking the time to address this important issue. In closing, he urged the committee not to move HB 112.

[3:59:47 PM](#)

KATIE JOHNSTON began her testimony by informing the committee her husband is a filmmaker and her family loves Alaska and wants to continue to live in a state they call home. Her husband has been a filmmaker since he was eight years old and has a passion for it unlike any she has ever known. In order to follow his dream, they left Alaska and moved to the Lower 48 to continue his education. When the Alaska Film Production Incentive Program passed they were thrilled since this was their ticket to come home. When he graduated with a Master's Degree in filmmaking, the family returned home to Alaska. She said, "This is where we want to put our talents to work. This is where we want to raise our children. And this is where we want to put down our roots." She offered her belief that the Alaska film incentive has allowed them to do just that and is crucial to keep film and television production in Alaska and to keeping Alaska's talent at home. This is not about the glamour of Hollywood. This is about a growing industry of talented men and women who want to work. She urged members not to send her family to places like British Columbia, Michigan, and Louisiana to do for those state's economies what they could do by staying in Alaska and helping Alaska's economy.

[4:01:26 PM](#)

BRAD SWENSON, Chief Executive Officer (CEO), Crooked Pictures, stated that Crooked Pictures is an award winning Alaska-based film company that to date has not applied for any film credits. He provided his film background and related that in 1991, he moved to Alaska looking for opportunities. Eighteen years earlier, his uncle, Rick Swenson, had moved to Alaska and became a five-time Iditarod champion. "It worked out well for his uncle, so why not give it a shot," he said. Like the Robert Service poem, the first winter was hell. After the first winter he met William Bacon III, arguably one of Alaska's greatest filmmakers. The opportunity continued when he was asked to edit his film, Tibet - a Moment in Time. This led him to be the international product manager for Professional Editing Systems - Fast Multimedia in Munich Germany. After the company sold the technology to Avid [Technology, Inc.], he moved back to Alaska and continued making films with Bill until his retirement. He then joined Levi Taylor and his company, Crooked Pictures, during the creation of his short film Way Up North that won the Beverly Hills Film Festival in 2009 for best editing and best short film. That film used 150 Alaskan actors, crew, and artisans. Many of these people have gone on to work on other feature films and other projects in Alaska. Crooked Pictures has continued working on Alaska's films and stories and in 2012, produced three short films, plus an hour long docu-drama. He emphasized this company uses crew that has been trained on the projects filmed in Alaska, which he characterized as professional crew who hone their skills daily on projects coming to Alaska as a result of the Alaska Film Production Incentive Program. He offered his belief that this program is working. In fact, the obvious audit results of a two-to-one ratio benefit shows this program is bringing money and work to Alaska. He stated that Alaska's film industry is a growing industry. He applauded the legislature for creating opportunities for Alaskans. In essence, there is no reason to stop this partnership now, and therefore he said his company looks forward to working in partnership by moving the program forward, not restricting economic growth, and to end HB 112. He said he looks forward to continuing in the great tradition of storytelling.

[4:04:48 PM](#)

STEVE RYCHETNIK, Cinematographer, Sprocket Heads, speaking as a filmmaker in Alaska since 1977, he related support for the Alaska Film Production Incentive Program. Prior to the film incentive program, he was faced with relocating to another

state. In 2010, he was hired as a first unit camera operator for Everybody Loves Whales. He was also the sole camera operator for the second unit that shot film in Barrow and captured the local color of the community, which are images that give the film its authenticity. He said when the Nicolas Cage, John Cusack film, Frozen Ground was filmed, he worked as the first unit cameraman and was the second unit director of photography. Most recently, he has been asked to be director of photography on December Echoes, an independent film to be shot in Fairbanks and Anchorage. Years ago he scouted locations with Batman director, Christopher Nolan as Mr. Nolan prepared to shoot his Alaska-based thriller Insomnia [2002]. He offered his belief that Mr. Nolan wanted to shoot his film in Alaska, but he had to take it to British Columbia since Alaska did not offer film incentives. He said, "Incentives always trump location." Currently, Sprocket Heads is working with over 10 feature films in various stages of development that want to shoot in Alaska. One project of note is a military action series already approved by the U.S. Department of Defense (DOD), which is a series that will put down roots and give Alaska the steady economic infusion like the Netflix produced House of Cards provided for Maryland. While making motion pictures is hugely rewarding, the best part of the Alaska Film Production Incentive program is for him to be able to provide for his family while living in the place he loves. He stated that he sees a brighter future for Alaska if the Alaska Film Production Incentive program, which was signed into law, is allowed to continue to 2023. In fact, the Alaska State Legislature needs to keep its word, to keep the promise it made to Alaska's businesses and Alaskans when it extended the program to 2023, he emphasized.

[4:07:41 PM](#)

MIKE DEVLIN, Chief Executive Officer, Evergreen Films, stated that Evergreen Films an Alaska-based film company with state-of-the art 3-D production studios in both Anchorage and Los Angeles. He provided his brief background in the software business, noting that after graduating from the U.S. Air Force Academy and Stanford University in computer science, he created a software company called Rational Software. He and one of his classmates grew this company from two employees to over 4,000 employees generating over \$800 million in revenue. In 2002, his company was purchased by IBM for \$2.1 billion. In 2005, he came to Alaska to start a new company focused on family-oriented high-end feature films. In fact, currently he is in post-production on his first theatrical release, Walking With Dinosaurs 3-D, which is a co-production between Evergreen Films

and BBC Earth. He said that 20th Century Fox is releasing this film in December 2013 and he anticipates the film will be a worldwide blockbuster film. This film was shot in Girdwood, the Kenai Peninsula, and New Zealand. Additionally, his company has currently invested over \$6 million in a film production facility and these investments are not eligible for tax credits. If HB 112 passes, this investment will need to be written off. Therefore, he said he will need to relocate his operations outside Alaska, as part of his responsibility to his shareholders, although he would prefer to continue production in Alaska. He related that he has produced high-paying jobs and would like to do so again. However, he pointed out there is a fine line between success and failure and the film incentive program creates a level playing field to allow companies to work in Alaska.

[HB 112 was held over.]

HB 76-UNEMPLOYMENT; ELEC. FILING OF LABOR INFO

[4:11:00 PM](#)

CHAIR OLSON announced that the next order of business would be HOUSE BILL NO. 76, "An Act relating to electronic filing of certain information with the Department of Labor and Workforce Development; relating to surcharges, rate increase reduction, prohibition on the relief of certain charges, the unemployment trust fund account, and the offset of certain unemployment compensation debt under the Alaska Employment Security Act; relating to the definition of 'covered unemployment compensation debt' in the Alaska Employment Security Act; and providing for an effective date."

[4:11:37 PM](#)

CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 76.

[HB 76 was held over.]

The committee took an at-ease from 4:11 p.m. to 4:19 p.m.

HB 74-AIDEA: LNG PROJECT; DIVIDENDS; FINANCING

[4:19:10 PM](#)

CHAIR OLSON announced that the final order of business would be HOUSE BILL NO. 74, "An Act relating to development project financing by the Alaska Industrial Development and Export Authority; relating to the dividends from the Alaska Industrial and Export Authority; authorizing the Alaska Industrial Development and Export Authority to provide financing and issue bonds for a liquefied natural gas production system and natural gas distribution system; and providing for an effective date."

[4:19:49 PM](#)

MICHAEL POLLEN informed the committee that he has served 12 years on the Fairbanks North Star Borough (FNSB) Air Pollution Control Commission. During this past winter Fairbanks has been experiencing what he characterized as Beijing quality air quality with respect to 2.5 particulate matter counts. One of the only truly sustainable answers to the air quality problem is natural gas. He recalled the FNSB mayor, Luke Hopkins, spoke to that problem. He reiterated that this is a very serious health problem in Fairbanks and the proposed LNG and trucking project is a very effective solution. Thus, on the basis of health issues alone the project is worth it; however, this project would have a tremendous economic impact, which many people have highlighted. Additionally, this bill would improve the economics in Fairbanks and would promote industry, bring jobs to the city and to the Railbelt. In particular, he said he is tired of buying his propane from Calgary, Alberta, Canada. Instead, he suggested Alaska should make it in Alaska. In essence, this bill could bring LNG to Fairbanks and provide a short-term solution since it would mesh well with any pipeline project. He reiterated his support for HB 74 and urged members to support the bill.

[4:21:58 PM](#)

GEORGE BERRY offered his belief that Fairbanks, the Fairbanks area, and those who live on the river system will be positively affected by this bill. He said HB 74 would lower space heating costs in Fairbanks, along the road system, and other areas of the state as this bill has wide ranging impact for residents. He said that natural gas and in particular propane will be able to reach out and lower space heating costs in rural Alaska. He explained that propane is a direct byproduct of the liquefied natural gas (LNG) process, which would be produced on the North Slope. Thus, once LNG is produced, propane will also be produced and become available, which is a positive aspect for those who do not have access to a pipeline. Furthermore, this

bill could compliment various pipeline proposals. In conclusion, Mr. Berry expressed hope that residents can encourage the legislature to perform its due diligence and move HB 74 along and allow residents to invest in their families and the future.

[4:24:23 PM](#)

DAVE MESSIER, Rural Energy Coordinator, Tanana Chiefs Conference (TCC), explained that TCC is a nonprofit tribal consortium that represents 42 communities in Interior Alaska. He then related his support for HB 74 and the Governor's Interior Energy Plan. He offered his belief that more affordable energy in Fairbanks, the hub for most of TCC's communities, generally means cheaper, more affordable energy for its tribes. Specifically, HB 74 has the potential to significantly lower the cost of propane delivered to rural communities in Alaska. Since nearly half of TCC's tribal members live in and around Fairbanks this bill would have a positive impact on TCC's members. He reported that at the TCC's annual convention, the full board passed a resolution supporting HB 74 and the governor's energy plan. He concluded that access to low-cost energy has led to increased economic activity and opportunity in the Lower 48, which the TCC believes would be the case in Fairbanks as well. Therefore, he strongly encouraged members to move HB 74 forward since it helps address the needs of all of Interior Alaska and the state as a whole. He stressed the importance of an energy strategy that includes funding for energy efficiency, weatherization, or renewable energy as a combined approach. He said the TCC greatly appreciates the committee's support for HB 74.

[4:25:43 PM](#)

KARL GOHLKE, Outside Sales, Frontier Supply Company (FSC), stated that FSC has been in Fairbanks since 1989 and have been long time members of the Alliance, the Resource Development Council (RDC), Alaska Miners Association (AMA), Association of General Contractors (AGC), and the Greater Fairbanks Chamber of Commerce. Originally as Co-Chair and later as the chair of the Transportation Committee for the Greater Fairbanks Chamber of Commerce, he has been involved in the trucking gas project for the past five years when it was first introduced by Fairbanks Natural Gas (FNG). The project, although it had merit when it began, has even more merit today than five years ago. At the time, competing projects, community politics and disagreements regarding the North Slope trucking projects hindered its progress. However, Fairbanks Natural Gas (FNG) stayed focused

on the project. Today, FNG, the Golden Valley Electric Association (GVEA), and local politicians are in agreement that the trucking project is a bridge to remove Fairbanks from the national list as the number one city with the highest energy cost.

MR. GOHLKE said it has always been a challenge to live and work in Fairbanks, but in the past several years the high cost of energy has made it much more challenging. In fact, many have found it impossible and have moved from Alaska. The cost of providing electricity, heating, and water combined with rent/mortgage and food leaves little discretionary or no discretionary income. He said that this lack of discretionary income places a strain on businesses and families that is felt in the Interior as well as Anchorage. Today's economic situation has many unknowns; however, one thing that is known is that Fairbanks is challenged with the high cost of energy. This makes it hard for businesses to keep people employed and keeps businesses from coming to Fairbanks. He offered his belief that the Interior remains the place to do business; however, it has been made more difficult by each year that passes without actions for solutions that address the high cost of energy. The consensus for a near-term immediate solution is trucking gas from the North Slope as a bridge to a long-term solution of piped natural gas. He offered that HB 74 is a great start to provide gas to the Interior and the trucking of natural gas from the North Slope is broader than just Fairbanks. He related that GVEA and FNG have received inquiries and have responded with operational plans for the extended plan to truck gas to Southcentral Alaska. This energy project would leverage natural gas from smaller communities and other regions of Alaska to create a backbone for economic expansions to fit in with the pipeline plan and be a catalyst for private sector participation. He asked members to support HB 74 and not lose sight of getting the lowest cost gas to as many Fairbanks, Interior Alaskan residents, and businesses as possible by 2015 and help to make Fairbanks and the Interior a vital place to live and to do business.

[4:29:11 PM](#)

DAN PORTWINE, noting that he has been in the plumbing and heating business for nearly 40 years, stated that at the end of the Trans-Alaska Pipeline System (TAPS) construction, in 1977, his business did numerous heat conversions from electric to oil since electricity costs had skyrocketed. He recalled that at that time most people wanted to be sure the boiler could be

converted to natural gas; however, the community is still waiting for that. With regard to a concern raised at a previous hearing about the cost of conversion, he pointed out that there has been a push in Fairbanks in recent years to replace aged boilers with more efficient boilers. The majority if these boilers can easily be converted to gas for a cost of \$1,500 to \$2,000, he noted. Mr. Portwine related a conversation with a retiree last year during which the retiree said he couldn't afford the utility costs in Fairbanks and was planning his "exit strategy," which is a term that has bothered Mr. Portwine. He urged the committee to support and pass HB 74.

4:30:49 PM

JEREMY HOLAN, Business Representative, Teamsters Local 959, informed the committee that prior to his current job, he worked as a fuel truck driver when heating oil prices rose from \$1 per gallon to \$4.50 per gallon. The heating oil market continues to remain unstable, he said. In fact, the current price for number one heating oil is \$4.23 per gallon and for number two heating fuel at \$4.16 per gallon. He personally burns about 1,100 gallons of fuel oil per year, along with coal and wood use. These energy costs are hurting Fairbanks and the rural communities. In 2009, he noticed homes going up for sale or going into foreclosure as he learned that people could no longer afford to live in Fairbanks. He pointed out the choices to heat homes in Fairbanks include electric, oil, wood, or coal. Currently, individuals and organizations are in the process of curbing homeowner use of wood or coal since these fuels create health issues. He offered his support for the LNG project. He concluded that Fairbanks and the rural communities need cheaper costs of living and need HB 74 to pass since it will stimulate the economy and lower fuel costs.

4:32:45 PM

BILL ST. PIERRE, speaking as a 30-year Fairbanks resident who has owned and operated many local businesses, including software, media, and others, including an Anchorage business with over 30 employees, said he can vouch for the large number of advertising dollars that come to Fairbanks from Anchorage and other parts of the state. These advertising dollars illustrate the investment in Fairbanks by Anchorage businesses and business owners, including sandwich shops, furniture stores, banks and credit unions, medical facilities, and the contractors who build them. He hoped members would realize HB 74 does not just affect Fairbanks residents, but relates to the hundreds of millions of

dollars in Anchorage-owned assets and investments in Fairbanks. He said the high cost of energy is needlessly stripping away value from these businesses and the cost of energy in Fairbanks is simply too high causing many residents and businesses to leave, consider leaving, or to refrain from further investment. This trucking plan is a good plan that will solve problems and create statewide opportunities, as well as provide a foundation for further development of Alaska's gas resources in the longer term, he opined. This bill, he further opined, would protect the millions of dollars that statewide investors have in Fairbanks and would create millions more in development and operational opportunities. He asked members to support this bill since it is in the interest of the entire state.

[4:34:46 PM](#)

DICK BRICKLEY, Chair, ICE Alaska, noted his appreciation for the funding the legislature and the governor put in the budget. He stated that it is critically important to the Interior and Fairbanks that this bill move forward. Speaking as the Chair of ICE Alaska, he related that HB 74 will save the company over \$40,000 in energy costs. He reiterated that it is critically important that this bill moves forward as Fairbanks needs help and it will be a great thing for the entire state of Alaska.

[4:35:52 PM](#)

MARIA RENSEL asked members to pass HB 74 out of the committee for the reasons already stated, including space heating, air quality, and electricity generation. The high cost of energy doesn't leave people a lot of choice and many families are leaving the Fairbanks area. She concluded that Fairbanks needs to have HB 74 pass out of committee, signed, sealed, and delivered this legislative session.

[4:36:44 PM](#)

TIMOTHY GUNDERSON related that he came to Alaska with his family in 1971 and has raised three children, who have also married and raised families here. He now has married grandchildren who want to raise their families here as well. However, one child moved away last year due to the percentage of income the family spent for heating and electricity and in order to have better economic opportunities. He asked to add his voice to those in favor of LNG; however, he would like to focus on the propane issue since that reaches a large group of people that have not been discussed and certainly reaches far beyond the Fairbanks area.

He explained that propane is a byproduct of creating LNG, which is created when natural gas is reduced to 261 degrees below zero in order to liquefy the gas. However, propane must be removed from the LNG since the propane will turn solid. He said that Cook Inlet natural gas contains propane in the amount of about 1 percent, whereas Prudhoe Bay gas contains propane in the amount of 12-15 percent. In short, when GVEA begins its [North Slope] production, it will produce 30,000 gallons per day of propane byproduct, which could be trucked and barged up the Yukon River. Additionally, the infrastructure necessary for using propane is considerably smaller since it does not require a piped distribution system, a storage facility, or need to be kept at below zero temperatures. Currently, all propane used in Alaska is imported from Canada, which is shipped by rail to Prince Rupert, then barged to Whittier, shipped by rail to Fairbanks and Anchorage, and trucked to other points. Currently, propane costs, he reported, are \$4 per gallon in Fairbanks. He related that the Anchorage Port Authority and FNG have estimated the price would be reduced from \$1.20-\$1.50 per gallon for Prudhoe Bay produced natural gas. He concluded that this could be a huge consideration for energy for Bush Alaska and Fairbanks, as well as for those who will not be served by pipeline for years to come. He shared his background, including that he worked for the Teamsters Training Center, has been involved in the trucking industry for 40 years, and teaches commercial drivers how to drive the Dalton Highway. He mentioned that he has five students from TCC who will likely benefit from this as commercial drivers.

CHAIR OLSON remarked that he has hit on a point, which is how to reach people outside the core areas, noting that propane and other liquids may be the way to do so.

[4:40:51 PM](#)

ANDREW REIMHERR said he wanted to speak to this issue since he is very concerned with the economy in Fairbanks, particularly since he learned from the boss of his wife, a real estate appraiser, that Fairbanks has had a phenomenal number of foreclosures this year, which were attributed to energy costs. In fact, many people just packed up and left similar to what happened in the 1980s. He offered his belief that the solution to the heating energy and air quality issues is gas and the necessary infrastructure.

[4:42:20 PM](#)

JIM LAITI began by relating that four generations of his family actively live in Fairbanks as well as numerous friends and neighbors. A common topic of conversation among them is a lack of optimism, especially among young people. The obvious solution, he opined, is natural gas for Fairbanks and the LNG project is the perfect jump start to build the project. In hindsight, bringing natural gas at that the time TAPS was constructed by extending the pipeline to Fairbanks would have been a benefit to the Interior. Although people are often concerned about starting a project, good benefits result from projects such as this one, he opined. He acknowledged that pipeline discussions have occurred for 50 years, but he offered his belief that this LNG project could be symbiotic with a pipeline in that infrastructure and a consumer base would be in place in Fairbanks and in large areas of rural Alaska as well. He urged members to move HB 74 forward.

[4:45:11 PM](#)

JIM DODSON, President, Fairbanks Economic Development Corporation (FEDC) stated he has seen first-hand the problems created by the high cost of energy in Alaska, in particular, in Fairbanks. Currently, the Fairbanks community is spending over \$600 million on energy costs, of which 68 percent or approximately \$400 million is being spent on space heating. These costs are stifling the economy's ability to grow and opportunities for children to live and enjoy Alaska. This bill, HB 74, is the right legislation for the Fairbanks community at this time, as well as being the right type of legislation for other communities to build their energy portfolio around and start to diversify Alaska's economy by creating jobs and opportunities around the development of Alaska resources. He urged members to support HB 74.

[4:46:46 PM](#)

RENE STALEY stated that she works for Birchwood Homes and is also a city council member for the City of Fairbanks. She read a prepared statement in support of HB 74. She said this bill is imperative to Alaskans to take a closer look at increasing energy costs. At Birchwood homes, the company provides heat to 400 homes on 76 acres of property. Each home is heated by a dual boiler system, which helps keep the home quiet and energy efficient for space heating requirements. However, with increasing costs, the area's future and energy needs are of utmost importance. Trucking LNG from the North Slope to the Interior as a means to replace fuel oil needs to be addressed.

The stated goal of securing project financing by the Alaska Industrial Development and Export Authority (AIDEA) will help provide public interest in promoting the prosperity of new housing development, new employment, and new business development. She the related support for resolution number 4566 from the Fairbanks City Council. She closed her testimony by thanking members for their service to the state.

[4:48:13 PM](#)

JACK WILBUR, President, Design Alaska, informed the committee that Design Alaska is a small local business that employs 60 Fairbanks residents. He spoke in support of HB 74 and explained how getting natural gas to Fairbanks will help his business. Obviously, one reason would be to decrease utility, heating and electricity costs; however, more importantly, this bill would also decrease the cost for the 60 families he supports. He stated that with the high cost of energy, his employees look to him to increase their wages in order for them to be able to pay their bills. He said he essentially not only pays the high cost of energy for his own business, but he also pays for the high cost of energy for his employees' homes. He encouraged support for HB 74 because he is concerned about Fairbanks's economy, particularly as the president of an architectural engineering company that depends heavily on the economic health of the community. Unless the community can grow and be healthy, Mr. Wilbur said his business cannot continue to grow and be healthy, either. He concluded by saying it is very important to him as a businessman in Fairbanks that HB 74 be supported and bring gas to Fairbanks in a timely fashion.

[4:50:12 PM](#)

CAM CARLSON related that her electric heating bills run \$1,100 to \$1,200 in the winter. If GVEA can benefit from this and decrease her heating bills, she would be elated. She echoed earlier comments regarding conversations about people who have to leave due to the percentage of their income that is used for energy costs. Although the aforementioned might be hard for Anchorage residents to believe since their costs are so low, it is tough in Fairbanks and she appreciated the opportunity to express this.

[4:51:49 PM](#)

BOB SHEFCHIK, Chair, Fairbanks Chamber of Commerce Energy Committee; Chair, Interior Gas Utility Board, related he would

not make repetitive comments since many of his comments have already been made. He informed the committee that the groups he represents have consistently supported HB 74 and SB 23; this support has been conveyed during the legislative session in writing and in public testimony. He said that the leadership of Governor Parnell on energy issues Alaskans face is truly appreciated. This bill, HB 74, would provide authorization to AIDEA to participate in the development of a gas trucking project designed to lower the space heating and other energy costs in Fairbanks. The governor's goal of low cost gas to as many residents as quickly as possible in Interior Alaska is broadly supported. The combined effects of the high cost of energy on homeowners, small business, and industry and the impending consequences of non-attainment to community growth, state highway funding, and community health threaten the economic viability of Fairbanks. All of these impacts are real and immediate. He stated that the provision of low-cost LNG trucking via the North Slope has combined the lowest capital cost and the quickest delivery schedule of any energy project on the horizon. He highlighted that although gas trucking is considered a near-term solution, it will also provide a bridge to a long-term pipeline, building the demand and capacity that helps the economic future of any future pipeline project. This bill would provide a means for the state to create infrastructure critical to the Interior and would bring benefits to FNSB residents, the highway system across the Interior, and over time to the more difficult areas to reach. He urged committee members to support HB 74.

[4:54:08 PM](#)

JOMO STEWART, Energy Project Manager, Fairbanks Economic Development Corporation (FEDC), stated that he also sits on the Fairbanks Chamber of Commerce's energy committee. He said that sometimes there is a tendency to let the perfect stand in opposition to good projects by delaying them while waiting for projects farther down the horizon. Although this is no different, he opined that it is an opportunity for the state to begin to take good steps on the way to a better future, which he hoped the legislature would agree with and help the community move forward. He acknowledged that the LNG trucking option is not the perfect solution, nor is it the most efficient or cheapest way to move gas; however it is a good option. Every analysis that has been done has shown that it will make an appreciable savings in the cost of energy to the community. Furthermore, the LNG trucking project would open the gateway off the North Slope, which are good things. He also acknowledged

that the funding package isn't perfect, but it is good since it will create a more sustainable funding mechanism to allow the state to participate in projects and advance them. He said that [the community] may not be able to participate in large scale grants in the future, but the state can make an investment and the target investment will allow those projects to move forward. In essence, instead of allowing the perfect to stand in opposition to the good, he reiterated this is a very good step on the way to a brighter future using sustainable funding mechanisms. Moreover, the LNG trucking option offers a short-term solution that brings real benefits to the community and sets up Fairbanks and other communities statewide to tap into larger, better, cheaper solutions. He asked members for their support.

[4:56:53 PM](#)

WES MADDEN, Owner, Madden Estate, said as a real estate broker, he has been able to help people buy, sell, and manage their property. He offered his belief that no single threat is greater than the high cost of energy in Interior Alaska. He said that families are struggling to heat their homes, make ends meet, and with their confidence in the state's ability to what is right for Alaska's sustainable future. He recalled earlier testimony by the homebuilders on behalf of HB 74. The homebuilding profession has been all but decimated in Interior Alaska due to the lower demand for housing and lack of profits due to slowly declining property values and the increasing cost to build. Additionally, new construction home sales have dropped 71 percent, from 157 in 2007 to 45 last year. He reiterated that the high cost of energy affects everyone and everything. For instance, rental costs are at an all-time high, which is solely due to cost of energy that is passed through to the tenants who struggle to make rent payments.

MR. MADDEN said that his property management firm manages several multi-family apartments and homeowner associations and he does not know how his company can get through another winter let alone this one due to fuel cost increases. In Fairbanks an abundance of commercial property sits vacant while investors spend money in other states. Last year, he said his company lost a sale on an apartment complex to an out-of-state investor, mostly due to Alaska Housing Finance Corporation's assessment of the Fairbanks market. Calls from property owners in rural communities in Interior Alaska come through his office; however, their property is unsellable since there are not any buyers. He related that the communities are losing long time generational

Alaskan families, some with names that appear on street signs; these families aren't just leaving the Interior, they are leaving the state. He said that HB 74 is the good news that will ignite the spirit of the Interior Alaskan since it represents hope and will provide the much needed confidence in [the state's] leadership and decision making. "However, we need action and we need action this session," he said. He concluded by echoing that there's no such thing as a perfect plan, and a good plan executed now is better than a perfect plan executed next week. He expressed hope that his business will grow as he does not want to plan his own exit strategy and be able to confidently suggest to high school students that Interior Alaska is a great place to start a career. He also would like his community to develop, keep Alaskans in Alaska, and raise his family in this great state. He urged members to support HB 74.

5:00:04 PM

LISA HERBERT, Executive Director, Fairbanks Chamber of Commerce, stated that the Fairbanks Chamber of Commerce's critical priority this year is reducing the high cost of energy since space heating and electricity is driving away business. She related comments from one of her members, Auto Trim Alaska. Steve Vincent, General Manager, Auto Trim Design, has a 2,000 square foot house and his friend in Kenai has a 1,900 square foot home. The natural gas cost to heat the Kenai home is \$1,080, but the cost to heat Mr. Vincent's home in Fairbanks is \$5,040 and is supplemented by oil heat with a wood stove. Mr. Vincent's 13,000 square foot store has heating costs of \$70,000 annually, just three years ago after investing \$40,000 in better roofing and insulation. To offset his utility costs, his entire staff of 34 employees had to take a 10 percent pay cut and lose some benefits in order for them to keep their jobs. He foresees probable layoffs without changes on the horizon. As the committee has heard, and has continued to hear, the Fairbanks community has mobilized and stands before the committee this afternoon offering its wholehearted support for HB 74. She said the Fairbanks Chamber of Commerce continues to advocate that the target goal of \$15 per thousand thousand British thermal units (MMBtu) for delivered natural gas will effectively act at conversion by cutting space heating bills in half, bringing in \$200 million of disposable income to the Fairbanks and statewide economy. The Fairbanks Chamber of Commerce looks forward to continuing to be the legislature's partner in what the governor has referred to as a persistent unrelenting effort to bring low cost energy to Interior Alaska.

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LISA PEGER stated that such a project would give residents relief year after year. She urged members to move forward with HB 74. She suggested savings will result in the social welfare arena from this proposal. Drawing from her experience as a landlord, she informed the committee that she has fielded phone calls from families living on top one another since they cannot afford two or three bedrooms. She then related her support for the bullet line since having an open season will give proprietary information and encourage movement since the producers will know the state can build its own gasline for several hundred million dollars. She suggested these projects complement one another since having the trucking will give a larger bid for gas on the open market of a gasline since the area will have a larger consumer base. She could not see any downside to the plan except [the need] to fix the Dalton Highway from time to time. The LNG plant will be on skids and can be sold, moved, or repurposed. Ms. Peger expressed interest in having some good movement on some good projects.

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CHAIR OLSON, after first determining no one else wished to testify, closed public testimony on HB 74.

[HB 74 was held over.]

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ADJOURNMENT

There being no further business before the committee, the House Labor and Commerce Standing Committee meeting was adjourned at 5:06 p.m.