

HOUSE FINANCE COMMITTEE

April 2, 2016

2:03:45 PM

CALL TO ORDER

Co-Chair Thompson called the House Finance Committee meeting to order at 2:03 p.m.

MEMBERS PRESENT

Representative Mark Neuman, Co-Chair  
Representative Steve Thompson, Co-Chair  
Representative Dan Saddler, Vice-Chair  
Representative Bryce Edgmon  
Representative Les Gara  
Representative Lynn Gattis  
Representative David Guttenberg  
Representative Cathy Munoz  
Representative Lance Pruitt  
Representative Tammie Wilson

MEMBERS ABSENT

Representative Scott Kawasaki

ALSO PRESENT

Kevin Durling, Petroleum Equipment and Services Inc., Anchorage; Bryan Clemenz, Senior VP Bristol Bay Industrial, Anchorage (In JNU); Steven Samuelson, Self, Petersburg (in Juneau); Louie Flora, Self, Homer (In JNU); Ray Metcalfe, Self, Anchorage.

PRESENT VIA TELECONFERENCE

Jim Plaquet, Self, Fairbanks; James McMilon Teamsters Local 959, Fairbanks; Thomas Fagnani, Self, Anchorage; Pete Stokes, Self, Anchorage; Paul Kendall, self, Anchorage; RC Cromwell, AK Instrument Co., Anchorage; Scott Hawkins, Advanced Supply Chain International, Anchorage; Maynard Tapp, Hawk, Anchorage; Marleanna Hall, Resource Development Council, Anchorage; Dave Hansen, Self, Anchorage; Phyllis Kruger, Self, Anchorage; Carl Portman, Self, Anchorage; Cathy Duxbury, Self, Anchorage; Gretchen Stoddardm, Self, Anchorage; Bob French, Self, Anchorage; Michael Jesperson Self, Anchorage; Mike Heiring, VOSS, Anchorage; Jeanine St.

John, Lynden, Anchorage; Kate Blair, Self, Anchorage; Jan Wrentmore, Self, Skagway; Tom Lakosh, self, Anchorage; Susan Kay, self, Wasilla; Matthew Joy, self, Anchorage; Larry Burgess, Self, Wasilla; Merrick Pierce, Self, Fairbanks; William Schneider, Self, Anchorage; Eric Treider, Self, Kenai; Nelma Treider, Self, Kenai.

SUMMARY

HB 247 TAX;CREDITS;INTEREST;REFUNDS;O & G

HB 247 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson discussed the meeting agenda and mentioned a three minute limit for each testifier.

[2:04:11 PM](#)

#hb247

HOUSE BILL NO. 247

"An Act relating to confidential information status and public record status of information in the possession of the Department of Revenue; relating to interest applicable to delinquent tax; relating to disclosure of oil and gas production tax credit information; relating to refunds for the gas storage facility tax credit, the liquefied natural gas storage facility tax credit, and the qualified in-state oil refinery infrastructure expenditures tax credit; relating to the minimum tax for certain oil and gas production; relating to the minimum tax calculation for monthly installment payments of estimated tax; relating to interest on monthly installment payments of estimated tax; relating to limitations for the application of tax credits; relating to oil and gas production tax credits for certain losses and expenditures; relating to limitations for nontransferable oil and gas production tax credits based on oil production and the alternative tax credit for oil and gas exploration; relating to purchase of tax credit certificates from the oil and gas tax credit fund; relating to a minimum for gross value at the point of production; relating to lease expenditures and tax credits for municipal entities; adding a definition for "qualified capital

expenditure"; adding a definition for "outstanding liability to the state"; repealing oil and gas exploration incentive credits; repealing the limitation on the application of credits against tax liability for lease expenditures incurred before January 1, 2011; repealing provisions related to the monthly installment payments for estimated tax for oil and gas produced before January 1, 2014; repealing the oil and gas production tax credit for qualified capital expenditures and certain well expenditures; repealing the calculation for certain lease expenditures applicable before January 1, 2011; making conforming amendments; and providing for an effective date."

[2:04:37 PM](#)

AT EASE

[2:05:25 PM](#)

RECONVENED

[2:05:30 PM](#)

^PUBLIC TESTIMONY

[2:05:43 PM](#)

JIM PLAQUET, SELF, FAIRBANKS (via teleconference), spoke in opposition of HB 247. He favored a stable tax system. Alaska needed continued throughput in the pipeline. He believed that SB 21 had helped to keep production occurring. He advised keeping Alaska competitive by maintaining a stable and balanced tax policy. He thanked the committee.

[2:07:58 PM](#)

JAMES MCMILON TEAMSTERS LOCAL 959, FAIRBANKS (via teleconference), testified in opposition of HB 247. He spoke to the wide variety of industries represented in the union's membership. He listed a number of companies the union represented. The union understood the fiscal challenges the state faced and the difficult decisions that would have to be made. He reported that the union supported cuts to the operating budget, the use of the Permanent Fund (PF) earnings reserves, and new taxes. However, the union was concerned with the governor's plan to change the oil

and gas tax structure. Since the passage of SB 21 [Oil tax legislation passed in 2013] the oil industry had invested in Alaska projects including CD5 and Shark Tooth putting hundreds of Alaskans to work, more oil in the pipeline, and billions of dollars into the economy. He expressed concerns with increasing oil taxes and discouraging investment. He mentioned Repsol/Armstrong potentially increasing production which was important to Alaska's future. He thanked the committee for the opportunity to testify.

[2:10:43 PM](#)

THOMAS FAGNANI, SELF, ANCHORAGE (via teleconference), spoke in opposition to HB 247. He talked about his previous summer employment on the North Slope. He had recently been informed that he would not have work in the coming summer. He indicated the tax changes would have significant implications to oil production. He asked committee members to carefully consider their decisions in the matter, as his future would be greatly affected.

(2:12:50 PM)

PETE STOKES, SELF, ANCHORAGE (via teleconference), spoke in opposition of HB 247 and changing Alaska's fiscal regime. He was a petroleum engineer with 35 years of oil and gas experience. He relayed that oil producers were producing at a loss with low oil prices. New developers were unable to finance developments because of the uncertainty of the state's position on credits and taxes. He noted that the state was collecting more revenue at low oil prices than if Alaska's Clear and Equitable Share (ACES) was still in effect. Cook Inlet production had doubled in the previous five years. He expressed concerns with driving away investments in the state. Increasing taxes, he believed, would have a similar effect as it did in 2008. He asked members to refrain from changing the tax regime.

[2:15:35 PM](#)

PAUL KENDALL, SELF, ANCHORAGE (via teleconference), expressed concerns with the process occurring in Juneau. He had several suggestions on how to solve the state's fiscal woes. He continued to provide feedback unrelated to HB 247. He thought it was imperative to have a \$2 million budget. He commented that anything having to do with oil needed to be treated like an overlay similar to an old encyclopedia.

He spoke against having the Capital in Juneau. He continued to provide testimony unrelated to the bill. He thanked the committee for its work.

[2:19:48 PM](#)

RC CROMWELL, AK INSTRUMENT CO., ANCHORAGE (via teleconference), opposed HB247. He reported that his business was drastically affected, as it provided support to the oil industry. He opined that the state had learned to turn to oil tax changes as the cure for its financial shortsightedness. He thought that an additional change in the tax regime would have a negative impact on the state's fiscal situation. He thought the changes proposed by the governor in HB 247 would generate instability in the Alaska oil and gas market. The proposed changes to the tax credit structure could stifle investments planned by potential and existing producers. He supposed that an increase of a 5 percent gross tax while not allowing earned or allowable tax credits could result in a full 5 percent tax increase for producers that were not in a taxable situation under current law. A retroactive tax change imposed after the first quarter would have a negative impact on the state's financial reputation. The oil and gas industry was Alaska's largest economic multiplier. His business and his 4 employees were part of the equation. He did not think HB 247 was the right solution. He encouraged members to vote in opposition to the bill as it was written. He thanked the committee for its time.

[2:22:42 PM](#)

SCOTT HAWKINS, Advanced Supply Chain International, ANCHORAGE (via teleconference), opposed HB 247 in its current form. He thought raising taxes on the largest and most financially important industry at a time when it was losing substantial amounts of money in the state was bad economic policy. He also thought changing the tax code frequently on the same industry was also bad economic policy. He believed the current tax code ratified at the ballot box was working. He discussed the investment that had occurred since the newest tax regime was put into place. He reported that his company had lost over 10 percent of its workforce since the oil price downturn. He anticipated a 30 percent reduction in total revenues for the current year. He claimed that the industry made responsible decisions to operate in a way that would be

sustainable in the current price environment. He opined that the operating budget that was passed out of the House Finance Committee a few weeks prior did not reflect the same sense of economic reality. He pointed out that raising taxes was not the right conversation to be having at present. He realized that the tax credits in the current tax code attracted attention in light of the budget deficit. He noted that the credits had an actual return on investment in the form of a true financial return to the state. Curtailing them as the administration proposed was penny-wise and pound-foolish. There were new oil developments - proven reserves because of the curtailment. He concluded that HB 247 needed to be revised to eliminate the tax hikes or put on the back burner. He requested that the legislature refrain from increasing taxes. He thanked committee members for their attention.

[2:26:10 PM](#)

MAYNARD TAPP, HAWK, ANCHORAGE (via teleconference), opposed HB 247. He was a small business owner supporting the oil industry. He thought additional taxes to the oil industry would not encourage investment. He believed the only way the state to address its problems was to stop overspending and over promising. Since 2014, the companies his business worked with had asked him to cut his costs. Due to the market, his business had cut its cost headcount by 15 percent and his billing revenue was down by 15 percent totaling a 30 percent loss in overall billing revenues. At the same time the oil and gas industry had lost about 250 percent of its revenues with the price changes of oil. He thought the state should decrease its headcount by 50 and reduce wages by 15 percent. He suggested that it would even the playing field. He offered that instituting a furlough program might be helpful. The goal should be to encourage increasing oil production, the lifeblood of the state.

[2:28:47 PM](#)

MARLEANNA HALL, RESOURCE DEVELOPMENT COUNCIL, ANCHORAGE (via teleconference), spoke in opposition to HB 247. She reported that the council members were the lifeblood of Alaska's economy. The council believed that the best approach to expand the economy and generate new revenues was to produce more oil, attract more tourists, harvest more fish, and mine more minerals. Raising taxes on companies that were reporting record losses and were in a

negative cash flow was not sound fiscal policy. She noted the investment that resulted from the legislation from 2013. She concluded that HB 247 did not encourage investment. She thanked the committee for the opportunity to testify.

[2:32:06 PM](#)

DAVE HANSEN, SELF, ANCHORAGE (via teleconference), spoke in favor of HB 247. He did not believe the state could afford the oil production tax program. He relayed the various costs of the current tax regime. He thought low oil prices rather than oil production taxes, were why companies having financial difficulties. Also, the credit program was not an effective way to increase oil production. Some credit money might help produce oil, but some of the money was used for companies that would never produce oil to bail them out of bankruptcy. He continued that oil industry jobs were important but so was the \$400 million of capital project jobs which were eliminated from the previous year's budget. He argued that tax credits only related to oil production taxes, not royalties and property taxes. There had been tax system changes some of which were strongly supported by the oil industry. He respected people from the oil industry. He suggested that carrying the oil industry at the state's expense was not the state's job when oil prices were low. He wondered if Alaskans were willing to give up \$1000 of their dividends to pay for oil tax credits. He implored the committee to right-size the oil industry tax credit program.

[2:34:46 PM](#)

PHYLLIS KRUGER, SELF, ANCHORAGE (via teleconference), spoke in opposition to HB 247. She noted all of the benefits that the oil industry had brought to the state. She spoke in support of the large producers and the contributions they made. She thought it was unacceptable to fire the producers that had been supporting the state for more than 40 years. She believed the state needed new revenue and new projects. She suggested taxing fishermen from out of state.

[2:38:13 PM](#)

CARL PORTMAN, SELF, ANCHORAGE (via teleconference), expressed his concern with the fiscal situation. He spoke in opposition of HB 247. He believed that the current the

tax regime encouraged investment and production. He mentioned the industry currently losing money based on low oil prices. He encouraged the legislature to continue making additional cuts. He also suggested using Permanent Funds earnings to fill the fiscal gap. He recalled Governor Jay Hammond's vision for the PF included the eventual use of fund earnings to help pay for essential government services. He did not support HB 247 given low oil prices, low throughput in the Trans-Alaska Pipeline System (TAPS), and the need for new industry investment. He thought the committee substitute was an improvement over the governor's bill. However, it still represented a tax increase on industry increasing the cost of doing business in Alaska during the most serious downturn in oil prices in decades. He thanked the committee.

[2:41:11 PM](#)

CATHY DUXBURY, SELF, ANCHORAGE (via teleconference), opposed HB 247. She believed the state could not tax its way out of the budget deficit. She opposed changing the current tax regime because increasing production was the key to solving the state's financial woes. She asked what increasing taxes did for the state's economy. She thought it would be hurtful. She had taken a pay cut in her business and wondered if the legislature would also like to take a pay cut. She wanted to see the state encourage production. She added that legislators needed to think about what was actually happening in the private sector and to private sector employees. She did not believe that the legislature had really cut anything to-date.

[2:43:49 PM](#)

GRETCHEN STODDARDM, SELF, ANCHORAGE (via teleconference), worked in the petroleum industry and understood that changes were coming. She had personally benefited from tax credits. She opposed HB 247 in its current form. She believed the credits did exactly what they were designed to do. She encouraged legislators to do something with the tax credits rather than the tax structure. She hoped that changes would apply to more than one industry. She thanked the committee.

[2:46:34 PM](#)

BOB FRENCH, SELF, ANCHORAGE (via teleconference), supported HB 247. He asserted that all of the economists who had testified before the legislature agreed that it was not possible to balance the budget using cuts alone. There was a need for new revenue as well. He suggested that one of the largest cuts that had not been made was to oil tax credits. He believed it amounted to welfare for the most profitable corporations in existence. He added that Alaska could not afford to keep paying \$825 million in tax credit cash payments while only receiving \$54 million in production taxes. He supported raising the 4 percent minimum to all fields to raise new revenue. He suggested the 4 percent minimum needed to gradually rise with higher oil prices replacing the flat rate. He thought the legislature had the opportunity to claw back on four mega projects: Knik Arm Bridge, the Juneau Access Road, The Susitna Road, and the Ambler Road. Alaska did not have the \$7.83 billion estimated to complete these mega projects. He also recommended that the legislature claw back \$263 million in unspent allocated funds for the 4 projects he mentioned. He supported a statewide sales tax. He suggested that the tax could be structured progressively by excluding groceries, medicine, and clothing. He thought it was possible to for low income households to receive sales tax refunds at the end of each year. He thanked the committee for hearing his testimony.

[2:49:25 PM](#)

MICHAEL JESPERSON SELF, ANCHORAGE (via teleconference), spoke in opposition to HB 247. He thought it was crazy to change the current tax regime. He spoke of the 2008 economic downturn and indicated he lost his job during that time. He thought the current committee substitute would discourage development of the oil industry. He thought that additional cuts needed to be implemented. He added that if the state had to increase taxes they should be implemented on a statewide basis such as a sales tax. He also suggested increasing the statewide corporate tax rather than targeting specific industries.

[2:52:49 PM](#)

MIKE HEIRING, VOSS, ANCHORAGE (via teleconference), opposed HB 247 as written. He had over 30 years of experience in the oil and gas industry. He specifically provided engineering and construction services for Udelhoven

Oilfield System Services, an Alaska based company employing Alaska residence for over 40 years. He spoke of extensive research being done by Alaska Oil and Gas Association (AOGA) and other organizations projecting the impacts to future investment in the oil and gas industry in the state of Alaska. More recently he had had direct conversations with current and future oil and gas companies that had indicated that the passage of HB 247 would discourage additional investment. He opined that the attempt by Governor Walker to raise taxes and repeal credits when the oil and gas companies were struggling to remain profitable would dramatically affect the State of Alaska in the short and long term. He requested that members carefully reconsider the legislation before the committee. He thanked the committee members for their time.

[2:54:58 PM](#)

JEANINE ST. JOHN, LYNDEN, ANCHORAGE (via teleconference), opposed HB 247. She expressed her concerns about her job and her husband's job as well as her son's job. She supported broad-based taxes. She relayed her personal experience. She urged members to consider the future when contemplating the current legislation before the committee. She thanked members for their service.

[2:58:14 PM](#)

RAY METCALFE, SELF, ANCHORAGE, supported HB 247. He relayed his work on the North Slope. He indicated that he had sat as the committee chair of House Finance in 1982. At the time the legislature was considering a giant tax break for the oil companies. He recalled listening to the testimony of Mr. Whitehouse, the chairman of Standard Oil of Ohio (SOHIO). Standard Oil of Ohio was 52 percent owned by British Petroleum (BP) and the face of BP in Alaska. Mr. Whitehouse had told the committee that the company was suffering from poverty stricken oil problems because of the expense of the pipeline. The legislature gave the oil companies a giant tax break at that time. Shortly after the tax break he was in Washington D.C. and was told about the windfall profits tax and documents that had been subpoenaed from SOHIO. He tracked down some of the documents including a lengthy letter to the SOHIO board. It was the same person that had testified to the legislature that the company was suffering from poverty. The letter explained that there was so much money coming out of the North Slope that they did

not know what to do with it all. He fast forwarded to SB 21. He relayed that he had been the one to initiate a campaign against the legislation. He continued that the message given by the oil companies was that there were greener pastures in North Dakota and other places. He asserted that those places were shutting down whereas they were still producing in Alaska. He opined that the oil industry was still around Alaska because the companies were making money. He suggested that Alaska had less to show for its 18 billion barrels than any country in the world that had ever produced that many. He spoke to the example of Norway.

[3:01:29 PM](#)

KATE BLAIR, SELF, ANCHORAGE (via teleconference), spoke in support of HB 247. She relayed her personal experience and currently worked in the oil industry. She had seen the oil industry having to make some tough decisions including having to implement layoffs. She stated that for more than 40 years the oil industry had provided 85 percent of the state's revenue. She relayed several benefits provided by the oil industry to the state. She believed that the credits to the oil companies were not subsidies. She supported the use of the PF earnings and having a broad-based tax. However, she could not support going back to one single industry year after year. She requested that the committee listen to the will of the people who voted to keep SB 21 in place less than 2 years prior. She wanted companies to spend their investment dollars in Alaska, hire Alaskans, and to provide a future for her family. She thanked the committee.

[3:05:12 PM](#)

JAN WRENTMORE, SELF, SKAGWAY (via teleconference), spoke in favor of HB 247. She thought the tax credit regime might have been a good strategy in the past but, at present the state could simply not afford it. She supported calling back the money for the mega projects and favored a statewide income tax. She thanked the committee.

[3:05:56 PM](#)

TOM LAKOSH, SELF, ANCHORAGE (via teleconference), spoke in favor of the original bill. He felt that the state could not afford to subsidize the oil industry. He thought it was

unconstitutional for the state to pay for others to take the state's natural resources. He referred to Article 8, Section 2 and Section 16. He was not opposed to the idea of subsidizing production but it had to be viewed in the context of a corporate income tax and royalties. He advocated suspending production well before having to pay for people to take Alaska's oil. He advocated for a fair and just compensation for Alaska's oil. He felt that the oil companies should demonstrate their need for tax breaks. He thanked the committee.

[3:09:46 PM](#)

SUSAN KAY, SELF, WASILLA (via teleconference), spoke in support of keeping the tax structure but changing the direction of the credits. She felt that the credits were unfair and the money should be shared with non-profits.

[3:13:33 PM](#)

MATTHEW JOY, SELF, ANCHORAGE (via teleconference), supported the legislation. He felt that it was fair for the state to receive a percentage of revenue from resource extraction. He thought that if it was not economical to extract a resource, then it would be better to keep the resource until prices increased. He mentioned hearing concerns about jobs. He thought it was important to be aware that many of the jobs created by the state were filled by people who lived outside of Alaska. He thought it was unfair to the citizens of Alaska not to tax those people that worked in the state but lived elsewhere. They should pay an income tax.

[3:16:24 PM](#)

LARRY BURGESS, SELF, WASILLA (via teleconference), spoke in opposition of HB 247. He believed that the promises the state made should be kept. He believed there was a new rule in place that 90 percent of the jobs had to be filled via local hire for any state funded project. He noted that when tax credits were involved, there should be a return on investment to the state. He thanked the committee.

[3:18:21 PM](#)

MERRICK PIERCE, SELF, FAIRBANKS (via teleconference), spoke in favor of HB 247. If the state did not continually give

away its resources it could be similar to Norway. Norway had about 20 times the wealth of Alaska. Alaska was not doing nearly as well because the state was giving away its resources as it did under the Economic Limit Factor (ELF) system, the Petroleum Production Tax (PPT) system, or under SB 21. He noted that when the bill was in House Resources the most fundamental reforms were scrapped such as the requirement that Alaska charge compound interest on past due taxes. The provision would not make a difference in whether a company chose to invest in Alaska. However, the provision incentivized companies not to pay their taxes with a 4 percent simple interest penalty. He continued to discuss various rates of return. He opined that SB 21 guaranteed that taxes would not be paid. The issue came up 25 years prior when Hugh Malone fought to establish the compound interest penalty on past due taxes. He never thought the state would return to simple interest penalties. He continued that the actions by House Resources were inexcusable in the prior week where key provisions were stripped from the bill. He noted that Representative Hawker was allowed to debate and argue against the legislation even though he had a conflict of interest. He spoke of Representative Wilson serving on the borough assembly. He mentioned the illegal bribes that were taken in past years. He concluded that under the current unconstitutional tax regime, if unchanged and the price and throughput stayed the same, about \$70 billion worth of oil would be taken from Alaska over the following 10 years. He thanked members for their time.

[3:21:35 PM](#)

WILLIAM SCHNEIDER, SELF, ANCHORAGE (via teleconference), opposed HB 247. He thought the state needed to raise revenue through an income tax program and by using the earnings from the PF. He thought basic services needed to continue being provided. He opined that the state needed to pay its own way in order to support a quality of life in Alaska. He encouraged members to get the job done in the current legislative session. He thanked the committee.

[3:22:19 PM](#)

KEVIN DURLING, PETROLEUM EQUIPMENT AND SERVICES INC., ANCHORAGE, testified in opposition of HB 247. He also was a past president for the Alaska Support Industry Alliance. The Alliance and its members were the front line of the

industry. He suggested that when oil prices were low his company was the first to go. He spoke of his company cutting benefits, salaries, and laying off Alaskan workers. His company had made adjustments knowing it was necessary to weather the storm. He anticipated his company would ramp up again when commodity prices changed because of tremendous resources that still existed. However, his company could not ramp up if the state continued with the instability that would prevent investment from returning. He felt that HB 247 was being used as a tool to fill the budget gap with no regard for the long term effects. Incentives lead to investments while increased taxes did not. Consequences would result with changes in the current tax system. He posed a question about the market reaction if HB 257 made the problem worse.

3:25:16 PM

BRYAN CLEMENZ, SENIOR VP BRISTOL BAY INDUSTRIAL, ANCHORAGE (IN JNU), spoke in opposition of HB 247. He spoke about his company which touched all markets in Alaska and beyond with a number of business activities related to the oil industry. He mentioned that Bristol Bay Industrial was a subsidy of Bristol Bay Native Association. He continued to relay the services his company provided to the oil industry. He noted that the current tax policy worked. He stated that the change jeopardized the company's baseline business and further investment. Near term prospects were with developers and operators who had invested based on the current tax policy. New operators in the Cook Inlet area and Middle Earth were included. He emphasized that the change proposed in HB 247 jeopardized the success of future development and the viability of the company's baseline business. Stability in the tax structure was vital. He asked members to reject HB 247.

3:29:08 PM

STEVEN SAMUELSON, SELF, PETERSBURG (IN JUNEAU), spoke in support of HB 247. He believed that Alaska needed to pay its own way. He thought it should start on a local level. He talked about generating new revenue aside from oil. He spoke of the benefits of the oil industry. He mentioned the benefits of the Permanent Fund program and opined that the Permanent Fund Dividend (PFD) was a bonus check. He noted that in Petersburg had a city sales tax. He supported a sales tax. He hoped for a better future.

3:32:50 PM

LOUIE FLORA, SELF, HOMER (IN JNU), spoke in favor of HB 247 but did not support the committee substitute generated in House Resources - CSHB 247 (RES). He read from the poem, "The Red Wheel Barrel" by Dr. William Carlos Williams. Like the red wheel barrel the issue of oil tax credit reform was simple and complex at the same time. So much depended upon the legislature passing oil tax credit reform as part of a sustainable fiscal plan. It was critical to fix the \$800 million problem. If the tax system was left in place and the state ended up paying more for oil tax credits than the state received in oil revenues, Alaskan residents would be paying companies and corporations their PFD's. A reasonable give-and-take was essential for industry. He opined that Alaska's economy could not withstand an \$800 million in tax credit payments each year. So much depended on a vibrant economy in Alaska and a healthy oil industry. He suggested meeting in the middle and coming up with a plan. He continued that Alaska could not afford the current fiscal regime. Alaska needed to act in the coming spring. Part of the action needed to include a reasonable modification of the oil tax credit system. He thanked committee members for their bravery and hard work.

3:35:38 PM

ERIC TREIDER, SELF, KENAI (via teleconference), spoke in favor of HB 247. He believed there should be a base tax of 5 percent on oil produced from all wells. He thought the rate should grow as oil prices increased to 10 percent at \$80 per barrel and 25 percent at \$125 per barrel. He added that the system of tax credits needed to be replaced by a loan program unless producers wanted to give the state an equity interest in the wells it was helping them drill. Presently, the state was taking nearly all of the risk and receiving very little in return. He reported that historically the legislature had done a poor job of managing the state's oil income. Norway had produced about twice as much oil as Alaska had, yet its sovereign wealth fund contained 20 times more than Alaska's PF. He spoke of promises made for a 'yes' vote on Proposition 1 [SB 21]. He suggested ending corporate welfare and adopting an oil tax law befitting a proud owner state such as Walter Hickel's Alaska.

[3:37:39 PM](#)

NELMA TREIDER, SELF, KENAI (via teleconference), spoke in favor of HB 247. She thought it was a sad day when education, senior benefits, and other services were cut while the state payed oil tax credits. She did not understand the legislature's approach and asked members to explain themselves. She thanked the committee.

[3:39:40 PM](#)

Co-Chair Thompson CLOSED public testimony.

HB 247 was HEARD and HELD in committee for further consideration.

Co-Chair Thompson reviewed the agenda for the day.

#

ADJOURNMENT

[3:40:14 PM](#)

The meeting was adjourned at 3:40 p.m.